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**TRAFFORD
COUNCIL**

AGENDA PAPERS FOR ACCOUNTS AND AUDIT COMMITTEE

Date: Wednesday, 20 July 2022

Time: 6.30 p.m.

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

A link to the meeting broadcast can be found at:

<https://www.youtube.com/channel/UCjwbIOW5x0NSe38sqFU8bK>

A G E N D A	PART I	Pages
1. ATTENDANCES		
To note attendances, including Officers and any apologies for absence.		
2. MEMBERSHIP OF THE COMMITTEE 2022/23		1 - 2
To note the membership and chairing arrangements for the committee for the municipal year 2022/3, as determined by Council.		
3. TERMS OF REFERENCE FOR THE COMMITTEE 2022/23		3 - 6
To note the Terms of Reference for the committee for the municipal year 2022/3, as determined by Council. NOTE: These are unchanged from the previous year.		
4. 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.		
5. 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.		

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|-----|--|-----------|
| 6. | MINUTES | 7 - 12 |
| | To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 22 nd March, 2022. | |
| 7. | 2021/22 DRAFT ANNUAL GOVERNANCE STATEMENT | To Follow |
| | To consider a report of the Director of Legal and Governance. | |
| 8. | AUDIT STRATEGY MEMORANDUM 2021/22 | 13 - 48 |
| | To consider a report by the Council's external auditor, Mazars. | |
| 9. | EXTERNAL AUDIT PROGRESS REPORT | 49 - 60 |
| | To consider a report by the Council's external auditor, Mazars. | |
| 10. | TREASURY MANAGEMENT ANNUAL PERFORMANCE 2021/22 REPORT | 61 - 82 |
| | To consider a report of the Executive Member for Finance and Governance and Director of Finance and Systems. | |
| 11. | BUDGET MONITORING REPORT 2021/22 - PERIOD 12 OUTTURN (APRIL 2021 - MARCH 2022) | 83 - 144 |
| | To consider a report of the Executive Member for Finance and Governance and Director of Finance and Systems. | |
| 12. | CIPFA FINANCIAL MANAGEMENT CODE | 145 - 160 |
| | To consider a report of the Director of Finance and Systems. | |
| 13. | AUDIT AND ASSURANCE REPORT FOR THE PERIOD JANUARY TO MARCH 2022 | 161 - 170 |
| | To consider a report of the Audit and Assurance Manager. | |
| 14. | ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2021/22 | 171 - 206 |
| | To consider a report of the Audit and Assurance Manager. | |
| 15. | STRATEGIC RISK REGISTER 2022/23 (JULY 2022 UPDATE) | To Follow |
| | To consider a report of the Audit and Assurance Manager. | |
| 16. | ACCOUNTS AND AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL 2021/22 | 207 - 226 |
| | To consider a report of the Chair and Vice-Chair of the Committee. | |

17. **ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2022/23** 227 - 230

To consider a report of the Audit and Assurance Manager.

18. **URGENT BUSINESS (IF ANY)**

Any other item or items which by reason of special circumstances (to be specified) the Chair of the meeting is of the opinion should be considered at this meeting as a matter of urgency.

SARA TODD

Chief Executive

Membership of the Committee

Councillors B. Brotherton (Chair), J. Lloyd (Vice-Chair), G. Carter, S. G. Ennis, W. Hassan, R. Thompson, M.P. Whetton and G. Whitham; and Mrs. J. Platt.

Further Information

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

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

This agenda was issued on **Tuesday, 12 July 2022** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford, Manchester, M32 0TH.

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TRAFFORD COUNCIL

MEMBERSHIP OF COMMITTEES 2022/23

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

COMMITTEE		NO. OF MEMBERS	
ACCOUNTS AND AUDIT		9	
		(plus 1 Co-optee)	
LABOUR GROUP	CONSERVATIVE GROUP	LIBERAL DEMOCRATS GROUP	GREEN PARTY GROUP
Councillors:	Councillors:	Councillors:	Councillors:
Barry Brotherton CH Ged Carter Waseem Hassan Judith Lloyd V-CH Rose Thompson Graham Whitham	Dave Morgan OS Michael Whetton	Shaun Ennis	-
TOTAL	6	2	1
			0

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

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ACCOUNTS AND AUDIT COMMITTEE

Statement of Purpose

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

Composition

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

Terms of Reference

Internal and External Audit

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

Risk Management

- a) Review the adequacy of arrangements for identifying and managing the organisation's business risks, including partnerships with other organisations. This includes review of the Council's risk management policy and strategy and their implementation.
- b) Review the robustness of the strategic risk register and the adequacy of associated risk management arrangements.
- c) Receive and consider regular reports on the risk environment and associated management action.

Internal Control Arrangements, Corporate Governance and the Annual Governance Statement

- a) Review the effectiveness of corporate governance arrangements and internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.
- b) Conduct a review of the draft Annual Governance Statement (AGS), which is a key assurance statement required to be completed each year in accordance with the Accounts and Audit (Amendment) Regulations 2021.
- c) Approve the final version of the Annual Governance Statement.

Anti - Fraud and Corruption Arrangements

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

Accounts

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

Access and Reporting

- a) To have the right of access to senior officers and all committees of the Council.

- b) To report directly to the Executive or Council, as appropriate, on matters within these terms of reference.

Delegation

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

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ACCOUNTS AND AUDIT COMMITTEE

22 MARCH 2022

PRESENT

Councillor B. Brotherton (in the Chair).

Councillors C. Boyes, G. Carter, J. Lloyd (Vice-Chair) and R. Thompson; and Mrs. J. Platt.

In attendance

Head of Financial Management (Mr. D. Muggeridge),
Audit and Assurance Manager (Mr. M. Foster),
Chief Digital Officer (Mr. P. James) (part only),
Governance Officer (Mr. J.M.J. Maloney).

Also In Attendance

Ms. K. Murray (Mazars).

APOLOGIES

Apologies for absence were received from Councillors M. Cordingley, W. Hassan, D. Jerrome and A. Mitchell.

47. QUESTIONS FROM MEMBERS OF THE PUBLIC

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

48. DECLARATIONS OF INTEREST

No declarations were made by Members of the Committee.

49. MINUTES

RESOLVED – That the Minutes of the Meeting held on 2nd February 2022 be approved as a correct record and signed by the Chair.

50. 2021/22 ANNUAL GOVERNANCE STATEMENT - APPROACH / TIMETABLE

The Head of Governance submitted a report which set out the action plan / timetable to ensure compliance with the production of an Annual Governance Statement for 2021/22. The preparation and publication of such a Statement was necessary to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit Regulations 2015. It was noted that, in facilitating the production of the Statement, the guidance issued by CIPFA / SOLACE in April 2016 would be used as a reference point during the process.

RESOLVED -

(1) That the timetable / action plan be noted.

- (2) That it be noted that the Committee would have input into reviewing a draft version of the Annual Governance Statement prior to it being finalised and signed off by the Chief Executive and Leader of the Council.

51. AUDIT PROGRESS REPORT

Karen Murray was in attendance on behalf of the Council's external auditor, Mazars, to draw Members' attention to key features of their current external audit. Work covering the financial year 2020/21 was essentially complete; planning for the 2021/22 audit was well under way, and it was intended to refer the Audit Strategy Memorandum to the Committee's next meeting. The Committee's attention was drawn to a number of useful information sources and documents, in particular in relation to ongoing consultation on the Accounting Code of Practice and Cyber Security good practice, both of which featured elsewhere on the agenda.

RESOLVED – That the content of the report be noted.

52. BUDGET MONITORING REPORT 2021/22 - PERIOD 10 (APRIL 2021 - JANUARY 2022)

The Head of Financial Management introduced a report of the Executive Member for Finance and Governance and the Director of Finance and Systems 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 had been recently considered by the Executive. Details were given of the key variance factors which had contributed to what was now a favourable year-end projection.

An opportunity was provided for Members to raise comments on the report's content. These focussed on: the implications of rising interest rates for the Council's investment assets; the reasons for, and impact of, vacancy rates, particularly in social care; the extent of slippage in the capital programme; expectations in respect of CCG contributions in respect of hospital discharges; and measures to address the deficit on the Education High Needs Block. It was noted that further information was to be provided outside the meeting on deferred capital programme schemes and intentions in respect of the highways structural maintenance programme; and the suggestions were noted that the findings of a capital programme review, and comments of the Executive on the High Needs Block, be brought to the Committee in due course.

RESOLVED – That the updated positions on the revenue budget, collection fund and capital programme, and the observations now made by Members, be noted.

53. ACCOUNTING CONCEPTS AND POLICIES

The Executive Member for Finance and Governance and Director of Finance and Systems submitted a report which explained the accounting concepts and policies that would be used in preparing the 2021/22 annual accounts, it being noted that there were no material changes to the Accounting Policies for 2021/22. The report was made annually to the Committee, and was designed to secure the identification and deployment of best practice. Members were asked to note in particular the position in relation to IFRS 16 on leasing arrangements, and on requirements in relation to the valuation of assets.

RESOLVED -

- (1) That the accounting concepts and policies that will be used in completing the 2021/22 annual accounts be approved.
- (2) That the changes in accounting standards issued but not yet adopted until 2022/23 in respect of accounting for leases be noted.
- (3) That the potential for changes to the accounting policies for 2021/22, pending the outcome of the emergency consultation on amendments to the Accounting Code, be noted.

54. AUDIT AND ASSURANCE SERVICE - INTERNAL AUDIT OPERATIONAL PLAN 2022/23

The Audit and Assurance Manager submitted a report which provided, at a high level, the proposed Internal Audit Operational Plan for 2022/23. The report set out planned work for the year, acknowledging that this remained flexible and subject to review as needed during the year. It was noted that there had been some variations to planned work in 2021/22, partly due to the COVID-19 pandemic, and that plans for the year ahead took account of both new areas for review and some work deferred to 2022/23. The report also included, in the appendices, the Internal Audit Charter and Strategy, which had been previously reviewed by CLT and the Accounts and Audit Committee and were unchanged from the versions agreed in March 2021.

An opportunity was provided for Members to raise questions in relation to the report's content. These focussed on intentions in respect of audit coverage of home to school transport and aids and adaptations, and the availability and deployment of audit capacity compared to previous years.

RESOLVED – That the 2022/23 Internal Audit Plan be approved.

55. STRATEGIC RISK REGISTER 2021/22 (MARCH 2022 UPDATE)

The Audit and Assurance Manager submitted a report which presented for Members' consideration an update on the strategic risk environment, setting out developments relating to the management of each of the Council's strategic risks. It was noted that the current version had been agreed by the Corporate Leadership Team earlier in the month, and had identified a lower overall risk level in relation to the safeguarding of adults.

In discussion, it was noted that all the risks identified were kept under current review, not least in relation to Covid-19, and the potential implications of the current geopolitical situation for cyber security and pressure on school places. In response to a query, it was noted that the next update to the Committee could focus on performance and implications in relation to the processing of Freedom of Information requests.

RESOLVED – That the content of the report be noted.

56. 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 i.e. items covered during the year, including the March 2022 meeting. It outlined areas considered by the Committee at each of its meetings over the period of the year. The programme had assisted in ensuring that the Committee had met its responsibilities under its terms of reference and maintained focus on key issues and priorities as defined by the Committee; and a summary would be included in the forthcoming Annual Report. It was noted that issues arising from the current meeting would be taken into account in drawing up the programme for the forthcoming year.

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

57. URGENT BUSINESS (IF ANY)

(a) Council Tax Billing

[Note: The Chair agreed to permit consideration of this item as Urgent Business in order for prompt information to be made available to Members and their constituents.]

In response to a query regarding an apparent anomaly in an aspect of the presentation of Council Tax bills, it was noted that a standard response was available, and that it would be circulated for information to all Members of the Committee.

58. EXCLUSION RESOLUTION

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

59. CYBER SECURITY PRESENTATION

The Chief Digital Officer was in attendance to deliver to Members a presentation which focussed on key current aspects of the Council’s cyber security. It covered the cyber security environment, risks and threats and their consequences, key principles of security, risk mitigation measures, sources of advice and assistance, and the work being undertaken in response to audits of cyber security.

In discussion, Members reviewed and raised questions regarding a number of the key current issues highlighted during the course of the presentation. These were noted by the officers, and Members were advised that a further update would be made to the Committee in due course.

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

The meeting commenced at 6.30 p.m. and finished at 8.05 p.m.

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Audit Strategy Memorandum

Trafford Metropolitan Borough Council

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Year ending 31 March 2022

Agenda Item 8



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- 01 Engagement and responsibilities summary
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- 03 Audit scope, approach and timeline
- 04 Significant risks and other key judgement areas
- 05 Value for money
- 06 Fees for audit and other services
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- 08 Materiality and misstatements
- Appendix – Key communication points

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Accounts and Audit Committee
Trafford Metropolitan Borough Council
Town Hall
Talbot Road
Stretford
M32 0TH

Mazars LLP
One St Peter's Square
Manchester
M2 3DE

20 July 2022

Dear Accounts and Audit Committee Members

Audit Strategy Memorandum – Year ending 31 March 2022

We are pleased to present our Audit Strategy Memorandum for Trafford Metropolitan Borough Council for the year ending 31 March 2022. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

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

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

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

Yours faithfully



Karen Murray

Mazars LLP

Mazars LLP – One St Peter's Square, Manchester, M2 3DE.

Tel: 0161 238 9200 – www.mazars.co.uk

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

01

Section 01:

Engagement and responsibilities summary

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1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Trafford Metropolitan Borough Council for the year to 31 March 2022. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

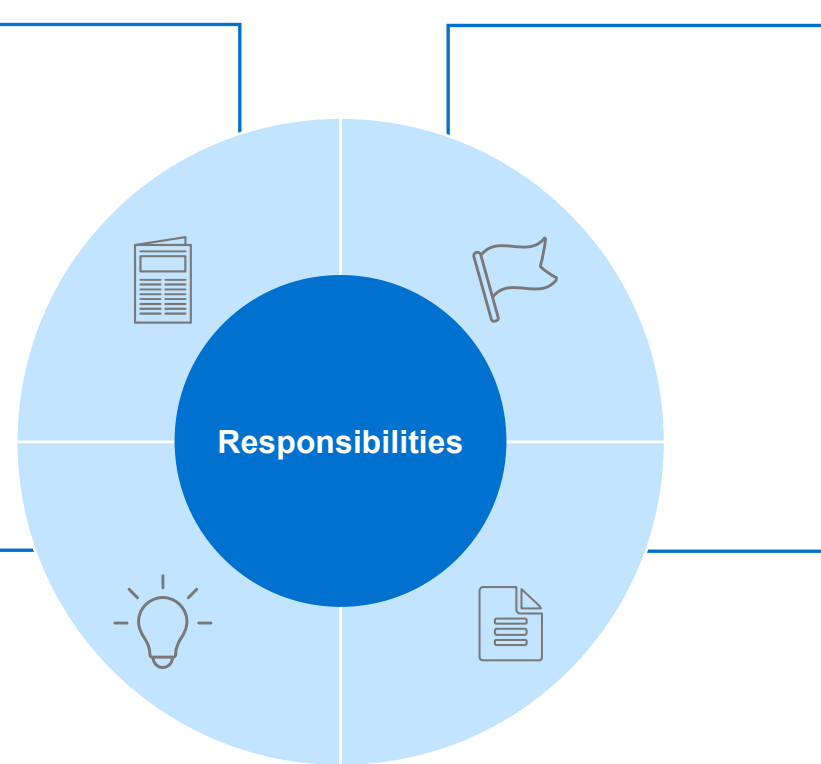
Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or Accounts and Audit Committee, as those charged with governance, of their responsibilities.

The Director of Finance and Systems is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Director of Finance and Systems' use of the going concern basis of accounting in the preparation of the financial statements.

Value for money

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



Fraud

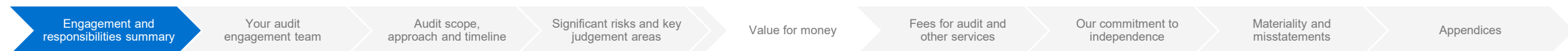
The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and include Internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

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

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



02

Section 02:

Your audit engagement team

2. Your audit engagement team

Your external audit service continues to be led by Karen Murray. A summary of key team members are detailed below:

Who	Role	E-mail
Karen Murray	Engagement Lead	karen.murray@mazars.co.uk
Muhammad Uzair Khan	Engagement Senior Manager	muhammad-uzair.khan@mazars.co.uk
Lesley Moya	Engagement Assistant Manager	lesley.moya@mazars.co.uk

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Engagement and responsibilities summary	Your audit engagement team	Audit scope, approach and timeline	Significant risks and key judgement areas	Value for money	Fees for audit and other services	Our commitment to independence	Materiality and misstatements	Appendices
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03

Section 03:

Audit scope, approach and timeline

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3. Audit scope, approach and timeline

Audit scope

Our audit is designed to comply with all professional requirements.

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

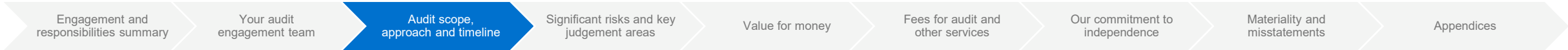
Audit approach

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

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

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



3. Audit scope, approach and timeline

Page 22

Planning March

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Completion November

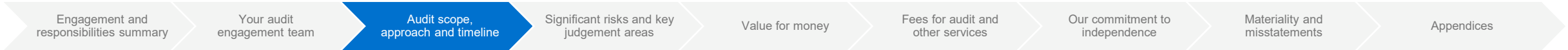
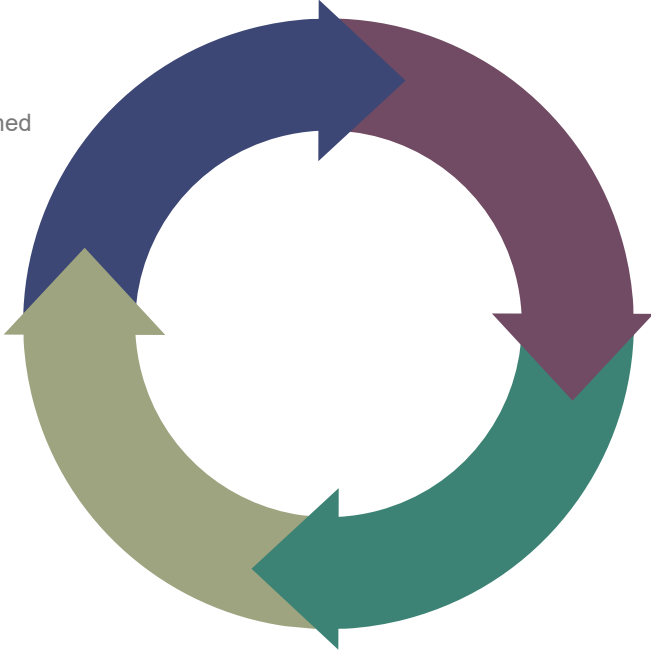
- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Accounts and Audit Committee
- Reviewing subsequent events
- Signing the auditor's report

Interim March-April

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork October-November

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting



3. Audit scope, approach and timeline

Reliance on internal audit

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

Management’s and our experts

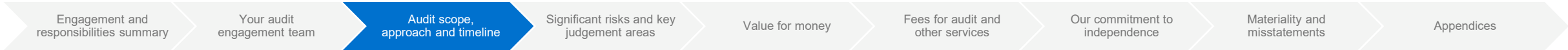
Management makes use of experts in specific areas when preparing the Council’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Defined benefit liability	Actuary (Hymans Robertson)	NAO’s consulting partner (PWC)
Property, plant and equipment valuation	Amey Consulting	We will take into account any relevant information which is available from third parties. We may instruct our own in-house valuation team to support us.
Valuation of shareholding in Manchester Airport Holdings Limited	BDO LLP	In-house Mazars valuation team
Financial instrument disclosures	Link Asset Services (formerly Capita)	We will review the methodology used by the expert to gain assurance that the fair value disclosures are materially correct
Valuation of Airport Land	Jacob	In-house Mazars valuation team

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

We have not identified any relevant service organisations.



3. Audit scope, approach and timeline

Group audit approach

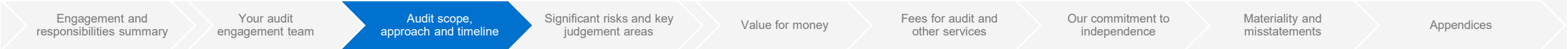
The Council’s group structure for 2021/22 will include one wholly owned subsidiary company, Trafford Leisure CIC Ltd, and one joint venture, Trafford Bruntwood LLP. In auditing the accounts of the Council’s Group financial statements we need to obtain assurance over the transactions in the Group relating to the Council’s subsidiary and joint venture.

Our approach will reflect the size and complexity of the transactions from the subsidiary company and joint venture that are consolidated into the Council’s Group financial statements. Our plan, based on our cumulative understanding obtained from the 2020/21 audit, and the values reported in the prior year financial statements, is that we will obtain assurance from group level analytical procedures. We do not plan to obtain specific assurance from the component auditors of the Council’s subsidiary company and Joint Venture

Entity	Significant by size	Significant risk	Auditor	Scope
Trafford MBC	Yes	Yes	Mazars LLP	Full
Trafford Leisure CIC	No	No	Mitchel Charlesworth LLP	Group level analytical procedures
Trafford Bruntwood LLP	No	No	Deloitte LLP	Group level analytical procedures

The Council has two further joint ventures following the acquisitions of Stretford Mall and the Stamford Quarter. Management are currently assessing the appropriate accounting treatment and disclosures relating to these joint ventures for 2021/22. We will review management’s proposed accounting treatments and assumptions once this assessment has been completed.

If there are any changes to our assessment of the significance of the Council’s group components, either through the size and complexity, or the significant risks at the components, we will communicate these changes to the Accounts and Audit Committee and amend our audit strategy as appropriate.



04

Section 04:

**Significant risks and other key
judgement areas**

Page 25

4. Significant risks and other key judgement areas

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

Significant risk

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

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk. These include but may not be limited to:

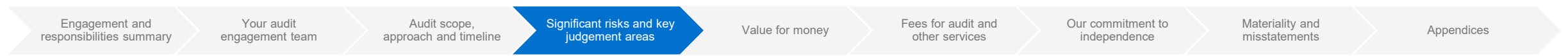
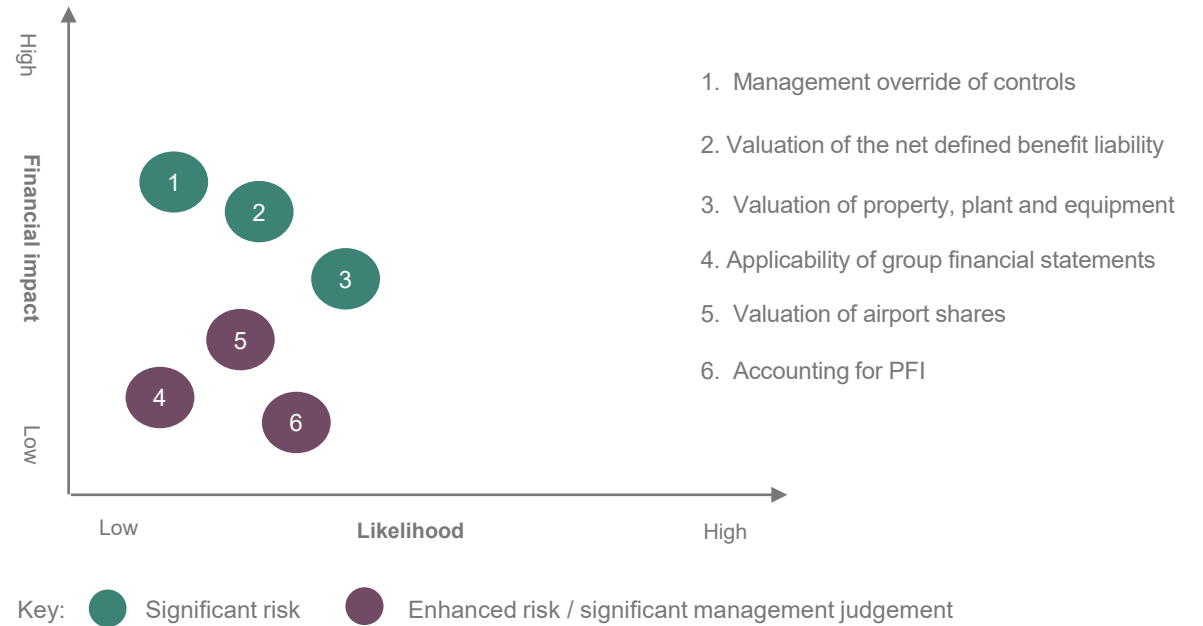
- Key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- Other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

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

Summary risk assessment

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



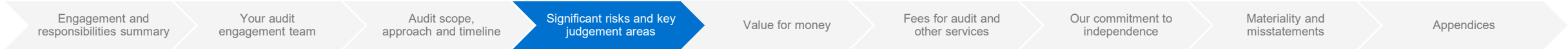
4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to Accounts and Audit Committee.

Significant risks

Page 27	Description	Fraud	Error	Judgement	Planned response
	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	<p>We plan to address the management override of controls risk through performing audit work over:</p> <ul style="list-style-type: none"> • accounting estimates, • journal entries and • significant transactions outside the normal course of business or that are otherwise unusual.

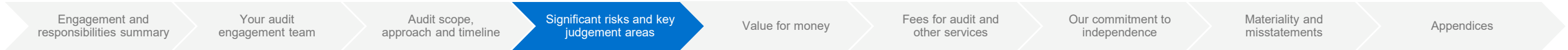


4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Net defined benefit liability valuation The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2019.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates, and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2021/22.</p>	○	●	●	<p>In relation to the valuation of the Council's defined benefit pension liability we will:</p> <ul style="list-style-type: none"> Critically assess the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson; Liaise with the auditors of the Greater Manchester Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; Test payroll transactions at the Council to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by the Council; Review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; Agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

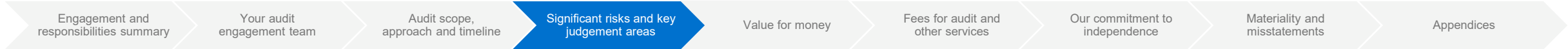
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4. Significant risks and other key judgement areas

Significant risks

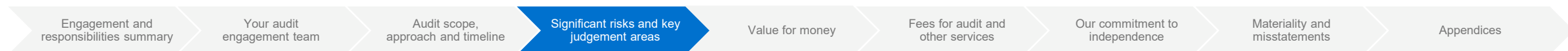
	Description	Fraud	Error	Judgement	Planned response
3 Page 29	<p>Valuation of property, plant and equipment</p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE and investment properties.</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the current value/fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five year cycle.</p> <p>The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process.</p> <p>As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct value. In addition, as the valuations are undertaken through the year there is a risk that the value of the assets is materially different at the year end.</p> <p>Although the Council engages a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE and investment properties, as a results of the significant judgements and number of variables involved. We have therefore identified the revaluation of PPE and investment properties to be an area of significant risk.</p>	○	●	●	<p>We will review the approach that the Council has adopted to address the risk that assets not subject to valuation in 2021/22 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the Council's valuers.</p> <p>In relation to the assets which have been revalued during the year, we will assess the Council's valuer's qualifications, objectivity and independence to carry out such valuations, and review the valuation methodology used, including testing the underlying data and assumptions. We will also critically assess the appropriateness of the underlying data and the key assumptions used in the valuer's calculations, using available third party evidence.</p> <p>In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.</p>



4. Significant risks and other key judgement areas

Other key areas of management judgement and enhanced risks

	Description	Fraud	Error	Judgement	Planned response
Page 30	<p>4 Applicability of Group Financial Statements</p> <p>The Council undertake an annual assessment to determine whether there have been any changes within the Council group boundary that would require the inclusion of other entities within the group accounts.</p> <p>The Council has made judgements around the group entities it considers and how it might consolidate transactions and balances into the group.</p>	○	●	●	We will review the 2021/22 assessment that the Council completes to determine whether there have been any changes within the group boundary that would require the inclusion of other entities within the group accounts.
	<p>Valuation of shareholding in the Manchester Airport Group PLC</p> <p>The Council's shareholding in the Manchester Airport Group PLC has been valued by a firm of financial experts based on assumptions about financial performance, stability and key business projections. The figure disclosed in your accounts in relation to Manchester Airport Holdings Limited is at fair value.</p> <p>There is a risk that the assumptions and methodology used by your experts are not appropriate and we will need to obtain assurance that accounting entries are not materially misstated.</p>	○	●	●	<p>We plan to address this risk by</p> <ul style="list-style-type: none"> assessing the scope of work performed/terms of engagement, qualifications, objectivity and independence of the expert engaged to carry out the valuation assessment of the airport shares. Utilise the services of our internal valuation experts to review the work completed by BDO as the Management expert and evaluate the appropriateness of the assumptions applied to arrive at the figure in the financial statements.
	<p>6 Accounting for Private Finance Initiative (PFI) schemes</p> <p>In 2003 the Council entered into a 25 year PFI contract for the provision of new office and community facilities in Sale Town Centre.</p> <p>The Council has no new PFI schemes in 2021/22, and continues to make judgements that result in the Council accounting for the PFI assets and liabilities in its financial statements.</p>	○	●	●	We will consider the continued accounting treatment of the PFI scheme assets and liabilities as being in the Council's financial statements.



05

Section 05:

Value for money

Page 31

5. Value for money

The framework for Value for Money work

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

2021/22 will be the second audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment

Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and members

Additional risk based procedures and evaluation

Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.

Reporting

We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.

Our commentary will also highlight:

- Significant weaknesses identified and our recommendations for improvement
- Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

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Materiality and misstatements

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5. Value for money

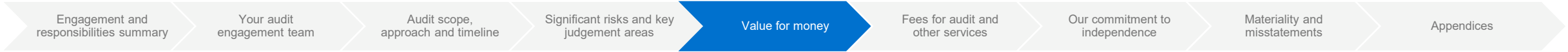
Identified risks of significant weaknesses in arrangements

The NAO’s guidance requires us to carry out work at the planning stage to understand the Council’s arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, the table below outlines the risks of significant weaknesses in arrangements that we have identified to date. We will report any further identified risks to the Accounts and Audit Committee on completion of our planning and risk identification work.

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Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Planned procedures
<p>OFSTED inspection: children’s social care services:</p> <p>In May 2019 Ofsted issued a report on its inspection of the Council’s Children’s Social Care Services. The inspection report concluded that the overall effectiveness of the Council’s services for children is inadequate.</p> <p>These matters indicate a risk of significant weaknesses in proper arrangements</p>	○	●	●	<p>We will review the Council’s response to the OFSTED inspection and resulting report. This will include reviewing the:</p> <ul style="list-style-type: none"> • Progress the Council is making in implementing the action plan developed and submitted to OFSTED following the inspection and on receipt of the final report; and • internal oversight arrangements established by the Council to monitor progress in addressing the areas for improvement identified by the OFSTED • Consider the subsequent responses to the follow up activities by OFSTED through their focused inspection and monitoring visits.

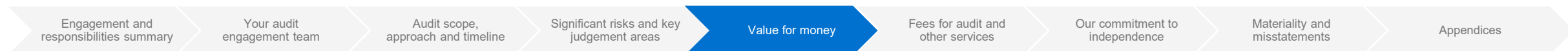


5. Value for money

Our work to follow-up on previous recommendations

As part of our 2020/21 audit, we identified significant weaknesses in the Council's arrangements. The table below sets out the significant weaknesses identified, our previous recommendations and the work we intend to carry out as part of our 2021/22 audit.

Previously identified significant weakness in arrangements	Relevant reporting criteria	Our 2020/21 recommendations	Planned procedures for 2021/22
<p>OFSTED inspection: children's social care services:</p> <p>In March 2019 Trafford Children's Services was inspected by OFSTED under the Inspection of Local Authority Children's Service Framework. The report from this inspection was published in March 2019 and gave an overall rating of "inadequate" for the Council's service.</p> <p>The report reflected a significant deterioration in the quality of the service since the previous inspection in 2015. OFSTED specifically reported that Senior Managers within the Council's service were not aware of the deterioration in performance and, had their inspection not taken place, the weaknesses would not have been recognised. The OFSTED report set out a number of areas for improvement both in terms of social care practice but also in leadership.</p> <p>Following the inspection, the Council took immediate action to respond to the findings. This included setting up an Improvement Board, with an Independent Chair, attended by senior politicians and senior officers from the Council and other key partners. The Board continues to provide oversight.</p> <p>A comprehensive action plan was also developed to address the findings in the report. This action plan is being implemented and is subject to regular review and updating in line with the Council's internal findings from quality assurance. Progress with this action plan is regularly monitored by the Improvement Board and the Department for Education through the involvement of an Improvement Advisor and a link officer.</p> <p>The Council recognises that a failure to address the weaknesses identified in the OFSTED report could adversely impact upon the safety of children</p>	<p>Governance</p> <p>Improving the 3 Es</p>	<p>We recommend the Council ensures it is fully embedding and can sustain the actions it has put in place to address the Children's Services issues identified by the OFSTED.</p> <p>In particular, the Council needs to ensure that social care practice is improved and is consistently focussed on outcomes for children and families. The performance management framework supporting this needs to be robust with appropriate monitoring, challenge and escalation arrangements in place.</p>	<p>We will review the continued progress the Council has made in embedding the actions and evidencing its improvements through the year.</p> <p>We will review internal and external reporting including any correspondence with OFSTED through the year</p>



06

Section 06:

Fees for audit and other services

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6. Fees for audit and other services

Fees for work as the Council's appointed auditor

Details of the proposed 2020/21 and 2021/22 fees are set out below:

Area of work	2021/22 Proposed Fee	2020/21 Actual Fee
Code Audit Work	£91,008	£91,008
Additional Testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes as a result of changes in regulatory expectations	To be confirmed	£14,461*
Additional testing as a result of the implementation of new auditing standards: ISA 220 (Revised); ISA 540 (Revised); ISA570 (Revised); and ISA 600 (Revised)	To be confirmed	£2,043*
Additional work arising from the change in the Code of Audit Practice	To be confirmed	£12,998*
Total	To be confirmed	£120,510

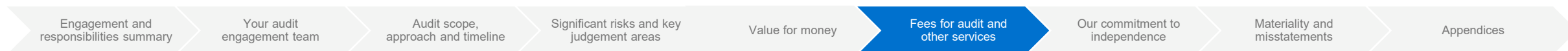
* Fee variations subject to approval and confirmation by Public Sector Appointments Ltd.

Fees for non-audit work

We have not been engaged by the Council to carry out additional work

Before agreeing to undertake any additional work, we consider whether there are any actual, potential or perceived threats to our independence.

Further information about our responsibilities in relation to independence is provided in section 7.



07

Section 07:

Our commitment to independence

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7. Our commitment to independence

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

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

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

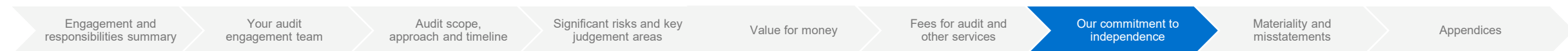
- all partners and staff are required to complete an annual independence declaration;
- new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit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

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

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

No threats to our independence have been identified.

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



08

Section 08:

Materiality and misstatements

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8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Group £'000s	Council £'000s
Overall materiality	£11,590	£11,500
Performance materiality	£9,270	£9,200
Specific materiality Disclosure in respect of Senior Officer Remuneration	N/A	5*
Total threshold for errors to be reported to Accounts and Audit Committee	£347	£345

* Reflecting movement from one salary band to another

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

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

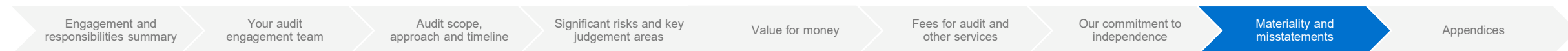
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and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

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

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

Our provisional materiality is set based on a benchmark of gross expenditure. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to Accounts and Audit Committee.

We consider that the gross expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



8. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at 2% of gross expenditure. Based on audited financial statements for 2020/21. We anticipate the overall materiality for the year ending 31 March 2022 to be in the region of £11.590m (£11.42m in the prior year) for the group financial statements and £11.5m (£11.27m in the prior year) for the Council financial statements.

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

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on our assessment of a low inherent risk, meaning that we have applied 80% of overall materiality as our level of performance materiality.

Misstatements

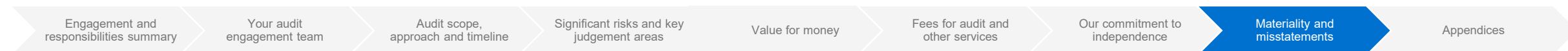
We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to Accounts and Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect

that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £347k for the Group and £345k for the Council based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Karen Murray.

Reporting to Accounts and Audit Committee

The following three types of audit differences above the trivial threshold will be presented to Accounts and Audit Committee :

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





Appendix: Key communication points

Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;

- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

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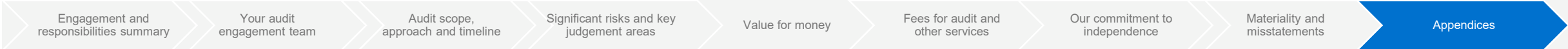
Appendices

Appendix: Key communication points

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

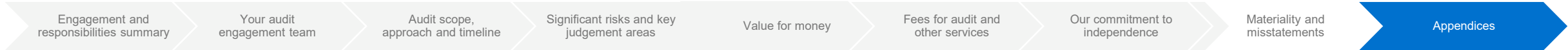
Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of Accounts and Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Accounts and Audit Committee , Audit planning and clearance meetings

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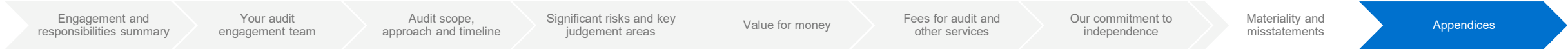
Appendix: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Accounts and Audit Committee in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>



Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of Accounts and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and the Accounts and Audit Committee may be aware of.	Audit Completion Report and Accounts and Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	Audit Completion Report
Reporting on the valuation methods applied to the various items in the consolidated financial statements including any impact of changes of such methods	Audit Completion Report
Explanation of the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the relevant financial reporting framework.	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Where applicable, identification of any audit work performed by component auditors in relation to the audit of the consolidated financial statements other than by Mazars' member firms	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report



Karen Murray, Partner

Mazars

One St Peter's Square

Manchester

M2 3DE

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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External Audit Progress Report

Trafford Metropolitan Borough Council

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Accounts and Audit Committee July 2022



Agency

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Section 01:

Audit progress

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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

2020/21 Whole of Government Accounts (WGA) work

Our work in relation to whole of the government accounts (WGA) for 2020/21 remains outstanding.

Treasury have recently issued updated guidance on the submissions they require and the reporting thresholds. Our one remaining responsibility in respect of the 2020/21 financial year is a review of the Council's whole of government accounts (WGA) return. The National Audit Office (NAO) is in the process of drafting group instructions, which determines the testing we are required to undertake on the Council's WGA return. Once the NAO has issued group instructions, we will liaise with Officers to complete the required testing. Following completion of this work we will issue our Audit Certificate to formally close the 2020/21 audit.

Audit of the 2021/22 Statement of Accounts

We have undertaken our initial planning. Our Audit Strategy Memorandum is a separate agenda item at this meeting of the of the Accounts and Audit Committee.

02

Section 02:

National publications

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National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1	Updated statement on the deferral of IFRS 16 leases	Following its emergency consultation on proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom, CIPFA LASAAC issued its preliminary decision and feedback statement.
2	CIPFA LASAAC issues urgent consultation on Code of Practice – Infrastructure Assets	The CIPFA LASAAC Local Authority Code Board has released temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets.
Department for Levelling Up, Housing and Communities		
3	Creation of the Audit Reporting and Governance Authority	A new regulator, the Audit Reporting and Governance Authority (ARGA), to be established as the system leader for local audit within a new, simplified local audit framework.
National Audit Office (NAO)		
4	Audit and Assurance Committee effectiveness tool	NAO's effectiveness tool provides a way for ARACs to assess their effectiveness
Public Sector Audit Appointments Ltd		
5	Annual Quality Monitoring Report 2019/20	This covers the work of local auditors appointed by PSAA for the 2019/20 financial year. The report provides information from PSAA's quality monitoring arrangements throughout the year, survey results and findings from professional regulation and contractual compliance. The report details how the Financial Reporting Council reviewed four Mazars financial statements audits and all were assessed as meeting the required standard.

NATIONAL PUBLICATIONS

CIPFA

1. Updated statement on the deferral of IFRS 16 leases – April 2022

Following its emergency consultation on exploratory proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom, CIPFA LASAAC issued its preliminary decision and feedback statement. This preliminary decision was subsequently considered by the government's Financial Reporting Advisory Board (FRAB). FRAB advised CIPFA LASAAC that it agreed with the deferral of IFRS 16 Leases until 1 April 2024. FRAB also advised CIPFA LASAAC that the Code had to allow and should encourage local authorities to adopt the standard before this date should they wish to.

CIPFA LASAAC has therefore followed its preliminary decision with its formal decision: to defer the implementation of IFRS 16 until 1 April 2024 (and therefore in the 2024/25 Code). However, both the 2022/23 and the 2023/24 Codes will allow for adoption as of 1 April 2022 or 2023. CIPFA LASAAC would note that the 2022/23 Code has not yet completed its due process so local authorities should follow the CIPFA LASAAC pages of the website for further updates. Formal due process for the Code by LASAAC and by CIPFA's Public Financial Management Board is anticipated to be complete by the third week in April.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/updated-statement-on-the-deferral-of-ifrs-16-leases>

2. CIPFA LASAAC issues urgent consultation on Code of Practice – Infrastructure Assets – May 2022

The CIPFA LASAAC Local Authority Code Board has released temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets. An urgent consultation on these proposals is now under way and comments are invited until the consultation closes on 14 June 2022 at 23.00.

The temporary proposals address an issue raised by auditors about the derecognition (removal of the carrying amount) of parts of local authority infrastructure assets as they are replaced. CIPFA LASAAC and CIPFA established a Task and Finish Group to find a solution to this issue and consider the outcome of any proposed changes to the code. Following advice from the Task and Finish Group, CIPFA LASAAC has now issued temporary proposals for changes to the code relating to how these issues are reported. They include:

- confirming the accounting consequences of derecognition, e.g. that the effect on the carrying amount is nil (on a presumption that the replaced parts are fully depreciated);
- temporarily adapting the code to remove the reporting requirements for gross historical cost and accumulated depreciation
- providing extra guidance on how depreciation may be applied for infrastructure assets
- CIPFA LASAAC will consult on a longer-term solution later in the year.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-lasaac-issues-urgent-consultation-on-code-of-practice>

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

3. Creation of the Audit Reporting and Governance Authority – May 2022

Plans to ensure councils and local bodies are delivering value for money for taxpayers, strengthening council finances and reducing risk to public funds have been published by the government.

The government consultation response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

Ahead of ARGA's establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022. This will be led by Neil Harris, who joins as the FRC's first Director of Local Audit to start up a dedicated local audit unit.

The Department for Levelling Up, Housing and Communities has been acting as interim system leader since July 2021, when it established and took the chair of the Liaison Committee of senior local audit stakeholders.

Work has already begun to address the challenges facing local audit with the government announcing a series of measures to improve local audit delays in December 2021.

The consultation response also announces plans to make audit committees compulsory for all councils, with each audit committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.

The announcement comes as government today set out its wider plans to revamp the UK's corporate reporting and audit regime through a new regulator, greater accountability for big business and by addressing the dominance of the Big Four audit firms.

The government continues to work closely with stakeholders, including local bodies and audit firms, to refine proposals for implementing our commitments around system leadership, as well the range of other commitments we have made in response to the Redmond Review.

<https://www.gov.uk/government/news/greater-transparency-and-value-for-money-for-council-finance-system>

NATIONAL PUBLICATIONS

National Audit Office

4. Audit and Risk Assurance Committee effectiveness tool – May 2022

Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm's-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

Against this background, NAO's effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The effectiveness tool is a comprehensive way for ARACs in central government to assess their effectiveness on a regular basis.

<https://www.nao.org.uk/report/audit-and-risk-assurance-committee-effectiveness-tool/>

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

5. Annual Quality Monitoring Report 2019/20 – April 2022

This covers the work of local auditors appointed by PSAA for the 2019/20 financial year, which was undertaken during a difficult time for all concerned. The systemic issues that were highlighted in Sir Tony Redmond's Review continued and were compounded by the pandemic.

In September 2020 Sir Tony Redmond's review of local authority financial reporting and external audit was published. The report highlighted the significant challenges and turbulence within the new system of local audit, emphasising that at present local government audit is under-resourced, undervalued and is not having impact in the right areas. The report made a number of recommendations in relation to external audit regulation, smaller authorities' audit regulation, the financial resilience of local authorities and the transparency of financial reporting.

In December 2020 the Ministry of Housing, Communities and Local Government (MHCLG) delivered its initial response to the Redmond Review setting out proposed actions to implement the majority of the recommendations made in the report. This was followed by a further announcement in May 2021 which proposed that the Audit, Reporting and Governance Authority (ARGA) would carry out the hugely important role of the local audit systems leader. ARGA is the new regulator being established to replace the FRC and will contain a dedicated local audit unit which will play a key leadership and coordination role in the local audit framework. MHCLG consulted in Summer 2021 on how the new arrangements would function.

The next year is likely to continue to be very challenging for all involved in local audit, but DLUHC (formerly MHCLG) will take forward and refine its proposals in its role as interim systems leader until ARGA is created, and the FRC will create a local audit unit in shadow form.

The problems that Sir Tony Redmond reported on continue to impact significantly on the timely completion of local government audits. Only 45% of audit opinions were completed by the publishing date of 30 November 2020, compared with 58% in the previous year. This has now fallen even further with only 9% for 2020/21 audits of financial statement opinions completed (noting the reversion to a 30 September publishing date). Delayed audit opinions have a real public-facing impact, undermining the ability of local bodies to account effectively for their stewardship of public money to taxpayers. It is imperative that the whole system works together to restore timely completion of audits in order to rebuild public confidence and trust, especially as the lack of a statutory deadline for the audit opinion means that co-operation is essential to make the system work as the public has the right to expect it to.

<https://www.psa.co.uk/managing-audit-quality/annual-audit-quality-reports-from-2018-19/annual-reports/audit-quality-monitoring-report-2019-20/>

Contact

Mazars

Partner: Karen Murray

Email: karen.murray@mazars.co.uk

Senior Manager: Muhammad Uzair Khan

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

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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TRAFFORD COUNCIL

Report to: Accounts & Audit Committee 20th July 2022
Executive 25th July 2022
Council Meeting 27th July 2022

Report for: Information

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

Treasury Management Annual Performance 2021/22 Report

Summary

This report outlines the main treasury management activities undertaken during 2021/22 as follows:

- All legislative and regulatory requirements, including all treasury management prudential indicators have been complied with;
- The average level of external debt and interest rate payable for 2021/22 was £332.8m and 2.82% and this compares to £385.5m & 2.57% in 2020/21;
- The average level of treasury investments for 2021/22 was £122.0m with a rate of return of 0.35% compared with 2020/21 when the equivalent figures was £76.9m and 0.76% respectively;
- The outturn position for the Council's Treasury Management function is a net overspend of £927k and more detail is included in Section 10 of the report. The key variances relate mainly to the levels of income the Council received from Manchester Airport Holdings Ltd (MAH) due to the ongoing impacts of the Covid-19 pandemic. .

Recommendations

That the Accounts & Audit Committee note the treasury management activities undertaken in 2021/22 and recommend that both Executive and Council also note the report.

Contact person for background papers:
Mark Hughes – Finance and Treasury Manager - Extension: 2072

Background papers: None

Relationship Corporate Priorities	Value for Money
Relationship to GM Policy or Strategy Framework	Not applicable
Financial	The net outturn for treasury management was an adverse movement of £0.93m and details of this are provided at paragraph 10.1.
Legal Implications:	Treasury Management activities are subject to requirements detailed in legislation, Department for Levelling Up, Housing and Communities (DLUHC), Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and Treasury Management Code of Practice. The report sets out details of compliance in respect of these requirements.
Equality/Diversity Implications	All treasury management transactions undertaken by the Council are carried out with institutions with no known direct links to any illegal regimes or which promote the use of forced labour.
Sustainability Implications	The Council, when undertaking any treasury management investment fully supports the ethos of socially responsible investments and will avoid direct investment in institutions with material links to environmentally harmful activities. Opportunities to invest monies in products which both supports sustainable assets and complies with the Council's investment strategy will continue to be explored as and when they become available.
Carbon Reduction	Not directly applicable – See above
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities and these factors have been incorporated into the systems and procedures for this function which are independently tested on a regular basis. Failure to properly manage and monitor the Council's loans and investments could lead to service failure and a loss of reputation. No Treasury Management activity is without risk and the Council's in-house team continually monitor risks to ensure that security of capital sums is maintained at all times and adverse fluctuations in interest rates are avoided.
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

Executive Summary

During 2021/22, the Council achieved compliance of its legislative and regulatory requirements via the following activities:

Economic position (Section 2)

- Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut the Bank Rate to 0.10%, it remained unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022. Since the end of 2021/22, the rate has risen to 1.25%, following 0.25% increases in both May and June 2022.
- Huge financial support to businesses was given by Government in the form of cheap loans, grants, rate reliefs and furlough payments.

Debt (Section 5)

- Total loan debt fell from £380.1m as at 31.03.2021 to £322.4m by 31.03.2022, the decrease of £57.7m comprises of:
 - Repayment of loans of which £26.7m was short term, £0.5m Salix and £30.5m PWLB (£27.8m of that being early repayments)
 - Statutory borrowing limits(the authorised limit and operational boundary), were not breached.
- Loan interest totalling £9.3m was paid of which £4.5m was wholly funded from rental income received from the Council's regeneration programme.
- Average rate of interest payable was 2.82% in 2021/22 and compared to 2.57% in 2020/21 a rise of 0.25%.
- Level of under-borrowing was £53.9m at 31.03.2022 which represents an increase of £10.5m from the 31.03.2021 closing position of £43.4m.

Investments (Section 6)

- 2021/22 continued the challenging investment environment of previous years, namely low investment returns.
- Total level of investments rose from £97.3m at 31.03.2021 to £130.6m at 31.03.2022 a movement of £33.3m due to grant monies being received in advance of spend.
- The rate of return for all investments in 2021/22 was 0.35% which is £0.1m above budget and 0.39% or £0.5m above the recognised performance indicator of 7-day LIBID which was -0.04%.
- Weighted average life of investments at 31.03.2022 was 101 days or 3.32 months excluding all long-term investments.
- All investments were repaid on time without issue and undertaken in accordance with the approved strategy.

Prudential Indicators and limits (Section 8 and Appendix E)

- No breaches to any of these limits occurred.

1. BACKGROUND

- 1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
- 1.2 For the financial year 2021/22, the Accounts & Audit Committee together with the Executive and Council received the following three reports:
 - annual treasury management strategy for the year ahead (issued February 2021);
 - mid-year update report (issued November / December 2021);
 - annual outturn report describing the activity undertaken (July 2022 this report).
- 1.3 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.
- 1.4 It is confirmed that in accordance with the requirement of the Code, prior scrutiny of all the above treasury management reports has been undertaken by the Accounts & Audit Committee before they were reported to the Executive and Council.
- 1.5 Figures in this report are based on the actual amounts borrowed and invested and as such will differ from those stated in the final accounts which are shown in compliance with International Financial Reporting Standards.
- 1.6 For reference a list of abbreviations used within the report has been provided and can be found in Appendix F.
- 1.7 This report comprises of the following sections:
 - Major Economic Headlines (Section 2);
 - Interest Rates (Section 3);
 - Treasury Position (Section 4);
 - Borrowing Position (Section 5);
 - Investment Position (Section 6);
 - Related Treasury Issues (Section 7);
 - Prudential and Performance indicators (Section 8);
 - Outlook 2022/23 (Section 9);
 - 2021/22 Summary Outturn position (Section 10);
 - Appendices including details of abbreviations used in the report.

2. MAJOR ECONOMIC HEADLINES

2.1 A brief summary of the main events which occurred during 2021/22 are highlighted below for reference;

General

- During 2021 the continuing impact of the COVID-19 pandemic compounded by the outbreak of Russian hostilities in Ukraine has meant that world growth has not recovered from the 2020 levels. Increases in government debt levels have been incurred as a result of massive fiscal support being provided to their respective economies. It remains, therefore, very important that bond yields (interest rates) stay low while debt to GDP ratios slowly subside under the impact of economic growth thereby ensuring that debt servicing costs remain manageable.
- As a result of the conflict in the Ukraine and the sanctions placed on Russia the effect on western economies, which rely predominantly on Russia for their oil and gas supplies, all point to inflation being at elevated levels until well into 2023.
- In order to try to control inflation the Bank of England raised the Bank Rate three times during 2021/22 from 0.10% to 0.75%.
- World growth is estimated to have expanded 8.9% in 2021/22 following a contraction of 6.6% in 2020/21.

UK

- Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England Monetary Policy Committee (MPC) took emergency action in March 2020 to cut Bank Rate to 0.10%, it left the rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16 December 2021, 0.50% at its meeting of 4 February 2022 and then to 0.75% in March 2022. Since the end of 2021/22, the rate has risen to 1.25%, following 0.25% increases in both May and June 2022.
- The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) which is sufficient enough for the MPC to focus on tackling the second-round effects of inflation, as the CPI measure has risen to 6.2% by the end of 2021/22, and has exceeded 9% since.
- Gilt yields fell towards the back end of 2021 but, despite the war in Ukraine, have risen in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.
- The squeeze on real household disposable incomes arising from the 54% increase in utilities prices in April, as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1 April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will have a bigger impact on real incomes in 2022 than in any year since records began in 1955.

3. INTEREST RATES

- 3.1 Within the 2021/22 Treasury Management Strategy, a forecast for interest rates was provided which indicated that minor increases in rates would occur during the year. Actual interest rates seen in the period have risen above this forecast, with the growth in the rates seen across all markers from April 2021 to March 2022, as shown in the table below.

	2021/22	1 April 2021	31 March 2022	2021/22
	Forecast Average	Actual	Actual	Actual Average
	%	%	%	%
Bank Rate	0.10	0.10	0.75	0.26
Investment Rates				
3 month	0.10	0.03	0.14	0.02
1 Year	0.20	0.12	0.69	0.34
Loan Rates				
5 Year	0.80	1.20	2.25	1.45
25 Year	1.60	2.22	2.64	2.10
50 Year	1.40	2.03	2.39	1.85

- 3.2 The expectation for interest rates within the treasury management strategy for 2021/22 was that the Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer required. The Bank Rate remained unchanged until the MPC raised it to 0.25% at its meeting on 16 December 2021, to counter rising inflation. The rate was increased again to 0.50% at the MPC's meeting of 4 February 2022 and then to 0.75% in March 2022. Since the end of 2021/22, the rate has risen to 1.25%, following 0.25% raises in both May and June 2022. Further rate rises are expected in 2022/23, potentially to a rate of 2.75% by March 2023.
- 3.3 During 2021/22, the Bank of England and the Government maintained various monetary and fiscal measures, supplying the banking system and the economy with large amounts of cheap credit to support the economy. The Government also supplied large amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat the second-round effects of growing levels of inflation.

4. TREASURY POSITION

- 4.1 The Council's Treasury Management in-house team actively ensure that:
- All transactions are carried out in accordance with the current Scheme of Delegation,
 - All borrowing has been carried out in accordance with the Council's current Debt Strategy and Prudential Indicators,
 - All investments placed have been done so in accordance with the criteria stipulated within the current Investment strategy,
 - Security for investments and the management of risks within all treasury management activities is maintained,
 - Access to funds is available at all times enabling all payments to be made on time preserving the Council's reputation and
 - Procedures and controls to achieve these objectives are in place and that these are reported to members as detailed in the background section and through officer activity as highlighted in the annual Audit and Assurance report.

- 4.2 The table below shows the loan and investment positions at the beginning and end of 2021/22 for reference:

	31 March 2022		31 March 2021	
	Principal (£m)	Avg. Int. Rate %	Principal (£m)	Avg. Int. Rate %
DEBT				
- PWLB	286.2	2.44	316.6	2.51
- Government Loans - Salix	0.2	0.0	0.8	0.0
- Market	36.0	4.56	62.7	2.65
Total debt	322.4	2.68	380.1	2.53
CFR (to finance past capital expenditure)	376.3		423.5	
Over/ (under) borrowing	(53.9)		(43.4)	
INVESTMENTS				
- Instant access	30.7	0.52	25.0	0.03
- Call account	0.4	0.10	10.4	0.03
- Term deposit	76.2	0.75	39.5	0.17
- CCLA	5.7	4.33	4.8	4.51
- Asset Investment Programme (AIP)	17.6	n/a	17.6	n/a
Total investments	130.6	1.24	97.3	0.99

- 4.3 Whilst the table at paragraph 4.2 details the position as at the beginning and end of 2021/22 the average position for 2021/22 and 2020/21 was as follows:

	2021/22		2020/21	
	Principal	Interest Rate	Principal	Interest Rate
Average Debt	£332.8m	2.82%	£385.5m	2.57%
Average Investment *	£122.0m	0.35%	£76.9m	0.76%

* Excludes Strategic Asset Investments

5. BORROWING POSITION

- 5.1 As highlighted in paragraph 4.1 above, part of the Council's treasury management remit is to address any potential borrowing needed to be taken in order to fund the capital expenditure programme. This may result in funds being borrowed by the in-house treasury management team from external bodies, such as the Government, through the PWLB, the money markets or utilising temporary cash resources which the Council may have.
- 5.2 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This represents capital spend, not yet paid for by revenue or other capital resources, incurred from current and prior years' activities reflecting the level of the Council's indebtedness.
- 5.3 During 2021/22, the Council maintained an under-borrowed position as highlighted in the table at paragraph 4.2 which means that the capital borrowing needed was not fully funded with new loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns maintained low levels, and minimising counterparty risk on placing investments also needed to be considered.
- 5.4 To safeguard the Council's finances, the level of CFR is not allowed to rise indefinitely and statutory controls are in place to ensure that any borrowing costs incurred are charged to revenue over the useful life of the asset. The Council is required to make an annual revenue charge called the Minimum Revenue Provision (MRP) and this reduces the CFR and effectively is a repayment of borrowing. External debt can also be borrowed or repaid at any time, but this does not change the CFR.
- 5.5 The total CFR can also be reduced by:
- the application of additional capital financing resources, (such as unapplied capital receipts) or
 - charging more than the statutory revenue charge MRP each year through a Voluntary Repayment Provision (VRP).
- 5.6 The Council's 2021/22 MRP Policy, (as required by DLUHC Guidance), was approved by Members as part of the Treasury Management Strategy report for 2021/22 in February 2021.
- 5.7 The Council's CFR includes PFI and any leasing schemes held on the balance sheet, which increase the overall borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.
- 5.8 During 2021/22 the Council did not undertake any new borrowing. During the year the Council undertook early repayment of loans to ensure that it was not in an over-borrowing position. On 31 March 2022 the Council repaid three PWLB Loans totalling £27.8m at an average rate of 2.55% with breakage costs of £5.76m.
- 5.9 As at 1 April 2021 short term debt of £26.7m was outstanding, this was fully repaid by the due date of 30 September 2021. Whilst the use of an overdraft facility provided by the Council's bank is available this is an expensive form of borrowing at 4% over bank rate and would have resulted in interest costs of £1.18m, an increase of £1.02m, had this option been used instead of short-term borrowing.
- 5.10 As a result of the action outlined in paragraphs 5.8 and 5.9, the policy adopted in previous years of applying cash supporting the Council's reserves, balances and cash flow was also applied in 2021/22 and as a consequence of this, the level of under borrowing rose from £43.4m as at 31 March 2021 to £53.9m at 31 March 2022. This action was undertaken in conjunction with advice obtained from LG,

the treasury management advisors, and offers a prudent approach due to the low level of investment returns available when compared to borrowing rates.

- 5.11 The Director of Finance and Systems can confirm that during 2021/22 the Council's level of gross external borrowing did not exceed its CFR thereby ensuring its long term borrowing levels are prudent, only taken for capital purposes and not used to support revenue expenditure.
- 5.12 From the table at paragraph 4.2 it can be seen that the level of external debt decreased during 2021/22 from the opening position of £380.1m to close at £322.4m and this was as a result of the following transactions;-

Lender	Principal – New	Principal – (Repayment)	Average Interest rate	Notes
Long Term				
PWLB		£(27.8m)	2.55%	Early Repayment
PWLB		£(2.7)m	9.13%	Natural maturity
SALIX Finance		£(0.5)m	0.00%	Loan used to part fund the LED Street Lighting Programme.
Sub total	£0m	£(31.0)m		
Short Term				
Various Local Authorities		£(26.7)m	0.07%	Natural maturity
Sub total	£0m	£(26.7)m		
Grand total	£0m	£(57.7)m		

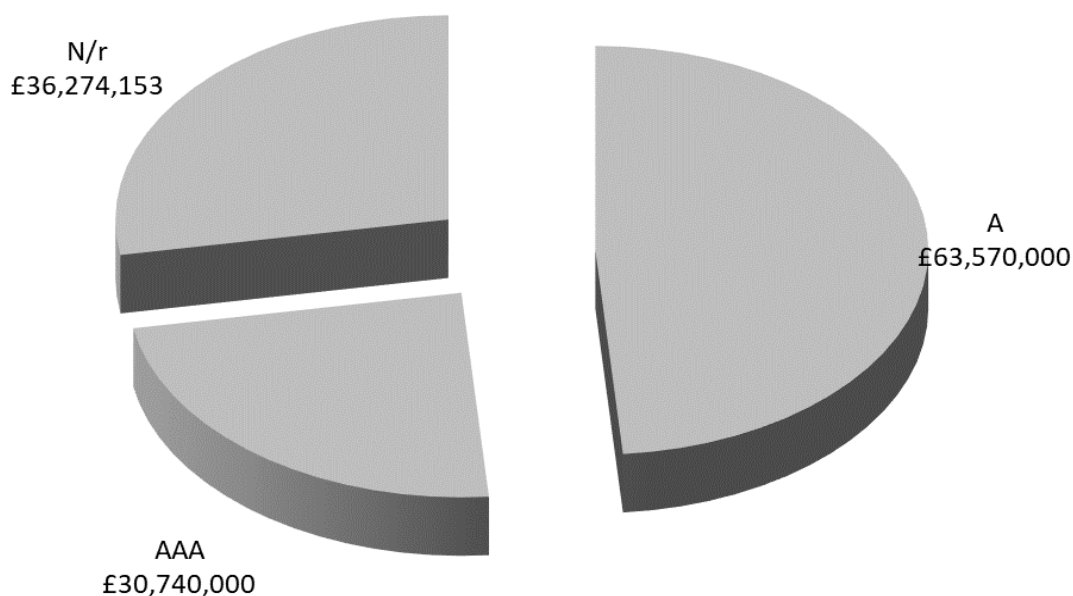
- 5.13 From the total debt outstanding of £322.4m, £0.6m is administered on behalf of Greater Manchester Probation Service which leaves £321.8m in respect of the Council's own long term requirement and a maturity profile of the Council's debt can be found at Appendix B & C for reference.
- 5.14 Gross loan interest paid during 2021/22 totalled £9.3m and of this £4.5m was funded from applying a proportion of the Council's regeneration programme rental income. The balance of £4.8m was incurred within the MTFP budget provision.
- 5.15 During 2021/22 the Director of Finance and Systems continued to monitor interest rate movements in the financial markets and caution was adopted with the treasury operations.
- 5.16 At the end of November 2021 the DLUHC published a consultation document on proposed changes to the Minimum Revenue Provision (MRP) concerning the application of future potential capital receipts instead of setting aside annual MRP on any Council investment asset or capital loan which it may hold. This consultation has now concluded, with changes to be made to ensure that Local Authorities make adequate MRP payments in regard to property acquisitions. The updated regulations will not apply to capital loans, which Local Authorities can continue not to apply MRP to if they consider it prudent.

6. INVESTMENT POSITION

- 6.1 The Council's investment policy is governed by the DLUHC guidance which has been implemented within the annual investment strategy approved by Council in February 2022. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).
- 6.2 Using this information the Council's in-house treasury management team is able to produce an approved lending list in order to ensure investments are only placed with low risk institutions. Funds are invested for a range of periods reflecting cash flow requirements together with counterparty limits as set out in the approved investment strategy ensuring that an excessive level of funds are not placed in a single counterparty.
- 6.3 The Director of Finance and Systems can confirm that;
- during the year all investment activity conformed to the approved strategy,
 - the approved limits within the Annual Investment Strategy were not breached,
 - the Council had no liquidity difficulties and
 - in-line with previous years, security and liquidity of its investments remained the overall priorities followed by optimum return (yield) consummate with this approach.
- 6.4 In 2021/22 the Council maintained an average balance of £116.8m of internally managed funds (this figure excludes £5m placed in the Property Fund managed externally by CCLA group) earning an average rate of return of 0.16% which generated £205k in investment interest. This return was £153k above the agreed budget figure of £52k and 0.21% or £249k above the performance indicator of the average 7-day LIBID rate of -0.04%.
- 6.5 With regards to the Council's long term investments, in 2015, £5m was placed into the CCLA Property Fund for a minimum period of 5 years which after entry costs had been deducted of £0.3m, enabled 1,643,872 units to be purchased in the fund. At 31 March 2021 the value of these units, were £4.83m due to the impact COVID-19 had on the UK commercial property market. Since this the fund has seen a steady recovery over the last 12 months with a value of £5.67m at 31 March 2022.
- 6.6 The outlook for this fund is that the steady growth in value is set to continue in 2022/23. The commercial property sector has had a strong start to the year with transaction volumes significantly above trend levels and yields across the majority of sub-sectors lower than at the same time in 2021, with the biggest gains in industrial and distribution properties. There is concern, however, around the impact rising inflation may have.

- 6.7 In response to the implementation in 2018/19 of IFRS 9 into the CIPFA Code of Practice on Local Authority Accounting, any movement in valuation would normally have to be taken and reflected in full to the Council's revenue account. As a consequence of this change to the CIPFA Code of Practice DLUHC put in place a 5 year statutory override effective from 1 April 2018. The Council will use this override facility to account for any changes in the value of this investment during this period thereby avoiding any adverse movements being taken to the revenue account in full during the year they occurred.
- 6.8 After the expiry of this override any fall in valuation beneath £5m could place a burden on the Council's revenue account. The value of this investment will be closely monitored to ensure that the likelihood of this happening is minimised.
- 6.9 Annualised returns generated from the CCLA property fund in 2021/22 (gross of fees on the original value invested) were 4.35% and this compares with that achieved in 2020/21 of 4.71%.
- 6.10 When the rates of return for both short and long term investments are combined, this produces an average level invested of £122.0m, generating a rate of return of 0.35% worth £0.42m which is £0.1m above budget and 0.39% or £0.5m above the performance indicator of the average 7-day LIBID rate of -0.04%.
- 6.11 In addition to the £5m CCLA investment, the Council in August 2019 undertook a further long term investment when it entered into a £17.6m 5 year loan facility agreement with Queens Holding Limited secured on 4 prominent income producing properties known as Albert Estate within Manchester City Centre. A sale of part of the estate resulted in a partial early repayment to the Council of £5.6m, reducing the facility to £12.0m. This repayment occurred in April 2022, and so did have an impact on the figures reported in the 2021/22 financial year.
- 6.12 During the climate of extremely low investment interest rates the ability to generate a significant level of return without exposing the Council's funds to high levels of risk remains challenging. Whenever new opportunities to generate additional investment income become known, these are thoroughly investigated in order to ensure that they will be suitable for the Council to pursue without committing it to any unnecessary risk.
- 6.13 The Council's main bank account with Barclays, is non-interest bearing and consequently if no investments were undertaken by the in-house team, the Council would lose the opportunity to generate £205k of income.
- 6.14 Levels of funds available to be invested on a daily temporary basis are subject to a number of factors such as timing in the form of monies being received ahead of spend requirements and progress on the Capital Programme.
- 6.15 The graph below provides a breakdown of the Council's investments placed as at 31 March 2022 by long term credit rating and further information detailing the make-up of this can be found at Appendix C & D

Rating Exposure



7. RELATED TREASURY ISSUES

- 7.1 Member training – In accordance with the Code, Members are responsible for ensuring effective scrutiny of the treasury management strategy and policies takes place. In order to be able to do so effectively a member training session was provided by the Council's advisors LG and in-house staff to members of the Accounts and Audit Committee on 27 January 2022 via the Teams facility.
- 7.2 Greater Manchester Pension Fund (GMPF) - During April 2020, the Council along with several other Greater Manchester councils paid over to GMPF a discounted advance equivalent to 3 years of employer pension contributions in order to take advantage of the pension fund's wider investment powers. This initial payment will have run its course by 31 March 2023. A further payment is planned to be made in April 2023.
- 7.3 Asset Investment Strategy - During 2017/18 the Council introduced a programme to acquire and invest in suitable assets which will help deliver corporate objectives and priorities. Any transactions made under this strategy are made to support policy related activities. These transactions are therefore considered outside the treasury management of purely financial investments however their implementation will have an impact on the Council's cash flow.

8. PRUDENTIAL AND PERFORMANCE INDICATORS

- 8.1 It is a statutory duty for the Council to determine and keep under review the Council's Prudential Indicators as approved within the Treasury Management Strategy for 2021/22.
- 8.2 During the year ended 31 March 2022, the Council operated within these indicators and these are shown in Appendix E for reference.

9. OUTLOOK 2022/23

- 9.1 The economic impact of the COVID-19 pandemic and the conflict in Ukraine will continue to be felt for a while as the increased costs of oil and gas impacts on prices for goods and services across the world and pushes inflation up to levels not seen for many years. In the UK, real economic growth is slowing rather than collapsing in the face of the twin drags of higher inflation and higher interest rates, the OECD projects UK GDP to increase by 3.6% in 2022 but would fall to nil in 2023.
- 9.2 The conflict in the Ukraine and the sanctions imposed on Russia has seen a sharp rise in the costs of goods as a result of an increase in oil and gas prices, and the need to find alternative supply. This has increased inflation levels in the UK to above 9% and as a result the Bank Rate is forecast to rise from 1.25% in June 2022 to 2.75% by March 2023.
- 9.3 The growth in the Bank Rate will push-up interest rates which will in turn will increase the cost to the Council to borrow but will also increase the return on any investments undertaken. The Treasury team will look to manage cash flows to minimise the need for borrowing and maximise any investment return.

10. 2021/22 SUMMARY OUTTURN POSITION

- 10.1 Activities undertaken as part of the treasury management function are subject to many factors beyond the control of the Council impacting on actual performance e.g. worldwide economic, political and health (COVID-19) events and interest rate movements. The table below reflects the summarised outturn position compared to that originally forecasted for reference;

Treasury	Budget £000	Outturn £000	Variance £000
DEBT			
Loan Interest	4,791	4,773	(18)
MRP	5,834	5,620	(214)
PFI Interest & Premium	907	908	1
Other Costs (see Note)		175	175
Sub-total	11,532	11,476	(56)
INVESTMENTS			
Investment Interest & other net interest receipts	(293)	(470)	(177)
MAH Ltd – Main Share dividend	0	0	0
Loan interest and car park dividend	(3,528)	(3,290)	238
Sub-total	(3,821)	(3,760)	61
RESERVES			
Contribution to / (from) Interest Smoothing Reserve	(729)	193	922
Sub-total	(729)	193	922
TOTAL	6,982	7,908	927

Non-Treasury items	Budget £000	Outturn £000	Variance £000
EXPENDITURE			
Loan Interest	4.654	4,525	-129
Loss of Investment interest	51	99	48
MRP	2,124	2,252	128
Sub-total	6,829	6,877	48
RECHARGES			
Sub-total	(6,829)	(6,877)	(48)
TOTAL	0	0	0

Note: The above figures reflect;

- All associated debt servicing costs in respect to the Council's Asset Investment Programme are self-financing i.e. paid for from the income stream generated from the investment;
- Other Costs relate to an accrual for fees relating to technical advice from our treasury management advisers.

10.2 The application of the Interest Smoothing Reserve will, should it be needed over the forthcoming years, be applied to finance future cash implications arising from:-

- Potential adverse changes in investment interest rates,
- Short term temporary borrowing funding requirements and
- Non-treasury management activities which have an impact on cash flows.

Other Options

This report is a mandatory report which has been produced in order to comply with Financial Regulations and relevant legislation and provides an overview of transactions undertaken during 2021/22. There are no other options to consider.

Consultation

There are no consultation requirements in respect of this report.

Reasons for Recommendation

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

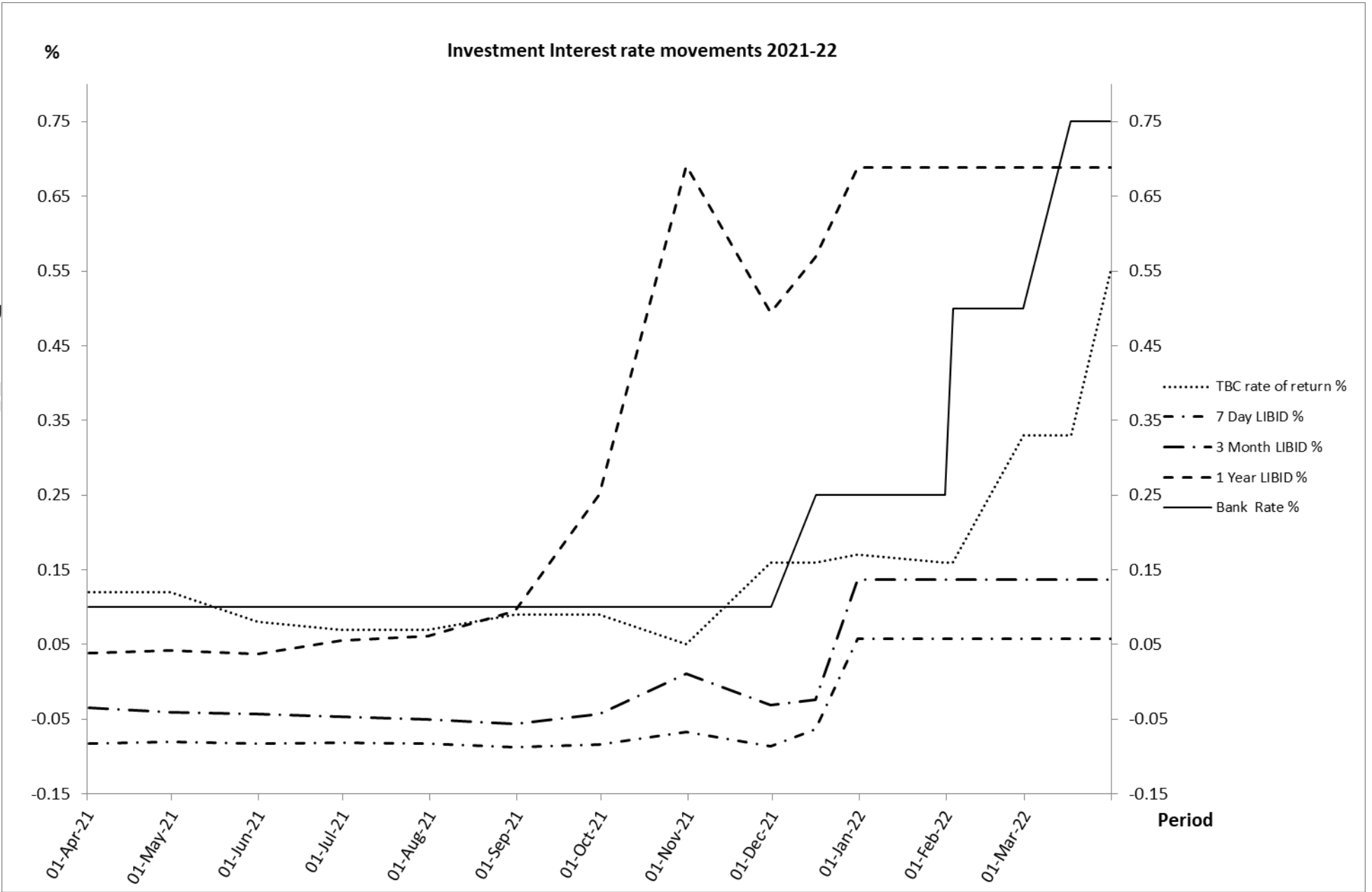
Finance Officer Clearance PC

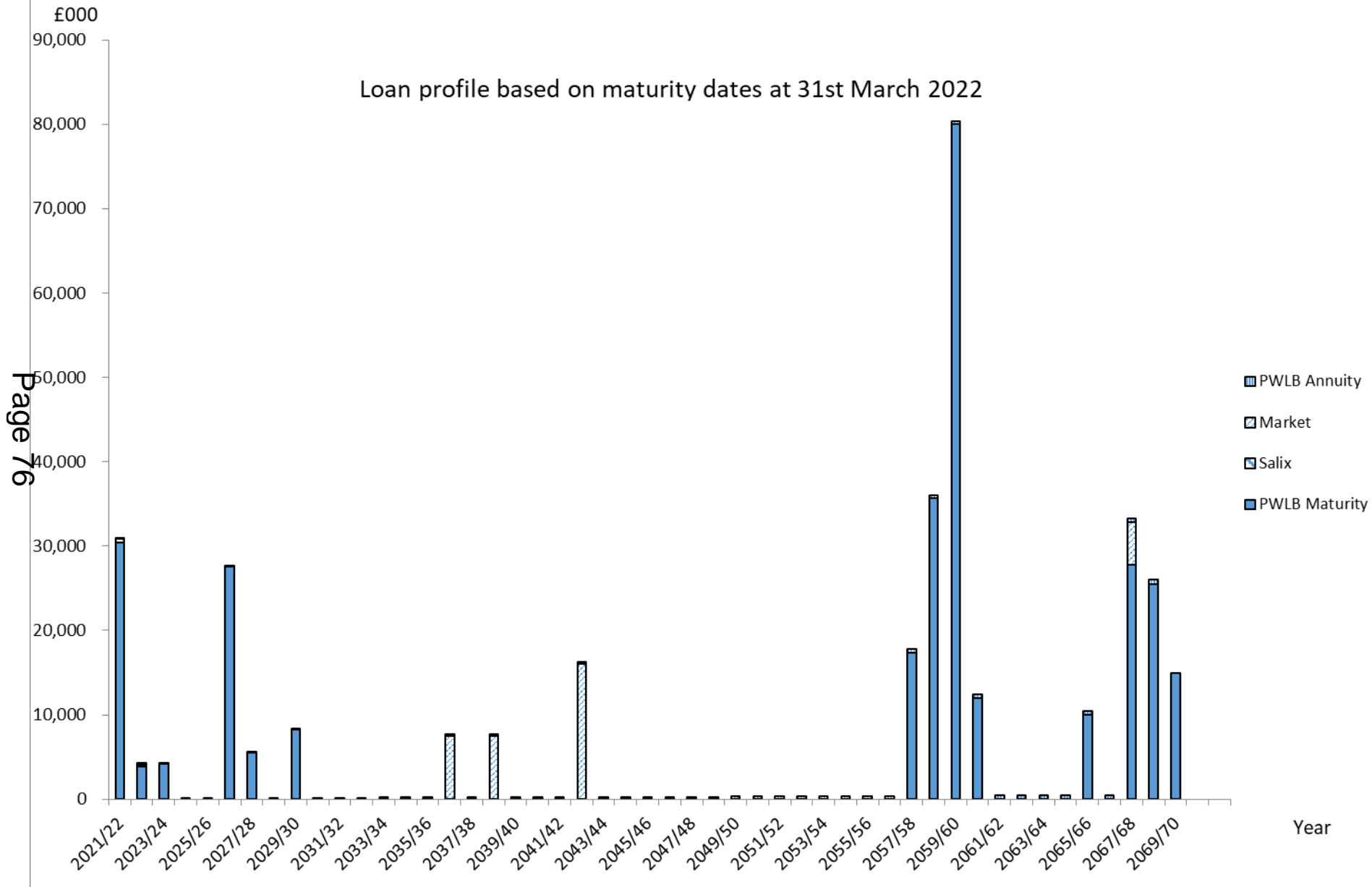
Legal Officer Clearance

G. Bentley

DIRECTOR'S SIGNATURE

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.





Maturity Profile

Debt portfolio:

	31 March 2022 (£m)	31 March 2021 (£m)
Under 12 months	19.2	29.9
12 months and within 24 months	4.3	4.3
24 months and within 5 years	28.0	21.6
5 years and within 10 years	14.6	42.1
10 years and above	256.3	282.2
Total	322.4	380.1

Investment portfolio:

	31 March 2022 (£m)	31 March 2021 (£m)
Instant Access	30.7	25.0
Up to 3 Months	22.7	31.5
3 to 6 Months	27.9	13.4
6 to 9 Months	18.5	0
9 to 12 months	7.5	5.0
Over 1 year	23.3	22.4
Total	130.6	97.3

Breakdown of Investments

Counterparty	Amount (30 Sept 2021) £	Amount (31 March 2022) £	Long Term Credit Rating
<i>Money Market Fund</i>			
Aberdeen	2,550,000	5,000,000	AAA
CCLA	5,000,000	6,000,000	AAA
Federated Investors	14,010,000	4,800,000	AAA
Insight	0	4,500,000	AAA
Invesco Aim	2,850,000	4,900,000	AAA
Morgan Stanley	6,000,000	5,540,000	AAA
<i>Sub total</i>	<i>20,410,000</i>	<i>30,740,000</i>	
<i>Notice Accounts</i>			
Lloyds 95	370,000	370,000	A
Federated T+1	10,000,000	0	
Abu Dhabi T+1	10,000,000	0	
ANZ 31	10,000,000	0	
<i>Sub total</i>	<i>30,370,000</i>	<i>370,000</i>	
<i>Term Deposit</i>			
Australia and New Zealand Bank	10,500,000	20,500,000	A
Brentwood Council	5,000,000	0	AA
Monmouthshire County Council	5,000,000	0	AA
Development Bank of Singapore	5,200,000	5,200,000	A
First Abu Dhabi Bank	5,000,000	16,000,000	A
National Bank of Kuwait	10,000,000	10,000,000	A
West Bromwich Building Society	5,000,000	0	Not rated
Newcastle Building Society	3,000,000	3,000,000	Not rated
Principality Building Society	5,000,000	5,000,000	Not rated
Yorkshire Building Society	0	5,000,000	Not rated
Nationwide Building Society	0	3,000,000	A
Santander	0	8,500,000	A
<i>Sub total</i>	<i>53,700,000</i>	<i>76,200,000</i>	
<i>Property Funds</i>			
Church Commissioners Local Authority	5,163,566	5,674,153	Not rated
<i>Sub total</i>	<i>5,163,566</i>	<i>5,674,153</i>	
<i>Other</i>			
Asset Investment Programme	17,600,000	17,600,000	Not rated
<i>Sub total</i>	<i>17,600,000</i>	<i>17,600,000</i>	
Total	127,243,566	130,584,153	

The above table shows the level of investments placed as at 31 March 2022 and 30 September 2021, the last time Members were provided with this information.

Prudential Indicators for 2021/22

Indicator	Indicator set by Council	Actual
<p align="center">Authorised Borrowing Limit</p> <p>Maximum level of external debt, including other long term liabilities (PFI & leases) undertaken by the authority including any temporary borrowing - this is a statutory limit under Section 3(1) of the Local Government Act 2003.</p>	£629.5m	£326.3m
<p align="center">Operational Boundary</p> <p>Calculated on a similar basis as the authorised limit but represents the expected level of external debt & other long term liabilities (PFI & leases) excluding any temporary borrowing – this is not a limit.</p>	£609.5m	£326.3m
<p align="center">Upper limits on fixed interest rates</p> <p>Maximum limit of net fixed interest rate exposure - debt less investment</p>	£9.5m	£8.5m
<p align="center">Upper limits on variable interest rates</p> <p>Maximum limit of net variable interest rate exposure – debt less investment</p>	£1.0m	£0.6m
<p>Gross Debt and the Capital Financing Requirement – this reflects that over the medium term, debt will only be taken for capital purposes. During 2020/21 the Director of Finance and Systems can confirm that this indicator was complied with.</p>		
<p align="center">Maturity structure of fixed rate borrowing</p> <p>These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.</p>		
Under 1 year (this includes the next call date for Market loans)	40%	6%
1 year to 2 years	40%	1%
2 years to 5 years	40%	9%
5 years to 10 years	40%	5%
10 years to 20 years	40%	1%
20 years to 30 years	40%	6%
30 years to 40 years	70%	46%
40 years and above	90%	27%
<p>Upper Limit for sums invested for over 1 year – these limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment.</p>	£100m	£60.3m

Performance Indicators for 2021/22

Indicator	Target	Actual
Security – potential default rate of the Council’s investment portfolio based on default rates from the 3 main credit rating agencies – inclusion is recommended by CIPFA.	Max 0.05%	Max 0.018% (31 March 2022)
Liquidity – investments available within 1 week notice	£5m min.	Achieved
Liquidity – Weighted Average Life of investments	6 months	3.32 months (31 March 2022)
Yield – Investment interest return to exceed 7 day London Interbank BID rate (exclude CCLA)	Average 7 day LIBID -0.04%	Average rate of return for 2021/22 was 0.17%
Origin of investments placed - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	Min 63% Max 37%

ABBREVIATIONS USED IN THIS REPORT

CFR: capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CCLA: Church Commissioners Local Authority - manage investments for charities, religious organisations and the public sector

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

CPI: consumer price index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

DLUHC: the Department for Levelling Up, Housing and Communities - the Government department that directs local authorities in England.

ECB: European Central Bank - the central bank for the Eurozone

EU: European Union

Fed: the Federal Reserve System, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.

GDP: gross domestic product – a measure of the growth and total size of the economy.

G7: the group of seven countries that form an informal bloc of industrialised democracies which meet annually to discuss issues such as global economic governance, international security and energy policy consisting of United States, Canada, France, Germany, Italy, Japan and the United Kingdom.

Gilts: gilts are bonds issued by the UK Government to borrow money on the financial markets.

IFRS 9: is an International Financial Reporting Standard (**IFRS**) published by the International Accounting Standards Board (IASB). It addresses the accounting for financial instruments and contains three main topics: classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

LG: Link Group – independent organisation which provides advice and guidance on all treasury matters including government legislation.

LIBID: the London Interbank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend).

MAH Ltd: Manchester Airport Holdings Limited - is a holding company which is owned by the ten metropolitan borough councils of Greater Manchester and an Australian investment fund IFM Investors.

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting

the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

MRP: minimum revenue provision -a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

MTFP: A Medium Term Financial Plan is a key part of the Council's Policy and Budget Framework and sets out the strategic approach to the management of its finances.

OBR: Office for Budget Responsibility is a non-departmental public body funded by the UK Treasury that the UK government established to provide independent economic forecasts and independent analysis of the public finances

OECD: Organisation for Economic Co-operation and Development is an intergovernmental economic organisation with 37 member countries, founded in 1961 to stimulate economic progress and world trade

PEPP: Pandemic emergency purchase programme is the ECB's monetary policy measure initiated in March 2020 which is a temporary asset purchase programme of private and public sector securities.

PFI: Private Finance Initiative is a way of financing public sector projects through the private sector.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

QE: Quantitative Easing - is a monetary policy whereby a central bank (e.g. Bank of England) buys government bonds or other financial assets in order to inject money into the economy to expand economic activity.

SONIA: the Sterling Overnight Index Average. Generally, a replacement set of indices (for LIBID) for those benchmarking their investments. The benchmarking options include using a forward-looking (term) set of reference rates and/or a backward-looking set of reference rates that reflect the investment yield curve at the time an investment decision was taken.

UK: United Kingdom.

US: United States of America.

VRP: a voluntary revenue provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition)

TRAFFORD COUNCIL

Report to: Executive

Date: 20 June 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 12 Year End Outturn (April 2021 to March 2022).

Summary:

The purpose of this report is to inform Members of the 2021/22 outturn figures relating to both Revenue and Capital budgets. It also summarises the outturn position for Council Tax and Business Rates within the Collection Fund.

Recommendation(s)

It is recommended that the Executive:

- a) note the report and the revenue outturn position showing a budget underspend of £1.530m, which has been transferred to the Budget Resilience, Innovation and Change Reserve;
- b) note the reserves position as detailed in paragraph 15 and Appendix 8;
- c) note the final capital programme outturn position as detailed in paragraphs 30 to 47

Contact person for access to background papers and further information:

David Muggeridge, Head of Financial Management Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Relationship to GM Policy or Strategy Framework	Not Applicable
Financial	Revenue and capital expenditure will be contained within available resources in 2021/22.

Legal Implications:	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.
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

Summary of Outturn

There is a net estimated pre-audit outturn underspend of £1.53m for the year, a favourable movement of £1.52m since Period 10.

It is fair to say that projecting the financial outturn during the year has been challenging given the level of uncertainty in the economy, ranging from the ongoing fallout from the pandemic and further lockdowns during the year, the economic fallout from the conflict within Ukraine and the escalating levels of inflation.

The economic uncertainty will continue to be felt for some time to come and must be managed alongside a significant budget gap of £18.4m in our Medium Term Financial Plan for 2023 to 2025.

The ongoing pressures regarding the increasing level of inflation, which rose by 9.0% in the 12 months to April 2022 and represents a 40 year high, are of particular concern in 2022 onwards. Given the scale of the pressures, an Inflation Risk Reserve has been established to help absorb some of the inevitable pressures in 2022/23. A summary of the potential impact of inflation is included in paragraph 6 of this report.

The favourable outturn in the current year has given 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, as well as mitigating some of the unplanned inflationary pressures in 2022/23.

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.

Although the favourable outturn for the current year is encouraging, many positive movements are one off in nature and cannot be used to reduce the recurrent budget gap. There are however a number of potential areas, such as long term staff vacancies, which could be challenged for release against the ongoing budget gap.

With regard to the net outturn position, the following issues are worthy of being highlighted:-

Pressures include:-

- Children's placements £721k overspend due to an increase in cases during the year; **a positive movement of £395k since period 10** as a result of children stepping down or leaving the system and the receipt of additional Continuing Health Care income for some placements.
- Home to School Transport pressures are now £678k **an adverse movement of £89k since period 10** due to increase in demand in 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 were budgeted to generate a net revenue benefit in 2021/22 of £7.61m. The net income at year end was £6.52m leaving a shortfall of £1.09m, **a favourable movement of £412k since period 10**. The overall shortfall is largely COVID-19 related due to delays in developer loans being drawn down, lower income from debt facilities due to lower variable interest rates, delays in schemes in the pipeline and lower trading income due to COVID-19 impacts at retail investment sites.
- COVID-19 related pressures in Place and central services directorates of £450k, **a positive movement of £363k since period 10**. The pressure 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 positive movement since period 10 largely relates to improved income from Trading Services, namely school catering and Sale Waterside Arts Centre.

Service underspends include: -

- Staffing budgets net underspend of £1.50m due to delays in recruiting and service redesign, in Adults Services, Children’s Services and Public Health, **an adverse movement of £405k since period 10**. The adverse movement largely relates to additional agency costs within Children’s services being incurred as difficulties continue in the permanent recruitment of social workers.
- Adults placements £2.30m net underspend, **a positive movement of £2.27m since period 10**; a net underspend on the Hospital Discharge Programme of £2.69m, a favourable movement of £1.58m since period 10, due in part to an increase in the income from the risk sharing agreement with the Clinical Commissioning Group. This is offset by £329k of pressure due to savings not being achieved, an underlying pressure of £308k due to an increase in costs of care packages and new cases and lower costs of £285k from other local authorities under Section 117 of the Mental Health Act.
- The favourable outturn within Adults Services has enabled the Adults **earmarked reserves to be bolstered by £2.57m** to support a number of short-term pressures expected in 2022/23. These pressures include the consequences of hospital settings trying to reduce waiting lists which will have an impact on the levels of discharges from hospital. The reserve will support the temporary continuation of enhanced levels of homecare and care home bed provision until a sustainable model and funding can be worked through with partners. The reserve will also support the cost of implementing new government legislation (eg preparation of market sustainability and reform of adult social care charging).
- Public Health community services contract £400k underspend – nil **movement since period 10**, 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 £2.806m, a **positive movement of £1.149m since period 10**. This includes a favourable outturn of £826k within the Place Directorate, £511k within Strategy and Resources and £877k within Council Wide. The Council Wide figure includes the release of the contingency budgets and £211k one off income from Trafford Housing Trust associated with the recovery of VAT made on behalf of the Council at the time of the stock transfer. The positive outturn within service budgets largely relates to staffing budgets, following ongoing management actions on such things as vacancy management and staff turnover.

Council Tax

The Council Tax budget was reduced temporarily in 2021/22 to reflect the ongoing impact of the pandemic. At Period 8, which is used for the 2022/23 budget plans, a forecast council surplus of £1.55m was forecast, largely due to lower awards for Council Tax Support along with better than expected collection of in year and historic debt. The benefit from the estimated outturn will be released in 2022/23 and 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.

The year-end outturn is now £3.10m, of which the Council's share is £2.54m and has resulted in favourable a variance above that at Period 8 of £993k largely due to better collection rates. This amount will be released in 2023/24 and will feed into the Medium Term Financial Plan to help close the budget gap in that year.

Business Rates

The estimated outturn for Business Rates in the previous period was a favourable movement of £3.04m compared to budget. This was largely as a result of a review of the level of provisions held for historic appeals. Since period 10 there has been some significant positive movements resulting in a favourable outturn variance of £6.79m. The favourable movement, which will be transferred to the Budget Resilience Reserve, relates to improvements in collection rates, a review of bad debt provision at year end and further release of provision for historic appeals. In addition, the renegotiation of the growth sharing agreement with Greater Manchester Combined Authority has allowed a higher proportion of the growth to be retained by the GM local authorities.

Reserves Movements

The favourable outturn position has given the Council the further opportunity to review the adequacy of reserves, particularly to address the evolving pressures with regard to the escalating rates of inflation and legislative changes and hospital discharge demand pressures in adults services.

The Council's Earmarked Reserves (excluding COVID accounting reserves, Capital and Schools) have increased from a balance brought forward of £51.91m to £69.09m at year end an increase of £17.18m of which a large proportion relates to a transfer of £5.2m from the COVID General Reserve to MTFP Budget Resilience Innovation and Change Reserve to support the 2022/23 budget and £4.4m of reserve adjustments relating to business rates accounting.

The remaining key movements of £7.58m include :-

- Favourable outturn at year end **+£1.53m**
- Favourable outturn Business Rates 2021/22 (General Fund elements) **+£3.30m**
- Contain Outbreak Management Fund (general expenditure charged to grant) **+£1.01m**
- Adults Services favourable movement at outturn **+£2.57m**. Of this balance, £1.58m has been moved to a new reserve associated with Hospital Discharge to Assess to manage the expected pressures in 2022/23 and £990k to Adults Service Earmarked Reserve to manage legislative pressures.
- **+£0.67m** increase in ICT Development Reserve to smooth the short to medium term pressures of implementing the Council's Digital Strategy
- **+£0.73m** increase to the Economic Development Reserve to smooth uncertainty in grant funding relating to Housing Option Services Trafford (HOST).
- **-£2.80m** budget support as planned
- **+£0.57m** net other minor movements in earmarked reserves

Capital Programme

The final outturn position for the general capital programme is £27.07m which is £5.02m less than the period 10 forecast. Given the substantial level of rephasing experienced during the year of £21.92m compared with the revised general capital programme budget for 2021/22 of £48.99m, a new Capital Programme Board has been established with the intention of improving both project management and delivery of of the Council's capital priorities.

REVENUE BUDGET

- 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	42,648	44,126	1,478	3.47%
Adult Services	52,749	52,234	(515)	(0.98)%
Public Health	12,505	10,867	(1,638)	(13.10)%
Place	31,566	32,175	609	1.93%
Strategy & Resources	5,824	5,171	(653)	(11.21)%
Finance & Systems	7,818	7,882	64	0.82%
Governance & Community Strategy	6,361	6,367	6	0.09%
Total Directorate Budgets	159,471	158,822	(649)	(0.41)%
Council-wide budgets	20,001	19,120	(881)	(4.40)%
Net Service Expenditure variance	179,472	177,942	(1,530)	(0.85)%
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	(1,530)	(1,530)	(0.85)%
Dedicated Schools Grant	148,343	149,876	1,533	1.03%

Budget Adjustments and Virements

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

Main variances, changes to budget assumptions and key risks

- The main variances contributing to the projected underspend of £1.530m, any changes to budget assumptions and associated key risks are detailed in Appendix 2.

MTFP Savings and Increased Income

4. The 2021/22 budget is based on the achievement of permanent base budget savings and increased income of £11.926m. At year end, the programme has delivered savings of £8.936m, which is £2.990m below target, after in-year mitigating actions of £992k, such as alternative savings, this has reduced the shortfall to £1.998m. This is a favourable movement of £403k since Period 10 which is largely due to a reduction in the shortfall in strategic investment income of £412k.
5. 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.

Inflationary Pressures

6. The Consumer Price Index (CPI) rose by 9.0% in the 12 months to April 2022, which represents a 40 year high. In February 2022, the OBR forecast CPI to rise to 8.7% in the fourth quarter of 2022 before falling to 4% in the first quarter of 2023 and 1.5% in 2024.
7. The rate of increase in inflation poses a significant risk to local government finances and the Council must plan to address pressures which will be felt in the new financial year (2022/23) as well as considering the impact in our Medium Term Financial Plan for future years. It is possible in future spending reviews, that the Government will consider the longer term impact of the high levels of inflation if it continues on the current trajectory.
8. A level of financial risk is always assumed regarding variations to inflation in preparing the robustness analysis for the annual budget and the various mitigations in our plans include the following:-
 - £1.5m COVID contingency (2022/23 only)
 - £1.8m general contingency budget in 2022/23 and increases of £750k per annum in each year of the MTFP thereafter.
 - Minimum General Reserve balance of £9.0m (one off) in the event that pressures cannot be contained within the general revenue budget.
9. The rate of change in headline inflation makes forecasting and planning extremely challenging, however the range of headline pressures being experienced by the Council are summarised in the table below.

Inflation Theme	Range of Pressure 22/23
Gas and Electric Trafford *	<>£1.6m
Trafford staff pay award	+2% assumed in budget at £1.6m. Preliminary options being consulted on ranging up to +10% c£8m

	LGA suggesting to budget for +4% this would add £1.6m pressure.
Traded Services	Up to 5.6% food inflation could be managed within £100k reserve. +1% increase thereafter c£29k
Amey One Partnership	Effectively fixed contract for 22/23 but market pressures for pay are c£700k
Capital Programme	Capital Programme depends on land sales receipts. Inflation may slow down sales and reduce returns. Inflationary impact on costs of construction and commodity prices.
Children's Services	Home to School, 2% assumed in budget Potential +10% £288k Foster Parents allowances 2% assumed in budget Each +1% would add on £19k
Adults	The placement budget is agreed under the Fair Price for Care. Funds were released under the last spending review to assess Market Sustainability. The increase in the level of inflation will affect these discussions and the Government may adjust for inflation in future spending rounds.

(*) excludes Trafford Schools and Leisure CIC

10. It is clear that the pressures being faced by the high levels of inflation are a considerable risk to the Council. The biggest areas of concern relate to energy prices, which represents nearly double the current level of budget and the impact of the 2022/23 pay award. At this stage our working assumption for the impact in 2022/23 would be that a prudent figure of £4.0m would be needed to mitigate the impact of inflationary pressures.
11. Whilst there some elements of contingency budgets which can be released to manage the in-year pressures, it is anticipated that these will be insufficient given the usual pressures which the contingencies were originally provided for.
12. As part of the year end close down, the opportunity has been taken to create a specific Inflation Risk Reserve to help mitigate against some of the 2022/23

pressures and a balance of £3.0m has been transferred from the Budget Resilience Reserve. This balance could be supplemented with a figure of £1.0m from the contingency budgets, although this would commit a large proportion of them very early on in the financial year, to arrive at the target of £4.0m. Representations have been made to Government with regards the impact in 2022/23 and anticipated ongoing implications which will further compound the budget pressures in later years. In the event that no other support is provided by Government then there will be significant adverse impacts on the resilience within the Council's reserves and contingencies. Assumptions will be firmed up as the new year progresses and will feed into the bi-monthly monitoring reports.

RESERVES

13. A full review of all reserves was completed as part of the 2022/2023 budget preparations and was reported in detail in the final budget report presented to Council in February 2022.
14. The year end close down provides an opportunity for a further review of reserves to address evolving pressures and issues since the final budget report was agreed. As previously mentioned the escalating headline rate of inflation poses a significant risk for the Council, furthermore, there continues to be uncertainty in projecting demand led services in Adults services. As such the Council has utilised its favourable outturn to bolster its budget support reserves and specific earmarked reserves.
15. Usable reserves have reduced from a balance brought forward of £200.34m to £154.12m at year end. The table below shows the movements by category with details of all reserve movements shown in Appendix 8.

Usable Reserves	Opening Balance 1/4/2021 £m	Closing Balance 31/03/2022 £m	Change £m
MTFP Budget Resilience and Transformation	6.35	11.65	5.30
Smoothing and Business Risk	15.64	18.85	3.21
Strategic Priority	13.76	11.60	(2.16)
Corporate	(2.94)	1.00	3.94
Corporate - General Reserve	8.00	9.50	1.50
Service Area Priorities	11.10	16.49	5.39
Earmarked Reserves (exc COVID-19)	51.91	69.09	17.18
COVID-19 Accounting Reserves	114.27	48.14	(66.13)
Capital Related Reserves	18.99	22.65	3.66
School Related Reserves	15.17	14.24	(0.93)
Total Usable Reserves	200.34	154.12	(46.22)

16. The increase in Earmarked Reserves (excluding COVID-19 Accounting Reserves) is £17.18m represented by :-
- **£5.2m transfer** from the COVID General Reserve to MTFP Budget Resilience Innovation and Change Reserve to support future budgets as agreed in the February 2022 final budget report
 - **£4.4m** reserves relating to timing differences in business rates accounting.

The remaining key movements of **£7.58m include :-**

- Favourable outturn at year end **£1.53m**
- Favourable outturn Business Rates 2021/22 (General Fund elements) **£3.30m**
- Contain Outbreak Management Fund (general expenditure charged to grant) **£1.01m**
- Adults Services favourable movement at outturn **£2.57m**. Of this balance, £1.58m has been moved to a new reserve associated with Hospital Discharge to Assess to manage the expected pressures in 2022/23 and £990k to Adults Service Earmarked Reserve to manage legislative pressures.
- **£0.67m** increase in ICT Development Reserve to smooth the short to medium term pressures of implementing the Council's Digital Strategy
- **£0.73m** increase to the Economic Development Reserve to smooth uncertainty in grant funding relating to Housing Option Services Trafford (HOST).
- **£2.80m** budget support as planned
- **£0.57m** net other minor movements in earmarked reserves

Transfers within Reserves (neutral impact for info only)

- **Creation of a new Inflation Risk Reserve with an opening balance of £3.0m**, specifically to absorb the risks associated with the increase in headline inflation. The opening balance has been funded from a transfer from the MTFP BRIC Reserve.
- **A new reserve associated with Hospital Discharge to Assess has been created to manage the expected pressures in 2022/23**. A figure of £1.58m from the Adults Service outturn along with transfers of £1.706m, largely from the Transformation Fund Reserve, **has resulted in a year end balance of £3.3m**.
- **The Adults Service Earmarked Reserve transfer of £990k**, from the favourable movement in the Adults outturn, largely associated with additional costs associated with new legislation and work on charging reforms
- **£1.5m** transfer to General Reserve as agreed in the final budget report in February 2022
- **£1.04m** transfers to MTFP BRIC Reserve from various earmarked reserves following review during budget preparation plus other minor movements at year end.

17. The movements in the other earmarked reserves is explained by :-
- **£66.1m reduction in COVID-19 related reserves** related to the balances of Government COVID-19 funding being drawn down as planned in connection with rates relief, collection fund support and budget support. Less a transfer of £5.2m to the MTFP BRIC Reserve as agreed in the final budget report in February 2022. The remaining balances are fully committed in 2022/23 and 2023/24;
 - **£3.66m increase in Capital Reserves** consisting of additional capital grant income received in year and yet to be drawn down to support the future programme.
 - **£931k reduction in Schools Reserves** largely due to pressures in the High Needs Block budget

COLLECTION FUND

Council Tax

18. At the height of the COVID-19 pandemic in 2020/21 the financial challenges 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 2021/22 General Fund budget included 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.
19. The discretionary Council Tax Hardship Scheme was also extended for a further year into 2021/22, 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.
20. The Council Tax Collection Fund is shared between the Council (82%), the Police & Crime Commissioner for GM (13%) and GM Fire & Rescue Authority (5%). The table below summarises the pressures and movements on the Council Tax Collection Fund from the Period 8 monitoring (*).

Summary of Council Tax Collection Fund Movements	Period 8 (*) Full Collection Fund £000	Period 12 Full Collection Fund £000	Movement P12 to P8 (improvement) /deterioration £000	Period 12 Trafford Share £000

Deficit Brought Forward	3,008	3,008	0	2,463
Collection of Prior Year difference in estimate and actual surplus	(345)	(345)	0	(285)
Collection of 1/3 Estimated 2020/21 Deficit (COVID Related) (**)	(1,654)	(1,654)	0	(1,353)
Balance remaining from Prior Year	1,009	1,009	0	825
In Year Position				
Shortfall in Tax Base	189	420	231	344
Better than expected Cash Collection of current year and historic debt	(1,200)	(2,193)	(993)	(1,799)
Local Council Tax Support Scheme	(703)	(1,287)	(584)	1,056
Hardship Awards	1,065	1,170	105	960
Contribution from Hardship Grant Reserve	(1,065)	(1,170)	(105)	(960)
Other Movements (Backdated discounts etc.)	(176)	(40)	136	(32)
Sub-Total In Year Position	(1,890)	(3,100)	(1,210)	(2,543)
Surplus Carried Forward	(881)	(2,091)	(1,210)	(1,718)

(*) The estimated outturn surplus/deficit in the Period 8 monitor is used in the preparation of the 2022/2023 budget and has therefore been used for comparison against outturn.

(**) In 2020/21, as a result of the pandemic, the Government announced changes, enabling local authorities to spread their estimated council tax deficits over three years rather than the usual one. As such, the estimated deficit for 2020/21 will be collected over the three years 2021/22, 2022/23 and 2023/24 which is a figure of £1.35m per year for Trafford's share.

21. A summary of the of key components of the outturn and impact on future years is as follows

- The Tax base has dropped by £420k largely due to an increase in discounts (e.g. single person discount). This is a negative movement of £231k since Period 8.
- The collection of debt for both in year and prior year is better than expected by £2.19m, largely due to a release from the amount set aside for the provision for bad debt. This is a positive movement of £993k since Period 8.
- Local Council Tax Support is lower than budget by £1.29m a positive movement of £584k since Period 8.
- Hardship Awards of £1.17m were made in the year and the Collection Fund will be credited by this amount from the General Fund using the underspent Hardship grant monies from 2020/21.
- The combined positive effect of the above, albeit largely one off in nature from the favourable collection of historic debt, gives an in year surplus of £3.10m, of which the Council's share is £2.54m. At Period 8 the outturn was forecast at £1.89m of which the Councils share was

£1.55m and this estimated surplus was built into our budget for 2022/23. The difference between the actual outturn and estimate of £993k will be released in 2023/24 in line with regulations. This one off figure will feed in to the Medium Term Financial Plan to help close the budget gap in 2023/2024.

Business Rates

22. The 2021/22 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.
23. 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 has been compensated for the loss in rates income via a Section 31.
24. In addition, further Government support has been offered to businesses via a discretionary scheme (COVID Additional Relief Fund) 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. 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. Payments commenced in the new financial year 2022/23 and as such the full grant has been rolled over to 2022/23.
25. 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 10, Business Rates income was forecast to generate additional income of £3.04m above budget (£1.94m within the Collection Fund and £1.10m General Fund). However since period 10 there have been a number of significant movements resulting in additional income of £6.79m (£3.5m within the Collection Fund and £3.3m General Fund). Favourable movements in collection rates, review of bad debt provision and the release of existing provision for appeals due to some big cases being dismissed by the VOA have caused the improvement in the Collection Fund. The significant improvement in the General Fund elements of £2.2m was largely the result of the renegotiation of the growth sharing agreement with Greater Manchester Combined Authority, allowing a higher proportion of the growth to be retained by the GM local authorities. Full details of the Collection Fund and General Fund components of the Business Rates Budget is shown in Appendix 3.
26. The benefit from the Rates Collection Fund will be released in 2022/23 as planned, and as reported in previous monitors, any favourable variance in the General Fund was planned to be transferred to reserves to support our future budget. The full benefit of £3.3m has therefore been transferred to the MTFP Budget Resilience and Innovation Reserve.

Impact of COVID-19

27. The impact of the pandemic on the Council's finances was anticipated to last for many years and the budget for 2021/22 included 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 2021/22.
28. Towards the middle of the financial year, the country faced a further lockdown as a result of 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 helped in mitigating the impact. Most grants have been spent in full resulting in a neutral impact on the outturn. Where grants have not been fully spent and have certain conditions attached, such as business relief grants, these will be returned to the Government in due course. For a number of grants, such as the Contain Outbreak Management Fund Grant, the Government has extended conditions allowing the grant to be carried forward in to 2022/23.
29. 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

30. The updated budget for 2021/22 was approved by the Executive in September 2021 and included the reprogramming from the 2020/21 budget with a revised approved general programme of £48.99m. Subsequently during the year the forecast expenditure was revised to reflect re-phasing and any new approvals. Where such changes were made, these were reported in relevant capital monitoring reports to the Executive with explanations provided. The final outturn position for the year 2021/22 for the general capital programme is £27.07m which is £21.92m under the revised approved programme, and £5.02m less than reported at period 10. A summary of these variances is detailed in Appendix 4.
31. It is to be noted that delays in the delivery of the capital programme have the potential to expose the Council to risk around such areas as health and safety, service provision and funding that may be linked to delivery of schemes. As a result a Capital Programme Board made up of officers from across all service areas has been established with the intention of improving both project management and delivery of the council's capital priorities.

GENERAL CAPITAL PROGRAMME OUTTURN (£27.07m)

32. The final outturn position for the general capital programme is £27.07m which is £5.02m less than reported at Period 10 (P10) as summarised in the table below:-

Capital Investment Programme 2021/22	Approved Programme 2021/22 £m	P10 Forecast £m	2021/22 Outturn Expenditure £m	Variance P10 to Outturn £m
Service Analysis:				
Children's Services	12.79	11.80	10.10	(1.70)
Adult Social Care	4.49	1.87	1.88	0.01
Place	30.37	17.61	14.43	(3.18)
Governance & Community Strategy	0.08	0.08	0.11	0.03
Finance & Systems	1.26	0.73	0.55	(0.18)
General Programme Total	48.99	32.09	27.07	(5.02)

33. The overall spend of £27.07m includes the following major areas of investment :

School Improvements - £9.79m:-

- Capital Maintenance & Access works - £2.83m
- Expansion & Basic Need works - £6.40m
- SEND and Healthy Pupils Funding works - £221k
- Improvements via Devolved Formula Capital - £340k

Children Social Care - £312k:-

- Children's Portal/Liquid Logic - £242k
- Foster Carers - Accommodation improvements - £32k
- Other Schemes - £38k

Adult Social Services - £1.88m:-

- Disabled Facilities Grants - £1.76m
- Assistive Technology / Agile Working - £117k

Major works on Public & Operational Buildings - £1.77m:-

- Public Building Repairs & DDA Improvements - £467k
- De-carbonisation of Council Buildings - £1.18m
- Other Schemes- £119k

Regeneration Projects - £1.59m:-

- Future High Street Fund - £917k
- Altrincham Town Centre Public realm works - £499k
- Greater Manchester Full-Fibre - £148k
- Other Schemes - £25k

Highway & Transport Related Improvements - £7.84m:-

- Highway Structural Maintenance (Inc. Lighting) - £3.67m
- Integrated Transport Schemes - £192k
- Cycling and Walking schemes - £1.89m
- Bridges Programme - £615k
- Carrington Road improvements - £1.47m

Leisure and Sport - £1.35m:

- Leisure Centre Strategy and Improvements - £843k
- Football Facility Provision - £495k
- Other Schemes - £9k

Environmental Services and Green Spaces - £399k:-

- Parks and Play Areas Infrastructure - £362k
- Other Schemes - £37k

Housing and Other Services - £1.36m:-

- Affordable Housing - £378k
- Sale West – Estate Regeneration Fund - £974k
- Other Schemes - £4k

Parking Services - £39k:-

- Pay and Display Machines - £39k

Bereavement Services - £79k:-

- Crematorium Works - £79k

Governance and Communities - £107k:-

- Partnership and Communities - £107k

Finance and Systems – £551k:-

- Range of ICT initiatives - £551k

Performance and explanation of major variances

34. As described above there was an overall movement of £5.02m in the outturn compared to period 10. Capital expenditure by its nature can fluctuate and be difficult to forecast across a single financial year, and can also be affected by factors outside the Council's direct control. An explanation of the variations by Directorate is shown in the table below with a more detailed breakdown in Appendix 5.

Variance by Directorate	Period 10 2021/22	Outturn 2021/22	Variance	Variance Explained By		
				Net Re-Profiling	Add'n Expend	Saving
Directorate	£m	£m	£m	£m	£m	£m
Children's Services	11.80	10.10	(1.70)	(1.70)	-	-
Adult Social Care	1.87	1.88	0.01	-	0.01	-
Place	17.61	14.43	(3.18)	(3.07)	0.03	(0.14)
Governance & Community Strategy	0.08	0.11	0.03	0.02	0.01	-
Finance & Systems	0.73	0.55	(0.18)	(0.18)	-	-
General Programme Total	32.09	27.07	(5.02)	(4.93)	0.05	(0.14)

35. The overall variance of £5.02m includes £4.93m relating to re-profiling and acceleration, significant key variances are explained in detail below with all variances detailed in Appendix 4:

Children's Services

- £(673)k of Basic Need funding has been reprofiled;
 - Firs Primary School £(390)k - the new main block is now expected to be completed in January 2023 instead of September 2022 as a result of issues with material availability and delivery associated with the ongoing impact of Covid-19;
 - Sale High School £(305)k - an element of the allocated Basic Need budget has been retained to support the outcome of DfE School rebuild bid;
 - A small number of Other Schemes £(184)k - work is currently underway on the majority of these schemes and are expected to complete imminently.
 - Blessed Thomas Holford College £206k - additional costs have been incurred as a result of contaminated land and poor ground conditions identified during the build process; this can be financed from unallocated Basic Needs allocation.
- £(819)k of re-profiling occurred across Schools Capital Maintenance;

- Lostock College – Block A Roof £(132)k – Progress on the scheme is well underway but there has been a slight delay in the programme of works due to adverse weather conditions.
- Sale High School – Reroofing works £(253)k – This scheme is now complete and remaining resources are to be potentially reallocated to support decarbonisation works that have been undertaken at the school.
- School Health and Safety Monies £(109)k – This is a reactive allocation and as such is only used when urgent works are identified.
- A number of other schemes £(325)k – small maintenance schemes where work is either underway or expected to be undertaken imminently.
- £(160)k of Devolved Formula Capital, this grant is a rolling three year allocation given directly to schools, as a result this enables schools to have flexibility on when they can spend the resources and as such makes it difficult to forecast when this spend is incurred.

Place

Re-profiling has occurred on a number of project areas:

- £(491)k of planned work on the Council's corporate estate has been reprofiled to enable delivery of the Decarbonisation (PSDS1) scheme, which has time limits on the funding. The works in the programme will be completed in 2022/23;
- £(823)k of Decarbonisation works have been reprofiled with the scheme being given a deadline extension until June 2022. Delays have been due to supply chain issues with specialised heating equipment providers.
- £352k of Future High Street Fund works have been carried out slightly ahead of the forecast position, this is as a result of ongoing initial design works for the elements being undertaken with our development partner which are progressing well to achieve the deadline for the grant of March 2024.
- £(420)k for Parks and Greenspaces - much of the work planned for 2021/22 had to be focused on backlog of delivery for schemes that had been delayed during the pandemic from 2020/21 due to the difficulty in securing external consultancy support. This backlog of design work is now complete and schemes are ready for delivery together with the 2022/23 programme.
- £(1.33)m of the Highways Structural Maintenance programme has been reprofiled with the completion of the ongoing highways structural maintenance and street lighting works programme for 2021/22 being on track to be fully completed in the early months of Q1 2022/23. Schemes are on site or are now complete and awaiting final accounts to be completed. Some delivery pressures with supply of steel delaying the completion of the street lighting programme within year.
- £(186)k of Integrated Transport schemes have been reprofiled mainly due to consultation and Traffic Regulation Orders implementation that has been needed.
- £(394)k of Bridges works have been reprofiled as the programme has been subject to delays as a result of specialist contractor's been furloughed as a

result of the impact of Covid. The outstanding programme of works will be completed early in 2022/23.

- £245k of Cycling and Walking schemes have progressed ahead of forecast in particular around the development of the Mayors Cycling and Walking Challenge Fund.
- £450k improvement on the forecast for Carrington Relief Road works as this scheme progresses through the initial phases of Development in advance of Rationalisation works with the scheme area.

Finance & Systems

- £(178)k of re-profiling linked to ICT improvements with specific issues with slight delays on Windows 10 implementation (Additional devices) and Office 365 Implementation. Work is progressing well on these schemes and the programmes of work are still ongoing.

36. There have been are a small number of schemes where there has been variances as a result of overspends of £46k and underspends of £135k, these variances are detailed within Appendix 6 and will be managed within the overall programme.

Financing of General Capital Programme Expenditure

37. The general capital programme expenditure of £27.07m was financed predominantly from grants and external contributions and borrowing, supplemented by specific reserves and receipts. The actual levels applied are shown below:

Financing of General Capital Expenditure 2021/22	Outturn 2021/22 £m
Internal Resources	
Capital Receipts	1.68
Specific Reserves & Revenue	0.22
Borrowing	2.35
Sub-Total	4.25
External Resources	
Grants & Contributions	22.82
Total Financing	27.07

38. The total level of usable receipts for 2021/22 was £5.41m compared to the assumed budgeted level of £7.73m as at P10 which is £2.32m less than anticipated for the year. This mainly relates to receipts that are now anticipated to be received in the current financial year (2022/23) at the current assumed levels. The following table details how the available £5.41m has been utilised:-

	£m
Available Capital Receipts	5.41
Less Disposal Costs and PFI MRP	0.66
Less Shortfall in Receipts 2020/21	3.07
Receipts to Fund 2021/22	1.68
Balance of Capital Receipts to Fund Capital Programme	0.00

There is a programme of disposals and developments from which receipts realised are used to support the capital programme which was reported as part of the Strategic Land Review Programme to Executive in February 2022.

The current approved capital programme has a level of overprogramming assumed within it and this needs to be managed over the delivery period of the programme. There is an ongoing risk that if receipts are lower, or received later than assumed, there may be the need for additional borrowing in both the short and long term which has the potential to incur increased revenue costs, or alternatively a reduction in the number of approved schemes able to be delivered. The programme of disposals and development is continually under review with new opportunities being explored. Any changes in assumed levels of receipts will be reported in detail as part of the capital monitoring updates and appropriate decisions on delivery can be made if required.

In addition to this and as part of the capital bids process, to take place over the summer 2022 period and in advance of final capital budget approval in February 2023, work is to be undertaken looking at those schemes where resources are not yet contractually committed but have resources allocated to establish if these schemes are still a priority in achieving current council priorities. If it is found that resources are no longer required these will reduce the level of overprogramming and reduce the current reliance on capital receipts.

This position will be monitored closely and reported through the budget monitoring process throughout the coming year.

39. Where grant funding has been utilised or reprofiled to later years in the capital programme this has been done in accordance with the specific grant conditions.

Prudential and Local Indicators

40. The Council is required to maintain these indicators which are designed to show that its capital expenditure plans are prudent, affordable and sustainable. Detailed in Appendix 7 are the actual capital programme related indicators compared to those agreed in February 2022. It is to be noted that none of the prudential indicators have been breached within the financial year 2021/22.

ASSET INVESTMENT FUND

41. 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 (IMB) to date have a total current committed cost of £345.88m, of which £237.27m has currently been expended.
42. A number of new schemes have been approved by IMB during the year, including an additional £12m at Castle Irwell for Phase 2 of the residential scheme. A £16m investment into the Stamford Quarter LLP, has been approved, to fund regeneration schemes in Altrincham, split £8.0m for both equity and debt. A provision of £4.6m for a regeneration scheme in Hale Village which will provide new housing and community facilities, including a library.
43. In January 2022, the loan facility for the CIS Tower was part repaid by £24m as the scheme progresses to its next stage and, following an approval to extension by the IMB, the remainder due to be repaid in 2022/23. The first phase of the Castle Irwell scheme has also begun to be repaid as elements of the residential development are sold, with £10.0m repaid to date.
44. Debt facilities totalling £62.45m, provided by the Council to THG, to finance their Icon 1 and 2 office and distribution schemes, have now been repaid in full. The facility of £67.50m, to be used to finance the construction of new office accommodation for THG, will begin to be drawn in 2022/23.
45. The balance of the approved £500m which is available for further investment is £154.12m (Table below)

Asset Investment Fund	Prior Years £m	Repayments £m	Actual Spend 2021/22 £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	-	0.47	0.22	5.49
Brown Street, Hale	6.79	(2.11)	2.23	-	6.91
Former sorting office, Lacy Street, Stretford	0.87	-	0.03	0.06	0.96
GMP Site, Chester Road, Old Trafford	-	-	-	0.64	0.64
Care Home Purchase & Remediation	2.23	-	0.11	0.60	2.94
Tamworth	0.06	-	0.07	0.13	0.26
Various Development Sites*	0.37	-	0.09	-	0.46
Sub Total	15.12	(2.11)	3.00	1.65	17.66
Equity:					
Stretford Mall, Equity	8.82	-	-	-	8.82
Stamford Quarter, Equity	16.69	-	0.29	7.71	24.69
K Site, Stretford Equity	11.00	-	0.21	1.04	12.25
Sub Total	36.51	-	0.50	8.75	45.76
Development Debt:					
Bruntwood; K site	10.90	-	0.21	1.14	12.25
Bruntwood; Stamford Qtr/Stretford Mall	25.57	-	0.29	7.71	33.57
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	(10.00)	7.43	10.29	19.00
Castle Irwell, Salford – Phase 2	-	-	3.74	8.26	12.00
Hale Library	-	-	1.29	3.31	4.60
Sub Total	170.20	(96.45)	12.96	98.21	184.92
Total Capital Investment	301.74	(98.56)	16.46	108.61	328.26
Albert Estate Investment	17.62			-	17.62
Total Investment	319.37	(98.56)	16.46	108.61	345.88
Balance available					154.12

*Includes Stokoe Avenue and Jubilee Centre

46. These investments have generated a net benefit to the revenue budget in 2021/22 of £6.49m, a deficit of £1.09m compared to the budget net target.

Asset Investment Strategy Period 12 Monitor	Budget Variance £000
Net Income target	(7,575)
Variations:	
Pipeline Recycling Target	2,454
Contribution from Risk Reserve	(947)
Low Variable Interest Rates	273
Shopping Centre shortfalls	843
Castle Irwell Phase 1 earlier draw	(194)
Castle Irwell Phase 2 - New facility	(291)
HUT Group delay	596
HUT Group reserve smoothing	(596)
CIS Tower Extension	(1,095)
Grafton Centre Improved performance	(36)
Hale Library - New Facility	(39)
Admin & Fees	126
Net Income for 2021/22	(6,483)
Variance to Target	1,093

Key Variations

- The 2021/22 budget include target of £3m from schemes that were yet to be identified. This figure represented the recycling of funds from schemes that had matured and been repaid, such as the Crescent. A total of £0.54m was secured before the start of the year through new investments at the Hut Group and the Castle Irwell, leaving a remaining target of £2.45m. New schemes and extensions of current schemes, agreed in year, have been used to address this remaining target. Pressures have however been experienced in existing schemes. The new schemes and shortfalls are set out below.
- The Hut Group have informed the Council of their intention to delay the start of work on their new office accommodation. This has postponed the drawdown of the agreed facility until 2022/23, which has caused a pressure in 2021/22 of £0.60m. To mitigate against this shortfall, the Council has drawn down from the Risk Reserve to smooth the variance, with the reserve to be topped back up from the anticipated delayed income benefit in future years.
- Lower returns to the value of £0.27m on debt facilities which are linked to variable interest rates.
- A shortfall in returns from the Council's three joint ventures with Bruntwood of £0.84m, required to cover the Council's borrowing costs on the acquisition of the

town centre assets in Stretford and Altrincham. This shortfall is a result of reduced trading income as the sites recover from the impact of Covid-19 on the retail sector, and prepare for regeneration schemes on both sites.

- The pressures above have been partly offset by additional income of £0.19m due to a faster draw on the Castle Irwell debt facility, and the signing of an additional £12m facility at Phase 2 of the residential scheme, providing a further £291k of net income.
- The approved extension of the CIS Tower deal, £60m from September to January and then at the lower £36m facility, has provided an additional £1.10m of net income.
- The Council has approved a debt facility of £4.60m to provide new housing and community facilities, including a library, in Hale Village. This new facility has provide additional net income of £39k in 2021/22.
- The Risk Reserve level at the start of the year was £6.20m. This level of reserve is currently considered to be sufficient in relation to the immediate risks that the portfolio is exposed to. The Council has, therefore, made reduced contributions in 2021/22, and £0.95m will instead be used as part of the mitigation of the forecasted income pressures.

47. The Council has set aside a Risk Reserve to mitigate against potential unforeseen cost or income pressures and to finance future investment in the Council's assets. At the start of the financial year this reserve stood at £6.2m and at year end was £6.3m. The Risk Reserve will be used to smooth income shortfalls from the THQ debt facility and the Stretford and Stamford LLPs until the positions improve. Regeneration work is now underway at the Stretford Town Centre and Stamford Quarter sites and net income will return to surplus when the work is completed and the assets are fully tenanted.

Risk Reserve	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
B/F	6,201	6,309	4,889	4,668
Budgeted Contribution	1,651	0	0	0
Stamford Quarter Smoothing	0	(418)	(459)	26
Stretford Town Centre Smoothing	0	(359)	(359)	(58)
THQ Smoothing	(596)	0	596	0
GMP – Chester House*	0	(643)	0	0
Budget Support	(947)	0	0	0
C/F	6,309	4,889	4,668	4,636
Net Contribution	108	(1,420)	(221)	(32)

*Should scheme progress then financing costs for the Council's equity investment may need to be financed from reserve

Recommendations

48. It is recommended that that the Executive:

- note the report and the revenue outturn position showing a budget underspend of £1.530m, which has been transferred to the Budget Resilience, Innovation and Change Reserve;
- note the reserves position as detailed in paragraph 15 and Appendix 8;
- note the final capital programme outturn position as detailed in paragraphs 30 to 47

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 *G. Bentley*

Appendix 1

Service Review/Virements	Children's (£000's)	Adults (£000's)	Place (£000's)	Strategy & Resources (£000's)	Finance & Systems (£000's)	Governance & Community Strategy (£000's)	Council -wide (£000's)	Total (£000's)
Period 8 Outturn Report	42,784	65,254	31,566	5,685	7,818	6,328	20,037	179,472
Virements:								
Ofsted investment in Childrens' funding HR, Performane Training and Consultant's Post	(136)			136				0
Research project by Jewish Leadership Council				3			(3)	0
Information Governance posts						33	(33)	0
Total movements	(136)	0	0	139	0	33	(36)	0
Period 10 Outturn Report	42,648	65,254	31,566	5,824	7,818	6,361	20,001	179,472

Appendix 2

Main variances, changes to budget assumptions and key risks

The main variances contributing to the projected underspend of £1.530m, any changes to budget assumptions and associated key risks are highlighted below:

Table : Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	1,478	<p>Outturn variance £1.478m adverse; an adverse movement of £297k.</p> <p>Below is the outturn position on the children's placements and other budget areas.</p> <ul style="list-style-type: none"> • £721k over budget on children's placements (note 1) a favourable movement of £395k; • £385k under budget on staffing (note 2) an adverse movement of £486k; • £678k over budget on Home to School Transport (note 3) an adverse movement of £89k; • £464k over budget on other running costs and income across the service (note 4) an adverse movement of £117k. <p><u>Note 1</u></p> <p>There is an overspend of £721k on children's placements, a favourable movement of £395k.</p> <p>Over the two month period there has been a number of changes within Children's placements. Costs for new placements was £99k after utilising the remaining contingency of £129k. This has been offset by reductions in placement costs of £494k due to children stepping down or leaving the system (£384k) and the receipt of additional Continuing Health Care income for some placements (£110k).</p> <p>The numbers of children as at the end of March are:</p> <ul style="list-style-type: none"> • children in care 363, a decrease of 13 • child protection is 192, an increase of 2 • children in need 842, an increase of 36 <p>The savings target of £1.5m included in the budget has been achieved in full.</p> <p><u>Note 2</u></p>

		<p>There are underspends in staffing of £385k which is due to delays in recruiting and are one-off in nature as the service undertakes its service redesign which will continue to be implemented during 2022/23. The adverse movement of £486k is mainly due to additional agency costs being incurred as difficulties continue in the permanent recruitment of social workers.</p> <p><u>Note 3</u></p> <p>The overspend in Home to School Transport is £678k, this is an adverse variance of £89k due to:</p> <ul style="list-style-type: none"> • the service continuing to see an increase in demand with further applications being received; • an increase in the complexity of cases, of which a number require transport to out of borough settings; • the price increases on contracts being incurred due to the increase in fuel costs; • The Trafford Travel Co-ordination Unit (TTCU) is currently part of a task and finish project being undertaken by the Business Intelligence Unit to look at opportunities for change. <p><u>Note 4</u></p> <p>The adverse variance in running costs and income across the service is £464k; an adverse movement of £117k. The reasons for this overspend and movement are as follows:</p> <ul style="list-style-type: none"> • £336k adverse variance on Section 17 (s17) payments, an adverse movement of £65k. 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; • £73k adverse variance on Partington nursery an adverse movement of £11k. The overall variance is due to a low uptake at the nursery resulting in a shortfall in income; • £90k adverse movement on income – no change; • £35k favourable variance on minor variances across the service, an adverse movement of £41k.
Adult Services	(515)	<p>Outturn variance £515k favourable, a favourable movement of £97k from period 10.</p> <p>The impact of COVID-19 and supporting the NHS in dealing with the backlog of patients waiting for treatments has had a significant bearing on the service both in terms of its service delivery and finances during this financial year.</p> <p>The areas of favourable variance and pressures are outlined below:</p>

	<ul style="list-style-type: none"> • £2.334m favourable position on Adult clients, a favourable movement of £2.269m from period 10 (Note 1) • £751k favourable position on staffing and running costs, a favourable movement of £398k from period 10 (Note 2) • £2.570m to support short term pressures on the budget for 22/23 (Note 3); adverse movement of £2.570m. <p>Note 1 Adult Clients has a £2.334m underspend, a favourable movement of £2.269m from period 10.</p> <p>This budget continued to increase in both its complexity and volatility as a result of COVID-19 and below are the main reasons for the favourable position:</p> <p>Discharge to Assess - £2.686m favourable, a £1.577m favourable movement. This is due to the following:-</p> <ul style="list-style-type: none"> • Hospital Discharge Programme (HDP) - £1.107m favourable, a £857k favourable movement. The programme continued this year with costs being met by the NHS. The final months saw an increase in the eligibility of costs that could be charged to the scheme. • Risk Share agreement - £1.579m favourable, a £720k favourable movement. This is due to an increase in the income received from the CCG regarding stays in discharge to assess beds beyond 28 days that are not covered by the HDP. <p>Section 117 Liabilities – £285k favourable, a £285k favourable movement. Section 117 is a part of the legislation that requires councils and CCG’s to fund the requirements of an individual’s after-care under the Mental Health Act to build effective support and rehabilitation packages after a period of compulsory detention. The backdated costs being sought by other local authorities is less than had been anticipated.</p> <p>Savings – £329k adverse, a £15k adverse movement Not all savings have been achieved this year due to the need to continue to respond to COVID-19 and the prevailing market conditions. £1.537m of the £1.866m saving proposals in this area have been achieved.</p> <p>Packages of Care – £308k adverse, a £422k favourable movement This is due to the following:-</p> <ul style="list-style-type: none"> • Increases in costs to existing packages of care £1.671m (586 clients). This is mainly due to increasing client needs/complexity and changes to clients’ financial assessments. • Reductions in costs to existing packages of care £2.552 (332 clients). This is mainly due to reductions in care required, clients that have deceased and changes in clients’ financial assessments.
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	<ul style="list-style-type: none"> • New packages of care - the gross increase was £552k reducing to £459k after applying £96k for contingencies. This will include previous self funders whose savings have fallen below £23,250. <p>Note 2</p> <p>The outturn position is a favourable variance of £751k on staffing and running costs, a favourable movement of £398k from period 10 which is due to the following:-</p> <ul style="list-style-type: none"> • £438k favourable variance on staffing, a favourable movement of £79k. This favourable variance and movement 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; • £300k favourable variance on the bad debt provision. A detailed analysis by Exchequer Services on the debt position as at 31st March has determined that no further contribution from the budget this year is required. • £239k favourable variance on client equipment, repairs and maintenance, a favourable movement of £31k. This is due to the impact of COVID-19 resulting in a low number of referrals being received as occupational therapists were redeployed into COVID-19 response teams until Dec 21 and also difficulties in accessing properties to undertake work. • £317k adverse variance due to underachievement of savings, no movement. This is as a result of delays to changes in legislation and staffing pressures on the service and • £91k favourable variance on minor variances, an adverse movement of £12k. <p>Note 3</p> <p>Due to a range of short term pressures in the service from implementing new government legislation, ordinary residence claims (a local authority has a duty to meet eligible needs for an adult who is 'ordinarily resident' in its area) and the requirements within hospital settings to reduce waiting lists (this will have an impact on discharges from hospital), £2.57m of the adults underspend this year will be set aside in two adult's earmarked reserves to support these budgets in 22/23 (£1.58m Discharge to Assess Reserve and £990k Adults Service Earmarked Reserve).</p> <p>Note 4</p> <p>In addition to this there are further costs due to COVID-19 as outlined below which are met by additional income:-</p> <ul style="list-style-type: none"> • £6.389m which has been 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"> • £3.867m for Infection Control and Rapid Testing for care providers which has been met by government grant; • £137k for the Clinically Extremely Vulnerable which has been met by government grant; • £797k for Contain Outbreak Management which has been met by government grant; • £494k for Self-isolation Support which has been met by government grant and <p>£1.822m for Workforce Recruitment and Retention which has been met by government grant.</p>
Public Health	(1,638)	<p>Outturn variance £1.638m favourable, a favourable movement of £209k from period 10.</p> <p>The outturn position shows a favourable position of £1.638m as a result of:-</p> <ul style="list-style-type: none"> • £679k favourable position on ‘business as usual’ staffing costs, £2k favourable movement from period 10, as the service continued to lead and support the contain outbreak management response to COVID-19; • £256k favourable position on activity based budgets, £156k favourable movement. This is due to a considerable drop in activity and demand as a result of the disruption cause by COVID-19; • £400k favourable position in the community services contract, no movement. This is a one off reduction as the costs have been met by the NHS and the current financial regime it has been operating in since the coronavirus pandemic and • £303k favourable position on running costs and other minor variations, a favourable movement of £51k. <p>In addition to this there has been further costs of £1.530m due to COVID-19 for contain outbreak management and this will be met by a government grant.</p>
Place	609	<p>Outturn variance £609k adverse, a favourable movement of £730k since period 10.</p> <p>This includes gross COVID-19 pressures of £2.682m, offset by £2.340m included in the approved budget/reserves – a net COVID-19 pressure of £342k which is a favourable movement of £21k.</p> <p>This includes:</p> <ul style="list-style-type: none"> • COVID-19 related gross income losses are £2.514m (reduced by £19k), of which £1.470m is included in the approved budget and £670k earmarked in reserves/grants relating to Leisure. This gives a net COVID-19 income pressure in the forecast outturn of £374k; • The gross COVID-19 related income losses include parking fees and fines £506k (increased by £15k), property rentals £281k (reduced by £19k), outdoor media advertising £26k (reduced by £69k), planning fees £828k (increased by £100k),

		<p>licencing fees £80k, building control fees £61k, highways permits and grants £30k (increased by £6k), street trading £22k (increased by £2k), pest control £8k (reduced by £8k) and trade waste £52k (increased by £4k). These are offset by GMRAPs income now on target £50k (pressure reduced by £50k). The gross trading deficit of the Trafford Leisure CIC is £670k due to the effects of the various COVID-19 restrictions over the year, which will be funded from existing earmarked reserves and application of grants;</p> <ul style="list-style-type: none"> • COVID-19 related gross expenditure pressures are £168k (reduced by £2k). This includes £163k in additional waste disposal costs (increased by £63k) and £54k operational buildings (reduced by £17k), £32k highways, £5k grounds maintenance, £18k other running costs (including licencing). There is an underspend of £99k on Community Safety staffing relating to staff secondments to COVID-19 related work (increased by £43k) and other staff £5k (increased by £5k); • There are also additional costs fully offset by additional specific COVID-19 grants of £305k Community Engagement and £422k for Public Protection/Economic Growth/Housing “pandemic contain” funding. <p>Other Variances £826k favourable, a favourable movement of £297k.</p> <ul style="list-style-type: none"> • The variance includes an overall staffing underspend of £659k relating to vacancies across the year (increase of £80k), which is approximately 9.1% of the staffing budget and includes for management action on vacancies outlined in previous reports. • Property let estate income is £314k above budget offset by additional property costs of £166k. • The ring-fenced planning account has a forecast underspend of £362k (unchanged) which partly offsets the COVID-19 income pressure for Planning application fees above. • These are offset by projected shortfalls in income relating to building control £196k, CCTV £36k and public protection £42k. • Changes in the grant conditions of the Homelessness Prevention Grant used to fund the Housing Options Service Trafford (HOST), and unanticipated additional in-year winter top up grant of £136k, has resulted in an underspend in the Housing service of £488k in 2021/22. This amount has been transferred to the Economic Development Reserve temporarily whilst awaiting notification on the future allocation and conditions of the Homelessness Prevention Grant. <p>Strategic Investment Programme £1.093m adverse, a favourable movement of £412k:</p> <p>The Strategic Investment Property Portfolio will deliver a net benefit to the revenue budget in 2021/22 of £6.5m. This is £1.093m lower than budgeted and is due to economic factors</p>
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		affecting some of the income, particularly from the town centre investments (see details in paragraph 46 on capital programme).
Strategy & Resources	(653)	<p>Outturn variance £653k favourable, a favourable movement of £263k since period 10.</p> <p>This includes gross COVID-19 pressures of £339k, a favourable movement of £152k, which is £142k lower than the £481k included in the approved budget:</p> <ul style="list-style-type: none"> • Gross trading losses in the overall forecast outturn includes £131k in Catering (reduced by £128k) and £98k in Cleaning (reduced by £9k) offset by a £46k surplus in the Music Service (£5k favourable movement). There is a net loss of income from staff parking of £138k (reduced by £10k) and £14k loss of SLA income directly attributable to COVID-19 (unchanged); • There is also £1.127m of 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 Variances £511k favourable, a favourable movement of £111k, including:</p> <ul style="list-style-type: none"> • Staff costs are £461k less than budget across the Directorate (favourable movement of £25k) based on actual and forecast vacancies across the whole year, which is 6.9% of the total staffing budget; • SLA income, Bereavement Services and other running costs are favourable £176k (favourable movement of £77k). <p>These are offset by the budgeted Directorate-wide efficiency saving target of £126k, which has been achieved in full.</p>

Finance & Systems	64	<p>Projected outturn variance £64k adverse, an adverse movement of £25k since period 10.</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	6	<p>Outturn variance £6k adverse, a favourable movement of £179k since period 10.</p> <p>This includes gross COVID-19 pressures of £275k offset by £240k included in the approved budget, a favourable movement of £186k – a net COVID-19 pressure of £35k:</p> <ul style="list-style-type: none"> Gross income losses due to COVID-19 are £185k (reduced by £186k) and includes £149k relating to Sale Waterside Arts Centre (reduced by £149k), £17k for events including Flixton House (reduced by £5k), land charges £28k (reduced by £11k) and Registrar's £57k above budget (increased by £24k). There is also a £48k loss of income from library lettings (increased by £3k); cost pressures total £90k (unchanged) and relate to legal costs for fees and additional agency staff required due to the increase in caseload £100k, which is in line with budget, and an underspend in Library running costs due to grants of £10k. <p>Other Variances £29k favourable, an adverse movement of £7k:</p> <ul style="list-style-type: none"> Forecast staff costs are £390k less than budget across the Directorate based on actual and forecast vacancies across the whole year, which is 7.0% of the total staffing budget. This has reduced by £11k; Running costs are forecast to be overspent by £32k, which is a favourable movement of £4k; There is a shortfall in income of £137k compared to budget excluding the COVID-19 pressures above, which is unchanged. The overall shortfall includes £25k in capital fee income which is related to staff vacancies (reduced by £9k), £37k shortfall in traded services (reduced by £10k) and £45k reduced grant income in electoral registration service. Other income shortfall, including from SLAs, is net £30k (increase of £19k). <p>The above is offset by the budgeted Directorate-wide efficiency saving target of £192k.</p>
Council-wide budgets	(881)	<p>Projected Outturn variance, £881k favourable, a favourable movement of £368k since Period 10</p> <p>Treasury Management</p> <p>The outturn position for the Council's Treasury Management function is a net overspend of £925k, an adverse movement of £533k since period 10. The key variances are set out below.</p> <p>Shareholder Income Car Park investment £784k - Income totalling £392k was forecast 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</p>

	<p>Car Parking facility. As a result of the reduced activity during the Covid-19 pandemic, this income is not anticipated to be achieved until 2023/24 at the earliest. The interest rate smoothing reserve has been increased in year and will be used to cover any income shortfall in the short term.</p> <p>Other provisions have been made to cover the costs of other activity associated with the Council's debt strategy.</p> <p>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 10.</p> <p>Housing Benefit</p> <p>There is a minor net overspend on the Housing Benefit budget of £35k, a favourable movement of £130k since period 10. However, there is now no requirement to draw on any of the £500k set aside in the Reserve to cover volatility in this budget, as previously expected. The actual variance is therefore £35k adverse.</p> <p>Liability Orders</p> <p>Additional income above budget of £222k, including a refund of £117k from the Ministry of Justice relating to Court fees over paid by local authorities during the period between April 2014 to July 2018. An additional £105k above budget due to an increase in activity to clear court backlogs experienced during the pandemic.</p> <p>Greater Manchester Advance Pension Payment</p> <p>A greater than expected saving of £154k above budget from the three yearly advance pension payment. A minor improvement of £4k since period 10.</p> <p>Transport Levy</p> <p>A saving of £99k against budget on the final levy paid to the Greater Manchester Combined Authority.</p> <p>Members Allowances</p> <p>There is a saving of £42k on Members Allowances and running cost budgets, a favourable movement of £7k since period 10.</p> <p>External Audit fees</p> <p>A £25k underspend, a favourable movement of £7k since period 10. This includes the following.</p> <p>Following the approval of its 2020/21 audited annual report, the Public Sector Audit Appointments has redistributed a total of £5.6m amongst its members. For Trafford this refund is £18k.</p>
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	<p>The Government recently announced additional funding of £15m to local authorities over the next 4 years in response to the Redmond Review. This funding is to meet the anticipated rise in audit fees driven by new requirements on auditors. For Trafford this is £47k in 2021/22.</p> <p>Costs of £40k relating to additional audit work relating to the 2020/21 Accounts have also been incurred above budget in the year.</p> <p>Council-wide Contingencies</p> <p>The overall contingency of £2.8m available at the start of the year has been utilised on a range of unforeseen expenditure, most notably the cost of the 2021/22 pay award (£1.2m), the additional pressures caused by the lower than anticipated grant for losses in sales, fees and charges caused by the Covid Pandemic (£0.6m) and the additional pressures detailed above on the treasury management budget (£0.9m). These have been offset by £0.2m of windfall income from Trafford Housing Trust relating to a historic VAT Shelter arrangement. The final release of contingency budgets was £0.3m</p> <p>Contain Outbreak Management Fund (COMF)</p> <p>The Council Wide budget holds the grant income from the COVID-19 related COMF. Grant has been transferred to service areas where expenditure has been directly incurred. A balance of £1.010m has been incurred on shared costs, general overheads and running costs across all services within the year and charged against the grant, in accordance with the grant conditions. As these costs have been accounted for in Service Outturns above, this element of the grant has been transferred to the Budget Resilience, Innovation and Change Reserve in the year to support future budget plans.</p> <p>A balance of £1.403m remains of the grant with defined plans to spend this in 2022/23; this has therefore been carried over as a Grant Receipt in Advance.</p> <p>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 of target 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.</p>
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Dedicated Schools Grant	1,533	<p>Outturn variance £1.533m adverse, a favourable movement of £231k from Period 10.</p> <p>There are underspends in the Schools and Central Schools Services of £476k, a favourable movement of £125k. The majority of this movement is within the schools block (£90k) due to further growth fund applications not being required until 2022/23 (£55k) and a further reduction in the utilisation of the maternity fund (£35k).</p> <p>The Early Years blocks is overspent by £88k after £120k of reserves were utilised. This is due to the final funding allocation and numbers of funded children not being known until after the January census count in which this data is not received until mid-way through spring term.</p> <p>The High Needs Block overspent by £1.921m, a favourable movement of £194k from P10.</p> <p>The service continues to review what mitigations can be put in place to provide longer term savings. In addition to this and as a requirement of the DSG, where there is an overall deficit on the account at the end of financial year 2021/2022, or where a DSG surplus has substantially reduced, a deficit management plan must be completed and submitted to Government. This plan is in the process of being prepared and will assist in future planning and identifying how any deficit will be addressed.</p>
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Business Rates Budget
Appendix 3

Business Rates	Budget 100%	Actual 100%	Variance	Comments
	2021/22 £	2021/22 £	£	
Business Rates - Collection Fund				
Gross Rates Payable	(183,901,072)	(179,170,279)	4,730,793	Reduction in gross rateable income due to a number of large retail site undergoing refurbishment at the Trafford Centre. These reduction are temporary and are expected to be completed in early 2022/23.
Transitional Adjustments and Mandatory & Discretionary Reliefs	16,677,821	23,938,892	7,261,071	Increase in empty property relief of £4.3m and £2.3m standard Extended Retail Relief over budget.
Extended Relief due to COVID-19	0	38,130,213	38,130,213	Reduction in income due to the award of COVID-19 reliefs (retails, hospitality, leisure, nursery). This shortfall will be made good by the Government via a section 31 Grant paid to the General Fund.
Accounting Adjustments (Appeals & BDP) & Cost of Collection	14,151,164	(1,371,405)	(15,522,569)	Budgeted contribution of £6.5m for appeals relating to 21/22 has been reduced by £3.0m with a further £6.6m released from existing provision due to some big cases being dismissed by the VOA. In addition, losses on collection were less than anticipated resulting in lower accounting adjustments of £6.0m.
Collection Fund Budget and Actual Income 100%	(153,072,087)	(118,472,579)	34,599,508	The net impact of above lines resulted in a net deficit on the Collection Fund of £34.6m. This consisted of an underlying core surplus of £3.53m, offset by a deficit caused by COVID-19 reliefs of £38.130m

Collection Fund Budget and Actual Income - Trafford Share 99%	(151,541,366)	(117,287,854)	34,253,513	Trafford's Share (99%) of the net Collection Fund Deficit is £34.25m
Business Rates – Trafford General Fund				
Local Share	(151,541,366)	(155,036,764)	(3,495,398)	Trafford's Share (99%) of the Collection Fund Deficit is £34.25m. Consisting of core surplus of £3.495m and COVID-19 Relief deficit of £37.75m.
Deficit caused by COVID-19 Relief Contribution to Deficit Reserve	0	37,748,911	37,748,911	A contribution towards a reserve will be made in 2021/22 to pay for the deficit caused by COVID-19 rates relief. The deficit will be repaid during 2022/23 and 2023/24. A Section 31 Grant has been received (below) to meet the cost of this deficit.
Trafford's Share of Collection Fund	(151,541,366)	(117,287,853)	34,253,513	
Tariff	95,551,976	95,551,976	0	
Section 31 Compensation Grants	(9,001,875)	(49,408,368)	(40,406,494)	The increase in S31 grants is largely due to the extended retail relief (£37.75m) as a result of COVID. The balance of £2.66m relates to standard retail relief grants.
SAICA Renewable Energy	(82,944)	(82,944)	0	
GM Pilot 'No Detriment' Over Payment	5,543,677	7,373,518	1,829,841	Increased no detriment payment as a result of the increase in growth to baseline.

GM Pilot 'No Detriment Rebate	(2,771,839)	(5,530,138)	(2,758,300)	Increase in the no detriment rebate due to renegotiation of the growth pilot sharing agreement with GMCA, previously set at 50%, however agreed to increase to 75%.
Collection of Prior Year Deficit	83,468,589	83,467,811	(778)	minor adjustment on prior year deficit, offset by contribution from reserve below
Contribution from Reserves to meet Prior Year Deficit	(83,468,589)	(83,467,811)	778	
Estimated Covid 20/21 deficit (Gross) spread over three years	1,773,322	1,773,322	0	
Government Support at 75% of estimated full 20/21 deficit via TIG Reserve	(1,329,991)	(1,329,991)	0	
Contribution from Business Rates Reserve	(600,000)	(600,000)	0	
Contribution to Business Rate Deficit Reserve		289,409	289,409	Contribution to Rates Deficit Reserve re over distribution of estimated 21/22 surplus, repayable to Collection Fund in 2023/24 (see footnote *)
Total Budget/ Actual/ Variance	(62,459,040)	(69,251,071)	(6,792,031)	
Benefit within the Collection Fund (*)			(3,495,398)	
Benefit within the General Fund (**)			(3,296,633)	
			(6,792,031)	

(*) The surplus on the Collection Fund was estimated at £3.785m in Period 8 and in line with regulations, this figure will be released from the Collection Fund in 2022/23 and as such has been included in our budget plans. The actual benefit at year end was £3.495m which will result in an overpayment of £289k and will need to be repaid to the Collection Fund in 2023/24. The Rates Deficit Reserve will be increased to hold this balance until it is repaid.

(**) The favourable Business Rates outturn within the General Fund is £3.296m after the deduction of a figure of £289k to provide for the overpaid estimated surplus (see paragraph above). **The General Fund favourable outturn of £3.296m will be transferred to the Budget Resilience, Innovation and Change Reserve to support our future budget plans.**

An analysis of major areas of re-profiling for the General Capital Programme		Period 10 2021/22	Period 12 Actual 2021/22	Variance	%	Net Re-profiling	Overspend	Savings
		£m	£m	£m		£m	£m	£m
Children's Services								
	Schools	11.42	9.79	-1.63	-14%	-1.63	0.00	0.00
	- Basic Need : Expansion schemes	7.09	6.42	-0.67		-0.67	0.00	0.00
	- Maintenance Programme	3.63	2.81	-0.82		-0.82	0.00	0.00
	- Devolved Formula Capital	0.50	0.34	-0.16		-0.16	0.00	0.00
	- SEND Programme	0.20	0.22	0.02		0.02	0.00	0.00
	Children's Social Care Services	0.38	0.31	-0.07	-18%	-0.07	0.00	0.00
	- Foster Carers – Accommodation Improvements	0.04	0.03	-0.01		-0.01	0.00	0.00
	- Children's Portal/Liquid Logic	0.30	0.24	-0.06		-0.06	0.00	0.00
	- Other Schemes	0.04	0.04	0.00		0.00	0.00	0.00
	Total	11.80	10.10	-1.70	-14%	-1.70	0.00	0.00
Adult Social Care				0.00				
	- Disabled Facilities Grant	1.76	1.76	0.00		0.00	0.00	0.00
	- Assistive Technology/ Agile Working	0.11	0.12	0.01		0.00	0.01	0.00
	Total	1.87	1.88	0.01	1%	0.00	0.01	0.00

		Period 10 2021/22	Period 12 Actual 2021/22	Variance	%	Net Re- profiling	Overspend	Savings
Place								
	Corporate Landlord	3.19	1.77	-1.42	-45%	-1.41	0.00	-0.01
	- Public Buildings Repairs and DDA	0.96	0.46	-0.50		-0.49	0.00	-0.01
	- De-carbonisation Programme	2.01	1.19	-0.82		-0.82	0.00	0.00
	- Other Schemes	0.22	0.12	-0.10		-0.10	0.00	0.00
	Regeneration & Strategic Planning	1.41	1.59	0.18	13%	0.18	0.00	0.00
	Future High Street Fund	0.57	0.92	0.35		0.35	0.00	0.00
	- Greater Manchester Full Fibre Initiative	0.57	0.50	-0.07		-0.07	0.00	0.00
	- Town Centre Public Realm Works	0.17	0.15	-0.02		-0.02	0.00	0.00
	- Other schemes	0.10	0.02	-0.08		-0.08	0.00	0.00
	Sport, Recreation & Culture and Recycling	1.40	1.35	-0.05	-4%	-0.05	0.00	0.00
	- Leisure Centre Strategy and Improvements	0.83	0.84	0.01		0.01	0.00	0.00
	Football Facility Provisions	0.56	0.50	-0.06		-0.06	0.00	0.00
	- Other Schemes	0.01	0.01	0.00		0.00	0.00	0.00
	Environmental Services and Green Spaces	0.81	0.40	-0.41	-51%	-0.42	0.01	0.00

	- Parks and Play Areas Infrastructure	0.81	0.40	-0.41		-0.42	0.01	0.00
		Period 10 2020/21	Actual	Variance	%	Net Reprofiting	Overspend	Savings
	Housing and Other Services	1.43	1.36	-0.07	-5%	-0.07	0.00	0.00
	- Housing Services	1.43	1.36	-0.07		-0.07	0.00	0.00
	Bereavement Services	0.13	0.08	-0.05	-38%	-0.05	0.00	0.00
	Bereavement Services	0.13	0.08	-0.05		-0.05	0.00	0.00
	Parking Services	0.07	0.04	-0.03	-43%	-0.04	0.01	0.00
	Parking Services	0.07	0.04	-0.03		-0.04	0.01	0.00
	Highways	9.17	7.84	-1.33	-15%	-1.21	0.01	-0.13
	- Highways Structural Maintenance	5.07	3.67	-1.40		-1.32	0.00	-0.08
	- Integrated Transport Schemes	0.43	0.19	-0.24		-0.19	0.00	-0.05
	- Cycling and Walking Schemes	1.64	1.89	0.25		0.24	0.01	0.00
	- Bridges Programme	1.01	0.62	-0.39		-0.39	0.00	0.00
	- Carrington Road Improvements	1.02	1.47	0.45		0.45	0.00	0.00
	Total	17.61	14.43	-3.18	-18%	-3.07	0.03	-0.14
	Governance & Community Strategy							
	Partnerships & Communities	0.08	0.11	0.03	38%	0.02	0.01	0.00
	Finance & Systems							
	Information Technology	0.73	0.55	-0.18	-25%	-0.18	0.00	0.00
	General Capital Programme Total	32.09	27.07	-5.02	16%	-4.93	0.05	-0.14

An analysis of major areas of re-profiling for the General Capital Programme		Approved Budget	Outturn 2021/22	Variance	Variance %
		£m	£m	£m	
Children's Services					
	Schools	12.26	9.79	-2.47	-20
	- Basic Need : Expansion schemes	7.23	6.42	-0.81	-11
	- Maintenance Programme	4.03	2.81	-1.22	-30
	- Devolved Formula Capital	0.80	0.34	-0.46	-58
	- SEND Programme	0.20	0.22	0.02	-10
	Children's Social Care Services	0.53	0.31	-0.22	-42
	- Foster Carers – Accommodation Improvements	0.19	0.03	-0.16	-84
	- Children's Portal/Liquid Logic	0.30	0.24	-0.06	-20
	- Other Schemes	0.04	0.04	0.00	0
	Total	12.79	10.10	-2.69	-21
Adult Social Care					
	- Disabled Facilities Grant	3.81	1.76	-2.05	-54
	- Assistive Technology/ Agile Working	0.68	0.12	-0.56	-82
	Total	4.49	1.88	-2.61	58
Place					
	Corporate Landlord	5.71	1.77	-3.94	-69
	- Public Buildings Repairs and DDA	0.94	0.46	-0.48	-51
	- De-carbonisation Programme	3.81	1.19	-2.62	-69
	- Other Schemes	0.96	0.12	-0.84	-88
	Regeneration & Strategic Planning	6.27	1.59	-4.68	-75
	-Future High Street Fund	1.57	0.92	-0.65	-41
	- Greater Manchester Full Fibre Initiative	0.84	0.50	-0.34	-40
	- Town Centre Public Realm Works	0.40	0.15	-0.25	-63

		Period 10 2020/21	Outturn 2021/22	Variance	
	- Manchester Airport - Project Mere	3.26	0.00	-3.26	-100
	- Other schemes	0.20	0.02	-0.18	-90
	Sport, Recreation & Culture and Recycling	1.79	1.35	-0.44	-25
	- Leisure Centre Strategy and Improvements	1.08	0.84	-0.24	-22
	- Football Facility Provisions	0.71	0.50	-0.21	-30
	- Other Schemes	0.00	0.01	0.01	0
	Environmental Services and Green Spaces	0.89	0.40	-0.49	-55
	- Parks and Play Areas Infrastructure	0.89	0.40	-0.49	-55
	Housing and Other Services	0.93	1.36	0.43	46
	- Housing Services	0.58	1.36	0.78	134
	- Community Safety	0.35	0.00	-0.35	-100
	Bereavement Services	1.08	0.08	-1.00	-93
	-Bereavement Services	1.08	0.08	-1.00	-93
	Parking Services	0.28	0.04	-0.24	-86
	-Parking Services	0.28	0.04	-0.24	-86
	Highways	13.42	7.84	-5.58	-42
	- Highways Structural Maintenance	5.28	3.67	-1.61	-30
	- Integrated Transport Schemes	1.09	0.19	-0.90	-83
	- Cycling and Walking Schemes	4.89	1.89	-3.00	-61
	- Bridges Programme	1.14	0.62	-0.52	-46
	- Carrington Road Improvements	1.02	1.47	0.45	44
	Total	30.37	14.43	-15.94	-52
	Governance & Community Strategy				
	Partnerships & Communities	0.08	0.11	0.03	38
	Finance & Systems				
	Information Technology	1.26	0.55	-0.71	-56
	General Capital Programme Total	48.99	27.07	-21.92	-45

CAPITAL PROGRAMME 2021/22- Overspends and Savings P10 to Outturn

Overspends	£000's
Adult Social Care System	7
Section 278 Agreements	9
Cycle City – Chorlton Cycleway	8
Parking Pay and Display Equipment	8
Play Area Refurbishment	4
ICT Capacity Upgrade	10
Total Overspends	46
Savings	
Capital Innovations Fund – Sanyu Day Care Centre	2
Public Building Repairs	6
Integrated Transport – Dropped Crossings	19
Casualty Reduction Partnership	30
Highway Resurfacing	49
Highway Road Reconstruction	29
Total Savings	135

Prudential Indicators – 2021/22

The figures below show the Council's actual prudential indicators for 2021/22 and those for future years as reported in February 2022.

Capital Prudential Indicators	2020/21 Actual £m	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Capital Expenditure:-					
General Programme	33.95	27.07	79.56	68.60	39.07
Investment Strategy	71.06	30.90	130.15	75.00	25.00
Capital expenditure - the table above shows the capital expenditure incurred in 2021/22 and the estimated expenditure to be incurred for following three years.					
Capital Financing Requirement as at 31 March	423.49	376.35	538.44	624.81	646.28
Capital Financing Requirement (CFR) - this reflects the estimated need to borrow for capital investment (i.e. the anticipated level of capital expenditure not financed from capital grants and contributions, revenue or capital receipts).					
Financing Cost to Net Revenue Stream	6.4%	6.6%	6.7%	6.8%	6.6%

Financing costs to net revenue stream - this indicator shows the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the Council's net revenue stream.

Incremental Impact on Band D Council Tax (£)	£0.00	£0.00	£0.00	£0.00	£0.00
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Incremental impact on band D council tax – reflects the incremental impact on the Council Tax arising from new borrowing undertaken in order to finance the capital investment decisions taken by the Council during the budget cycle. The figures above reflect that any additional borrowing is supported by revenue savings or external support.

Local Indicators for the Asset Investment Strategy	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Gross Commercial Income	14.10	13.42	12.92	12.40
Gross Commercial Income – this is the total estimated level of income to be received from the acquisitions of commercial property and provision of senior debt finance and is required to support new debt costs associated the transactions, with any balance supporting the overall revenue budget.				
External Interest Cost	4.59	4.42	4.32	4.21
External Interest Cost – this is the interest cost of the new debt required to cover the capital cost of the new commercial activity.				
Minimum Revenue Provision (2.0% = 50 years)	2.25	2.52	2.52	2.53
Minimum Revenue Provision - this is the amount of income set aside as a provision for the repayment of the debt, required to cover the capital cost of the new commercial activity.				
Risk Reserve	0.11	-1.42	-0.22	-0.03
Risk Reserve - this is the amount of income set aside to reserve as contingency in the event of a reduction in commercial income levels.				
Cumulative Investment Reserve	6.31	4.89	4.67	4.64
Cumulative Risk Reserve - this is the cumulative amount of reserve set aside, after annual contributions and deductions, as contingency in the event of a reduction in commercial income levels.				

Gross Commercial Income as proportion of Net Budget	7.86%	6.97%	6.37%	5.86%
Gross Commercial Income as proportion of Net Budget – this illustrates the proportion of the net budget which is supported by the new commercial income streams.				

Trafford Council Reserves 2021 to 2022	Balance 31.3.21 £000	Spend/ (income) 2021/22 £000	Transfer to/from reserves 2021/22 £000	Balance 31.3.22 £000	Net Movement £000
Budget Resilience					
MTFP Budget Resilience, innovation and Change Reserve (BRICR)					
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 gap over the short-term and provide the necessary investment in the innovation and change programme which will support in delivery of a balanced budget in later years	6,347	3,534	1,769	11,650	5,303
Sub-Total Budget Resilience	6,347	3,534	1,769	11,650	5,303
Smoothing and Business Risk					
Business Rates Reserve					

The business rate risk reserve was established to be used to offset the risk of significant fluctuations in business rates income (which are more significant under the 100% business rates retention pilot) and to help smooth income at the point of the business rates reset	6,529	(600)	0	5,929	(600)
MAG Dividend					
Reserve established in 2017 to hold the surplus dividend above our budget assumptions from our investment in Manchester Airport Group. Was used to cushion the revenue budget against the impact of any downturn in the airport dividend. Reserve utilised in 2020/21. Target of £500k per annum to start to replenish within MTFs, however resources redirected in the short-term to managing overall budget gap.	0	0	0	0	0
Insurance Reserve					
Funds earmarked to cover the cost to the Council for future insurance claims due to the large excess levels on the property insurance policies. It is also utilised to carry out various risk management initiatives and to cover the cost of historic claims which may fall on the Council (MMI).	1,700	89	(250)	1,539	(161)
Employment Rationalisation Reserve					
To cover the cost of rationalising the employment of staff by the Council (e.g. redundancy costs)	1,166	0	(366)	800	(366)
Housing Benefit Overpayments Reserve					

Reserve established to smooth the volatility in the recovery of Housing Benefit overpayments. Committed to support the 2018/19 budget.	500	0	0	500	0
Synthetic Pitch Replacement Reserve					
This will be used towards replacing synthetic pitches across the Borough	93	15	0	108	15
Local Search Litigation Costs Reserve					
Reserve established as a contingency for potential back claims regarding changes in local search litigation costs	93	(15)	0	78	(15)
Civic Vehicle Replacement					
Replacement of mayoral vehicle	24	0	0	24	0
Waste Levy Reserve					
To smooth the effects on the Council's budget of movements in the waste levy over the medium term	571	780	0	1,351	780
Winter Maintenance Reserve					
To provide emergency funds to cover the costs of highway & footway maintenance during periods of adverse weather conditions.	120	0	0	120	0
Elections Reserve					
To smooth the elections budget across the 4 year Municipal cycle.	308	(45)	0	263	(45)
Interest Rate Reserve					

To smooth the effect on the Council's budget of volatile movements in interest rates and to provide a risk contingency on strategic loan advances.	2,161	406	0	2,567	406
Exchequer Services Reserve					
Accumulated underspend of unspent grants (ring-fenced for activities such as fraud work, ICT systems, Universal Credit)	237	95	0	332	95
EU Exit Funding Reserve					
Government funding to be used to enhance capacity and capability within local authorities in preparation for EU Exit related activities	300	(51)	0	249	(51)
Sale PFI Reserve					
Reserve to hold the final bullet payment for Sale PFI Scheme	1,086	146	0	1,232	146
Admin Building Cyclical Maintenance Reserve					
To provide a reserve sufficient to cover major lifecycle maintenance and unexpected costs associated with the maintenance and repair of all major administrative sites.	758	2	0	760	2
Inflation Risk Reserve					
Inflation Risk Reserve established in 2021/22 to manage and smooth the impact of escalating inflation rates and impact during financial year.	0	0	3,000	3,000	3,000
Sub-Total Smoothing and Business Risk	15,646	822	2,384	18,852	3,206
Strategic Priority					
Transformation Fund Reserves					

Monies allocated from Greater Manchester Health and Social Care Partnership for the transforming of health and social care services. This money is to be used on the activities that were laid out in the Transformation programme and some of this money will be allocated to the CCG for their share of programme costs. £1.4m has been transferred to new Discharge to Assess Reserve in 2021/22.	4,282	(1,061)	(1,400)	1,821	(2,461)
Strategic Investment Fund Risk Reserve					
Reserve established as a contingency for potential loss of income, additional cost due to delays in investment property fund	6,201	108	0	6,309	108
Leisure Centre Redevelopment Risk Reserve					
Reserve to manage the risk during leisure centre refurbishment programme. Particularly loss of income, changes in assumptions for demand, inflation.	1,368	258	0	1,626	258
Children Action Fund Reserve					
Specific reserve to cover additional expenditure requirements in 2019/20 following the 2019 Ofsted inspection.	138	(69)	0	69	(69)
Bus Reform					
£1.5m has been set aside for the contribution to Bus Reform with a target date of 2022/23.	1,500	0	0	1,500	0

Major Projects and DSG Academy Transfer Reserve and Future Gov					
Major Projects can result in abortive costs and the transfer of schools with deficits can also result in costs which need to be written off and so a small reserve has been created to protect against these two write off risks.	275	0	0	275	0
Total Strategic Priority	13,764	(764)	(1,400)	11,600	(2,164)
Corporate					
NDR Deficit Reserve					
Reserve established towards meeting Trafford's share of the NDR Deficit. This is a requirement of collection fund accounting.	(4,124)	4,413	0	289	4,413
STAR Procurement Reserve					
STAR revenue budget under/overspends to be carried forward. Commitment to spend is approved by STAR Board (Stockport, Trafford, Rochdale and Tameside). Ring-fenced reserve for members of STAR	546	(19)	0	527	(19)
Planning income reserve					
A reserve established to hold surplus planning income in line with Government requirements to reinvest increases in fee income towards improvements in planning services. This is a ring fenced reserve with specific statutory conditions attached to it.	358	(172)	0	186	(172)
Council Tax Smoothing					

Reserve established to absorb the timing differences in the treatment of collection/ distribution Council Tax Surplus/deficits	285	(285)	0	0	(285)
General Fund Reserve					
This is the reserve that the Council is required to hold to protect against in year financial shocks. This was increased in 2021/2022 and should be seen as a minimum level given the size of our overall revenue budget.	8,000	0	1,500	9,500	1,500
Total Corporate	5,065	3,937	1,500	10,502	5,437
Specific Area Priority					
ICT development					
Reserve established to ensure there are funds available for the replacement of equipment such as ICT and to smooth out maintenance costs as a result of the Digital Investment programme.	589	670	0	1,259	670
Economic Development Reserves					
Reserve set aside specifically for economic development related projects. Increase in resource in 21/22 relating to smoothing of uncertainty in Housing Options Service Trafford.	704	734	0	1,438	734
Libraries and Customer Services Reserve					
Funds earmarked for ICT upgrades plus additional costs associated with the new Altrincham library.	20	48	0	68	48
Voluntary Sector Grants Reserve					
Carry forward of prior year spend due to slippage on projects - committed on schemes.	4	24	0	28	24
Community Safety Reserve					

Investment in Community Safety initiatives.	568	(217)	0	351	(217)
Modernisation					
Hold rolling balance of Modernisation Team budget underspend for future commitment	306	0	0	306	0
One Trafford Partnership					
Established to hold contractor penalty payments to be invested in one-off Partnership schemes.	1,859	114	0	1,973	114
Sports Partnership Reserve					
Ring-fenced funding from Sports Partnership to be used on specific projects	165	213	0	378	213
Service Carry Forward Place	967	47	0	1,014	47
Service Carry Forward Governance and Community	95	(36)	0	59	(36)
Service Carry Forward Finance and Systems	1,057	26	(219)	864	(193)
Service Carry Forward Strategy and Resources	612	112	0	724	112
Service Carry Forward Children's Services	111	(83)	0	28	(83)
Service Carry Forward Adults Services	3,779	1,126	(506)	4,399	620
Adults Discharge to Assess	0	1,580	1,706	3,286	3,286
Service Carry Forward People and Traded Services	261	56	0	317	56
Total Specific Area Priority	11,097	4,414	981	16,492	5,395
Total Earmarked Reserves (exc COVID)	51,919	11,943	5,234	69,096	17,177
Other Reserves					
COVID-19 Budget Resilience and Smoothing					
COVID-19 Grant					

The grant reserve was established in 2019/20 to hold the unspent balance of the first tranche of Government grant received in 2019/20 to support local Covid-19 related pressures. Will be drawn down to support the 2021/22 and 2022/23 budgets. £5.234m was transferred to the MTFP BRIC Reserve as part of 2022/23 final budget report.	20,672	(8,341)	(5,234)	7,097	(13,575)
Council Tax Hardship					
Reserve established to hold the balance carried forward for Council Tax Hardship award from Government Grant to enable an extension of the scheme in 2021/2022. Fully utilised in 2021/22.	1,131	(1,131)	0	0	(1,131)
Council Tax Compensation Grant Covid (75%)					
The Tax Income Guarantee (TIG) Grant compensated councils for 75% of specific losses in Council Tax recovery caused by COVID-19. The TIG for Council Tax is £0.767m and will be held in this reserve to be drawn down over the next three years in line with our medium term budget assumptions as agreed in February 2021.	767	(258)	0	509	(258)
Business Rates Compensation Grant Covid (75%)					
The Tax Income Guarantee (TIG) Grant compensated councils for 75% of specific losses in Business Rates recovery caused by COVID-19. £3.99m and will be held in this reserve to be drawn down over the next three years in line with our medium term budget assumptions as agreed in February 2021.	3,990	(1,330)	0	2,660	(1,330)
NDR Rates Exceptional Deficit Reserve (Section 31 Grants)					
Holding reserve for Section 31 Grants compensating for Business Rates Relief Deficit caused by COVID Rates Reliefs. Will be fully drawn down over two years.	87,713	(49,842)	0	37,871	(49,842)

Total COVID-19 Budget Resilience and Smoothing	114,273	(60,902)	(5,234)	48,137	(66,136)
Capital Related Reserves					
Consists of capital receipts, grants and contributions which can only be used to fund capital expenditure and are all allocated to support the current capital programme	18,993	3,655	0	22,648	3,655
Balances held by schools under a scheme of delegation					
These are balances which belong to individual schools and are just held by the Council on their behalf.	15,167	(931)	0	14,236	(931)
Rounding - Detailed Table to Summary Table	(12)			3	
Total Usable Reserves	200,340	(46,235)	0	154,120	(46,235)

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Report to: Accounts and Audit Committee
Date: 20 July 2022
Report for: Information
Report of: Director of Finance and Systems

Report Title

CIPFA Financial Management Code

Summary

The purpose of this report is to provide an update on the Council's assessment of its position in respect of the Financial Management Code issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Code, which comprises a number of standards, clarifies how the Director of Finance and Systems should satisfy his statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972.

The report provides details of the standards which comprise the Code and an assessment regards conformance with these standards. The assessment will also be used to help inform the Council's 2021/22 Annual Governance Statement (AGS) which will be published alongside the Statement of Accounts.

Recommendation

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

Contact person for access to background papers and further information:

Name: Graeme Bentley – Director of Finance and Systems
Contact: graeme.bentley@trafford.gov.uk

Background Papers:

None

Implications:

Relationship to Policy Framework / Corporate Priorities	Value for Money
Relationship to GM Policy or Strategy Framework	N/A
Financial	<p>The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The FM code itself is not statutory but compliance with the code is obligatory as it brings together elements that are already part of existing statutory guidance:-</p> <ul style="list-style-type: none">- Role of the Chief Financial Officer in Local Government (S151 Officer)- Prudential Code for Capital Finance- Code of Practice on Local Authority Accounting in the United Kingdom.
Legal Implications	See Financial Implications
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Carbon Reduction	N/A
Staffing/E-Government/Asset Management Implications	N/A
Risk Management Implications	N/A
Health and Safety Implications	N/A

CIPFA Financial Management Code – Update for the Accounts and Audit Committee, July 2022

1. Introduction

The purpose of this report is to provide an update on the Council's assessment of its position in respect of the Financial Management Code issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This includes an assessment of arrangements currently in place to support conformance with the Code and also areas for ongoing development.

2. Background

2.1 CIPFA published The Financial Management Code (FM Code) in October 2019 on behalf of the Ministry of Housing, Communities and Local Government (MHCLG) in the context of increasing concerns about the financial resilience and sustainability of local authorities. The FM code is not statutory but compliance with the code is obligatory.

2.2 The FM Code provides guidance for good and sustainable financial management in local authorities, giving assurance that authorities are managing resources effectively.

2.3 The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management (See Appendix 1), which is an essential part of ensuring that public sector finances are sustainable. It brings together elements that are already part of existing statutory guidance:-

- Role of the Chief Financial Officer in Local Government (S151 Officer)
- Prudential Code for Capital Finance
- Code of Practice on Local Authority Accounting in the United Kingdom.

3. Financial Management Code - Standards

3.1 The FM Code, which includes 19 standards, clarifies how the Director of Finance and Systems (DOFS) should satisfy their statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972. Importantly it emphasises the collective financial responsibility of the leadership team, including the relevant elected members, of which the DOFS is one member.

3.2 The first full year of compliance with the FM Code is 2021/22. However, in recognition of the pressures that have been placed on local authorities in dealing with the COVID19 pandemic and impact on the medium-term financial position, CIPFA concluded that the first year of compliance can be within a more flexible framework where a proportionate approach is encouraged.

3.3 It is for the individual authority to determine whether it meets the standards and to make any changes that may be required to ensure compliance. Authorities should be able to provide evidence that they have reviewed their

financial management arrangements against the standards and that they have taken such action as may be necessary to comply with them.

4. Action Plan

- 4.1 Within the Code there are 7 sections and 19 standards which have been reviewed as part of the self-assessment. In the majority of cases these have been assessed as Green meaning that compliance can be evidenced. The full self-assessment is included in a separate table (See separate attachment, Appendix 2, accompanying this report). In a number of areas, Amber and Red ratings have been given and these are summarised below and proposed further actions have been identified. Work has already been progressed in these areas to improve on processes and to enhance compliance and have been included in the assessment for development in 2022/23. The assessment will also be used to help inform the Council's Annual Governance Statement (AGS) which will be published alongside the Statement of Accounts. The key areas requiring further action are set out in the table below.

Section and Standard	Further Action
Section 1 - The Responsibilities of the Chief Finance Officer and the Leadership Team	
The Chief Finance Officer must lead the promotion and delivery by the whole organisation of good financial management.	Undertake a review of the skillsets of officers and elected members and offer further training where required. A refresh of FM training for all budget holders. Also need to consider the merit of introducing accountability agreements for budget holders. Need to establish annual reviews of the Council's scheme of delegation and financial procedure rules.
The Chief Finance Officer must lead and direct a finance function that is resourced to be fit for purpose.	Continued focus on development of business partnering and commercial skills is required. Develop adequate arrangements for a knowledge sharing and shadowing of key staff to support succession planning.
The chief finance officer should report explicitly on the affordability and risk associated with the capital strategy.	Continued work to develop local indicators to support the Asset Investment Strategy and compliance with the Prudential Code. Need to develop the links between the capital programme and the Council's asset management planning.
Section 2 - Governance and Financial Management Style	
Alternative Delivery Vehicles - Has the authority appropriate arrangements in place for ensuring effective oversight of and accountability for any alternative delivery mechanisms or Local Authority companies in which it has engaged.	Whilst governance structures exist for all the entities regular performance reporting to the Council needs to be embedded to ensure regular updates on company performance are provided to the Investment Management Board, Executive and the Accounts and Audit Committee. This should include the monitoring of all loan covenants on company loans as well as senior debt lending as part of the Asset Investment Strategy. These reports should also be reviewed by an internal officer group. In addition periodic training should be provided to councillors where appropriate. Any key company risks should also be included on the Strategic Risk Register. The arrangements for Board Meetings need strengthening and formalising with more time to consider reports and brief Board Members. In respect of the PFI scheme arrangements need to be developed to

	provide effective challenge to the PFI contractor. Also the PFI ends in 2028 and early review of the contract needs to be understood in order to plan for the end of the scheme.
Finance teams and the organisation they support are actively committed to continuous improvement focused on efficient and effective delivery and organisational performance.	Integrate performance and financial information with a focus on monitoring and achieving continuous improvement.
Section 3 - Medium to Long Term Financial Management	
Decision making by the authority demonstrates a sound understanding of the risks associated with its strategic business partners.	Key partners should be reviewed to ensure they maintain the same high standards of conduct with regard to financial administration and corporate governance that apply throughout the authority and they contribute to the achievement of the authority's objectives.
The authority has an asset management plan that reviews the condition, sufficiency and suitability of assets in the light of business needs, and ambitions of the Medium - Long Term Financial Strategy. The plan should evidence rigorous assessment of asset portfolio in relation to service delivery.	Development of the Asset Management Plan and regular updates on the condition of assets to be provided to CLT. Include refresh of reinstatement valuations for insurance purposes as part of the rolling revaluation programme.
The authority maintains processes to ensure that information about key assets and liabilities in its balance sheet is a sound and current platform for management action.	The Capital Strategy needs to consider the longer-term asset management plan to ensure resources can be aligned to maintaining an effective asset base. Need to develop asset management planning and the ability to ensure the budget is informed by asset condition.
Section 5 - Stakeholder Engagement and Business Cases	
Does option appraisal comply with IFAC/PAIB Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal (Annex C to CIPFA FM Code)	Need to develop a consistent options appraisal methodology to determine - this should comply with the CIPFA guide - Options Appraisal - A Practical Guide for Public Sector Organisations

Principles

The FM Code establishes an approach based on six principles of good financial management:-

- a) **Organisational Leadership** - demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- b) **Accountability** - based on medium term financial planning, driving the annual budget process, supported by effective risk management, quality supporting data and whole life costs.
- c) **Transparency** - at the core of financial management, using consistent, meaningful and understandable data, reported frequently, with evidence of periodic officer action and elected member decision making.
- d) **Professional Standards** - promoted by the leadership team, with adherence evidenced.
- e) **Assurance** - recognised as an effective tool, mainstreamed into financial management, including political scrutiny and the results of both external audit, internal audit and inspection.
- f) **Long-Term Sustainability** - at the heart of all local services' financial management processes, evidenced by the prudent use of public resources.

Standards

Explicit standards of financial management are also set out by the FM Code. These are the minimum standards which have to be complied with in order for the Council to demonstrate its compliance with the FM Code. The standards articulate the practical application of the principles of financial management based on the requirements of primary legislation, associated CIPFA codes and guidance on professional codes of practice and ethics. Whilst compliance with the standards is mandatory, the FM Code does not prescribe how they should be achieved. The standards are detailed in the diagram below under each of the key principles.



Statement of Standard Practice	Level of Compliance (H/M/L)	Current Treatment Trafford	Further Action (if required)
Section 1 - The Responsibilities of the Chief Finance Officer and the Leadership Team			
<p>A</p> <p>The leadership team demonstrates that the services provided by the authority provide value for money.</p> <p>This includes the following main components</p> <ul style="list-style-type: none"> * The authority has a clear and consistent understanding of what value for money means to it and its leadership team. * There are suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services. * The authority is able to demonstrate the action that it has taken to promote value for money and what it has achieved 	M/H	<p>The Council received a qualified value for money opinion in respect of the provision of Children's Social Care services from the Council's external auditors for 2019/20 and 2020/21. This was due to the "inadequate" Ofsted inspection result received in January 2020. External Audit however noted that except for the provision of Children's Social Care services, External Audit had no concerns about the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources.</p> <p>Compliance is demonstrated by the application of other Standards and Statements in the FM Code. Also robust procurement processes in place through STAR procurement.</p> <p>The Council's arrangements around financial resilience are robust, including the setting of a balanced budget and performance delivery against this budget and savings programmes.</p> <p>The authority has a clear governance structure, which clearly articulates the decision making roles of the Council, The Executive and other Committees, Executive Members and scheme of delegation to chief officers. These are reviewed and updated annually by full Council.</p> <p>Arrangements are also in place for Scrutiny and during 2021 a review was undertaken over the role and effectiveness of this group. This concluded that overall effective Scrutiny arrangements existed; despite this a number of areas for improvement were recommended and a plan to address these has been agreed with Council Members.</p> <p>As part of the management of risk, regular updates of the key risks is undertaken through reporting a Strategic Risk Register to Corporate Leadership Team and the Accounts and Audit Committee. To strengthen the understanding of Members of the key risks specific risks are presented in detail to each Accounts and Audit Committee. LGA also conducted a independent financial peer review in Nov 2021. An effective internal audit team is in existence which has been able to provide sufficient audit coverage of key systems and controls such that the Audit and Assurance Manager is able to report annually on the effectiveness of the Council's internal control systems.</p>	<p>Evidence spend per head statistics compared to other LA's and investigate any areas which suggest higher spend.</p> <p>To continue to implement the Ofsted Improvement Plan in order to remove the qualified VFM opinion</p>
<p>B</p> <p>The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government</p>			
<p>B1</p> <p>The Chief Finance Officer in a public service organisation is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.</p>	H	<p>The Director of Finance and Systems is a key member of the Corporate Leadership Team involved in developing and implementing strategy.</p>	
<p>B2</p> <p>The Chief Finance Officer must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy.</p>	H	<p>All material decisions that require the approval of senior officers or Members must have first been considered by the Director of Finance and Systems.</p> <p>All Council and Executive reports are discussed in advance and agreed by the Corporate Leadership Team.</p> <p>The Chief Finance Officer leads on the Council's MTFP and ensures that all risks are considered and detailed as part of the MTFP, in conjunction with the other members of the senior leadership team (Executive Members and Corporate Leadership Team).</p> <p>A Capital Programme Board has recently been established with the aim to develop the Council's Capital Strategy and oversee and ensure delivery of the annual capital programme.</p>	<p>Arrangements need development around the financial reporting and governance arrangements to support the recently established Capital Programme Board.</p>
<p>B3</p> <p>The Chief Finance Officer must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The Chief Finance Officer should regularly review the skillsets of elected members and all officers with budget/financial management responsibility and ensure appropriate support is provided.</p>	M	<p>Good financial management is promoted throughout the Authority through regular communication. All managers with budgetary responsibility receive training and regular one-to-one meetings with a member of the Finance team.</p>	<p>Undertake a review of the skillsets of officers and elected members and offer further training where required. A refresh of FM training for all budget holders. Also need to consider the merit of introducing accountability agreements for budget holders</p>
<p>B4</p> <p>The Chief Finance Officer must lead and direct a finance function that is resourced to be fit for purpose. The Chief Finance Officer should regularly review the skillsets of all finance staff with senior budget/financial management responsibility and ensure ongoing appropriate support is provided. The ratio of qualified staff as a proportion of total finance staff ensures that the finance function has the necessary financial competence.</p>	M	<p>The finance function is adequately resourced and fit for purpose, although it is a small team with a risk of single points of failure in some areas.</p> <p>A training needs analysis is undertaken annually for all Finance staff.</p> <p>A significant proportion of the team are either qualified or actively studying for a qualification.</p> <p>The age profile of Finance staff is on the high side and this is a potential area of concern in the future. A succession strategy has been developed to introduce trainee roles across all teams. The use of earmarked reserves has been used to enable trainees to shadow a number of key roles.</p>	<p>Continued focus on development of business partnering and commercial skills is required.</p> <p>Develop adequate arrangements for a knowledge sharing and shadowing of key staff to support succession planning.</p>
<p>B5</p> <p>The Chief Finance Officer must be professionally qualified and suitably experienced. The Chief Finance Officer must be able to demonstrate adherence to professional CPD requirements on an annual basis.</p>	H	<p>The Director of Finance and Systems is a member of CIPFA with over thirty years of experience in local government finance. CPD is demonstrated as part of their membership obligations.</p>	

B6	The Chief Finance Officer should promote the highest standards of ethical behaviour in the conduct of financial management. Professionally qualified staff should evidence an ongoing commitment to the principles of objectivity, integrity professional behaviour, professional competence, due care and confidentiality.	H	Professionally qualified staff are required to adhere to the ethical standards of their professional bodies.	Review how to promote ethical financial management throughout the organisation.
B7	To enable financially informed decision making: The Chief Finance Officer should be able to provide the leadership team with sound advice on the key principles of local government finance; and The Chief Finance Officer should be able to demonstrate a sound system which ensures the authority has access to high standards of technical financial advice.	H	The Director of Finance and Systems is an integral part of the leadership team and provides sound advice as part of this role. The authority also has access to technical advice through external contracts for funding, taxation, audit and pensions.	Need to establish annual reviews of the Council's scheme of delegation and financial procedure rules
B8	The chief finance officer should report explicitly on the affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions.	M	The affordability and risk of the Council's capital investment strategy is an integral part of the Council's annual Budget Report, quarterly budget monitoring reports, MTFP, and Strategic Plan. External specialist expertise, i.e. treasury management advisors, are also used by the Council where required.	Continued work to develop local indicators to support the Asset Investment Strategy and compliance with the Prudential Code. Need to develop the links between the capital programme and the Council's asset management planning.
B9	The chief finance officer must establish the reporting and monitoring processes, and integrate the treasury management indicators into the overall financial planning process.	H	There is an established process for reporting and monitoring. Treasury Indicators are approved alongside the budget each year.	This needs to be closely aligned to the to cover traditional treasury management activity and the developing investment strategy.

Section 2 Governance and Financial Management Style

C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.			
C1	Alternative Delivery Vehicles - Has the authority appropriate arrangements in place for ensuring effective oversight of and accountability for any alternative delivery mechanisms or Local Authority companies in which it has engaged.	M	The Council currently has three joint venture arrangements with Bruntwood concerning three key sites across the Borough; Former Kelloggs HQ site in Old Trafford, Stretford Mall and Stamford Centre, Altrincham. It is also sole shareholder in a Community Interest Company Trafford Leisure. Governance structures exist for the joint venture entities via the Investment Management Board. A separate Board exists for the Leisure CIC.	Whilst governance structures exist for all the entities regular performance reporting to the Council needs to be embedded to ensure regular updates on company performance are provided to the Investment Management Board, Executive and the Accounts and Audit Committee. This should include the monitoring of all loan covenants on company loans as well as senior debt lending as part of the Asset Investment Strategy. These reports should also be reviewed by an internal officer group. In addition periodic training should be provided to councillors where appropriate. Any key company risks should also be included on the Strategic Risk Register. The arrangements for Board Meetings need strengthening and formalising with more time to consider reports and brief Board Members. In respect of the PFI scheme arrangements need to be developed to provide effective challenge to the PFI contractor. Also the PFI ends in 2028 and early review of the contract needs to be understood in order to plan for the end of the scheme.
C2	The authority has a clear framework for governance and internal control	M	Internal controls are tested annually as part of the work of Internal Audit and coverage of the Internal Audit Plan which is reviewed annually by Corporate Leadership Team and also monitored by them on a quarterly basis. The Council's Constitution is updated on a regular basis together with Terms of Reference for all Committees and other partnership arrangements. A formal scheme of delegation exists. A strategic risk register is maintained and updated on a regular basis and reported to the Corporate Leadership Team and Accounts and Audit Committee. Annually the Council approves the overall financial framework and each year balanced budget proposals are presented to Council for approval, together with assessment of the adequacy of reserves and robustness of the budget by the S151 Officer. There are Financial and Contract Procedure Rules which are subject to a full review on a regular basis, these are approved by full Council on an annual basis. These are clear about the respective authorisation limits for authorisation of contracts and the subsequent commitment/incurrence of expenditure. The Accounts and Audit Committee, as part of its Terms of Reference, considers all aspects of audit activity both internal and external audit, and keeps under review the Council's arrangements for Corporate Governance and proposes from time to time necessary actions to ensure compliance with best practice. A Code of Conduct for Members, is reviewed and approved by Full Council on a regular basis. The authority has in place a clear framework for governance and internal controls through its Code of Corporate Governance. In addition the Council's Asset Investment Strategy is approved along with the Treasury Management Strategy, Capital Strategy and Prudential Indicators. As part of the council's governance arrangements, an Overview and Scrutiny exists to work as a 'critical friend' to the decision-making Executive. Committees of councillors from all parties agree an independent work programme, for the two Overview and Scrutiny Committees – the Scrutiny Committee and the Health Scrutiny Committee. This work can include: How council services are performing Council policies, and how they are being implemented Any issue of local concern Decisions made by the Executive Organisations outside the council, such as the local NHS	Semi-annual updates of financial performance against budget and adequacy of reserves and current budget assumptions should be provided to Scrutiny. In addition specific Member training on some of the key issues that affect financial sustainability should be provided to both Scrutiny and Accounts and Audit Committee, including the significance of the Prudential Code and Indicators.

C3	The leadership team espouses the Nolan principles.	H	The leadership exhibit the Nolan principles of public life (Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership)	
C3	The leadership team has established effective arrangements for assurance, internal audit and internal accountability	H	There are effective arrangements for assurance, internal audit and internal accountability. Any areas of concern raised through those arrangements are managed robustly and transparently. Internal controls are tested annually as part of the work of Internal Audit. The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government and the CIPFA Statement on the role of the Head of Internal Audit	
C4	The leadership team espouses high standards of governance and internal control.	H	The leadership team espouses high standards of governance and internal control and communicates these clearly to all staff.	
C5	The leadership team nurtures a culture of effective governance and robust internal control across the authority.	H	Trafford Council has approved and adopted a corporate governance code, consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Authority's code is available at: http://www.trafford.gov.uk/about-your-council/budgets-andaccounts/downloadable-documents.aspx . Governance is about doing the right things in the right way for the right people, in a timely, inclusive, open, honest and accountable manner. The Council maintains a governance framework which follows 7 key principles, to provide a structure to support the Council's approach to governance and ensure that arrangements are in place to deliver the intended outcomes for stakeholders. The Council updates its AGS on a regular basis to monitor effectiveness of arrangements and compliance with its corporate governance code. The Leadership team support the Nolan principles and support consistent EPIC values (Empowering, People Centred, Inclusive and Challenging) across the workforce.	
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)			
D1	The authority maintains an effective audit committee	M	The Authority has an Overview and Scrutiny Committee and an Accounts and Audit Committee that meet on a regular basis throughout the year. The effectiveness of the Committee is enhanced by appropriate training on key issues like financial management, financial framework and treasury management and prudential code. Regular training includes analysis of the Statement of Accounts and Treasury Management (provide by independent advisors)	Opportunities for further training whether internal and external need to be continued to be identified. Also need to assess other areas to increase the effectiveness including whether to extend the role and number of independent members. Need to consider developing a more formal training programme in addition to the current level of updates given.
D2	The audit committee receives and monitors the implementation of internal and external audit recommendations. When threats to the financial sustainability of the authority are identified by auditors the audit committee should ensure that the recommendations are communicated to the leadership team and that the committee are informed of the effectiveness of the leadership team's response.	H	An update on the progress of recommendations arising from audit reports is a standing agenda item for the Accounts and Audit Committee. All audit reports and recommendations are considered by the Corporate Leadership Team and Executive Members for the relevant service area..	
D3	The authority has a Public Sector Internal Audit Standard (PSIAS) conformant internal audit function	H	The internal audit function is provided and is compliant with PSIAS.	
E	The Financial Management Style of the authority supports financial sustainability			
E1	The organisation has an effective framework of financial accountability that is clearly understood and applied throughout, from the political leaders, elected members to directors, finance officers and front line service managers.	H	Financial Regulations and Instructions provide a clear and understandable framework for accountability. They set out financial responsibilities for Directors, Head of Services, Budget Managers, and all employees of the Council and all Elected Members.	
E2	Finance teams and the organisation they support are actively committed to continuous improvement focused on efficient and effective delivery and organisational performance.	M	The Financial Management Team act as effective business partners, working closely with budget holders in a way that delivers accountability, supports performance and enables transformation. Service provision is tailored to the needs of services with changes being made as required. For instance more detailed support is provided in strategic and higher risk areas (demand led budgets and strategic investment programme) Finance teams seek continuous service improvement, examining new methods of working to provide more efficient and effective service delivery.	Integrate performance and financial information with a focus on monitoring and achieving continuous improvement. Continue to review all areas of work to remove some tasks undertaken which take longer than required, and produce little or no added value and streamline where possible
E3	Enabling transformation: the finance team have input into strategic and operational plans taking into account proactive risk management, clear strategic directions and focus-based outcomes	M	While Finance have input into strategic and operational plans, this is not necessarily always at an early enough stage to support and enable transformation. Improvements have been made in early engagement to support business case savings plans. The Finance function will continue to be engaged in the new Transformation and Change programme to deliver sustainable savings plans	

E4	Managers understand they are responsible for delivering services cost effectively and are held accountable for doing so. Financial literacy is diffused throughout the organisation so that decision takers understand and manage the financial implications of their decisions.	M	Budgets and financial approval limits are clearly delegated to budget holders. Meetings are held monthly with cost centre managers to ensure implications of decisions are understood and that managers are responsible for those decisions.	Refresh of budget holder training on good financial management and use of all financial systems and refresh the budget holder intranet site.
E5	The financial management of the authority has been critically evaluated	H	Internal Audit reviews core financial controls on an annual basis and has also undertaken an audit of financial planning and budget monitoring and forecasting, both of which received substantial assurance. The LGA conducted an independent financial peer review in November 2021.	

Section 3 - Medium to Long Term Financial Management

F	The authority has carried out a credible and transparent Financial Resilience Assessment.			
F1	Financial resilience is tested against best and worst case scenarios which cover a wide range of financial demographic and social challenges.	H	Financial resilience is tested and modelled against various scenarios when reviewing the Council's MTFP, capital strategy and treasury management strategy. The MTFP includes some flexing tools for inflation and payawards and sub modelling is done for business rates and council tax and interest rates. The robustness assessment in the Budget Report sets out more detail on the key variables and assumptions and the impact of changes in the underlying budget.	
F2	The authority uses independent objective quantitative measures to assess the risks to its financial sustainability.	H	Key objective measures are used to assess financial stability and risks. The authority benchmarks itself against regional and comparable authorities using the latest CIPFA Financial Resilience Index. The outputs of this exercise are considered in the draft and final budget reports.	
F3	Decision making by the authority demonstrates a sound understanding of the risks associated with its strategic business partners.	M	Key partners are evaluated before entry into formal arrangements.	Key partners should be reviewed to ensure they maintain the same high standards of conduct with regard to financial administration and corporate governance that apply throughout the Authority and they contribute to the achievement of the Authority's objectives.
F4	Are the Council's finance systems and process assessed for resilience and stability	M	Effective finance systems are in place and considered robust and fit for purpose.	More focus could be given on the longevity of the core finance system. Also need to assess the timescales on key financial systems which may be approaching the end of contract or simply not wholly fit for purpose. Consideration needs to be given to the future of the current finance ERP solution - SAP.
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to Members.	H	The Council produces a Strategic Plan, MTFP and Investment Strategy that cover a 3-year period. These include range of assumptions for economic factors and service related factors. The current high levels of uncertainty around future funding for local government make producing a meaningful long-term plan very challenging. This risk to financial planning is clearly set out in the budget reports (draft and final) agreed by the Leadership Team and Members. The budget report also includes a risk assessment of the key financial risks the Council faces and suitable mitigation. The MTFP model include the level of inflation, pay inflation, service demand pressures, the effect on council tax base, business rates income, government funding changes, and a range of capital implications. The adequacy of reserves is considered frequently (draft, final and close down) to deal with the risks identified. The Council has a robust approach to risk management with various earmarked risk reserves, with clear lines of escalation, supported by specific project and programme risk registers	Development of longer term financial planning over five years when greater certainty around future funding for local government is received.
H	The authority complies with the CIPFA Prudential Code or Capital Finance in Local Authorities			
H1	The authority is aware of its obligations under the Prudential Code. The authority has prepared a suitable capital strategy. The authority has a set of prudential indicators in line with the Prudential Code. The authority has suitable mechanisms for monitoring its performance against the prudential indicators that it has set.	M	The Council is aware of its obligations under the Prudential Code and has assessed itself as compliant with those obligations. Like the Financial Management Code, there are many areas of compliance where the guidance allows for the Council to decide what an appropriate fit is; and there is not a single way to be compliant. The Council works closely with its Treasury Management advisers Link Asset Management to ensure that it complies An annual Capital Strategy (Prudential Indicators, Investment Strategy and Minimum Revenue Provision) report is produced each year as part of the Budget Report to Council. An annual members training session is also delivered with the support of our external advisors. The Council has a 3 year Capital Strategy and within that prudential indicators are set in line with the Code. The Capital Strategy sets out the high level plans, with individual decisions made about investments or capital schemes through separate reports to members. There are effective mechanisms in place to monitor performance against the Code, with bi-monthly updates on capital expenditure and half yearly updates on prudential indicators and treasury management activity reported to Executive.	The medium to longer term impact of the Council's treasury management and Borrowing Strategy have increased in complexity since the introduction of the Asset Investment Strategy. The implications need to be considered and reviewed on a regular basis with the Treasury Team, s151 officer and reported to Accounts and Audit Committee. Prudential indicators need also to be supplemented by other local indicators where necessary. Assess any implications arising from any changes in the CIPFA Prudential Code regarding MRP changes – this is dependent on the final publication. Compliance with the new Liability Indicator needs to be understood.

H2	The authority has an asset management plan that reviews the condition, sufficiency and suitability of assets in the light of business needs, and ambitions of the Medium - Long Term Financial Strategy. The plan should evidence rigorous assessment of asset portfolio in relation to service delivery.	M/L	A condition survey is carried out on a regular basis by external consultants, which provides a total cost and prioritisation to inform the Property Strategy and MTFP. Regular reviews of station/fleet numbers and locations are undertaken to assess the asset portfolio against service requirements. Information on the reinstatement costs of our portfolio needs to be refreshed in order to ensure appropriate insurance levels are maintained	Development of the Asset Management Plan and regular updates on the condition of assets to be provided to CLT. Include refresh of reinstatement valuations for insurance purposes as part of the rolling revaluation programme.
H3	The authority maintains processes to ensure that information about key assets and liabilities in its balance sheet is a sound and current platform for management action.	M/L	The Capital Strategy forms an essential part of the authority's integrated revenue, capital and balance sheet planning. A report on prudential indicators included in the annual Capital Strategy report	The Capital Strategy needs to consider the longer term asset management plan to ensure resources can be aligned to maintaining an effective asset base. Need to develop asset management planning and the ability to ensure the budget is informed by asset condition.
I	The authority has a rolling multi-year medium term financial plan consistent with sustainable service plans.			
I1	The authority has in place an agreed medium term financial plan	H	The Council has in place an agreed 3-year MTFP that is formally set annually as part of the annual Budget report. This plan is consistent with the capital strategy and refreshed annually to reflect relevant strategic priorities, commitments, service demand pressures, underlying assumptions, and emergent issues and to agree future savings targets. This ensures that the Council always has a 3-year budget, allowing for sufficient time to time to plan and deliver any required savings. The MTFP is regularly reviewed throughout the year with reports being taken to Executive and Council where there are material changes required to the MTFP.	
I2	The Medium Term Financial Plan should make reference to other organisational plans (e.g. workforce planning) and performance measures to demonstrate an alignment between service and financial planning.	H	Cost drivers and demand are considered within each Directorate and used to form the basis of pressures identified and mitigations/savings put forward to the MTFP. The MTFP includes the best assessment of each Directorate of what their demand pressures will be. Each Directorate has an annual service plan. These service plans are driven by the Council's Corporate Plan and the MTFP in terms of the delivery of key projects but also into the MTFP in relation to specific savings programme required to be delivered. Whilst other plans (e.g. workforce planning) are central to the MTFP, this link is not explicit in published documents. Resources are aligned as appropriate to Corporate Plan priorities and reference as such is included in draft and final budget plans. The need to align financial reporting and service/corporate has been identified as an area for improvement.	
I3	The authority has benchmarked the performance of its services against appropriate comparators.	M	The Authority uses CIPFA (Resilience Index) and benchmarking services and has developed a local comparison method (RA/RO) to consider performance against other authorities.	Working group to be established to undertake a deep dive review of high cost areas
I4	To inform the Leadership Team's decisions the authority has a single document tracking progress in the delivery of planned savings over the period of the Medium Term Financial Plan.	H	Updates on progress in the delivery of savings is included within the bi-monthly budget monitoring reports reported to CLT, Executive and Council. Savings are RAG rated and those which are considered at high risk of not being achieved are reported and reviewed on by CLT on a monthly basis. Any savings determined to be unachievable on an ongoing basis are adjusted for in future MTFP and alternative savings are sought during the year. The role of the Strategic Delivery Group supported by Finance Team includes the development and challenging of savings programme as part of the wider budget preparations.	
I5	The authority publishes it plans for the use of reserves over the over the period of the Medium Term Financial Plan The level of reserves at 31st March in any one year should not be fall below the level previously agreed. The authority should demonstrate adherence to the most recent guidance on reserves from CIPFA's Local Authority Accounting Panel	H	The adequacy of the level of financial reserves levels is reviewed during the preparation of the draft and final Budget Reports to Council over the period of the MTFP and in addition during the closedown of the accounts. The minimum level of General Fund Reserve is reviewed annual at final budget stage. The assessment is based on an assessment of financial risks and the extent to which specific provisions are available to meet known and expected liabilities. Reserve levels are monitored throughout the year via the bi-monthly budget monitoring.	

Section 4 - The Annual Budget

J	The authority complies with its statutory obligations in respect of the budget setting process This includes that : <input type="checkbox"/> The authority has set a balanced budget for the current year. <input type="checkbox"/> The authority is likely to be able to set a balanced budget for the forthcoming year. <input type="checkbox"/> The authority is aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so.	H	The Council understands its obligation in respect of the budget-setting process and the budget has to date been approved by Council by the required deadlines. The Council has set a balanced budget for the current year (2022/23), and is currently developing a balanced budget for 2023/24. The Council is aware of the circumstances under which it should issue a section 114 notice and how it would go about doing so. This includes latest guidance issued by CIPFA in light of COVID-19.	
J1	The annual report proposing the budget includes an analysis of the success/failures in achieving the spending plans of the previous year and of departures from the planned use of reserves and balances.	H	The budget reports (draft and final) include sections referencing the in year monitoring estimated outturn position. Plans for future years are adjusted taking into consideration in year pressures and unachievable savings. A review of reserves is also undertaken and reported during the bi-monthly monitoring and reported in both the draft and final budget reports.	
K	The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.	H	The budget report includes a statement by the Director of Finance (S151 Officer) on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	

Section 5 - Stakeholder Engagement and Business Cases

L	The authority has engaged with key stakeholders in developing its long term financial strategy, medium term financial plan and annual budget.	M	The financial strategy is aligned to the Council's corporate plan and this is reviewed on an annual basis when setting the following year's budget. Stakeholder engagement is undertaken with a range of stakeholders including public consultation on emerging budget proposals, staff consultation on any impacts on staff and equality impacts assessments in line with the Public Sector Equalities Duty.	Need to develop a combined performance report during 2022/23 which includes both the financial monitoring and also reporting against the Council's key performance measures as part of one report.
M	The authority uses a documented option appraisal methodology to demonstrate the VFM of its decisions			
M1	Does option appraisal comply with IFAC/PAIB Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal (Annex C to CIPFA FM Code)	M	Included within the capital strategy is a methodology for prioritising capital projects for inclusion to the Capital Programme. Option appraisal complies with the principles, but this is not formally documented. The Council does not currently have a consistent process for undertaking and documenting option appraisals. These are undertaken on a case-by-case basis, influenced by the scale of investment and also the requirements of external funders. For all projects these covers as a minimum the 3-year MTFP period and for larger scale investment these are usually based on a whole life cycle basis. In considering a number of development projects, the Council also undertakes a development appraisal from a commercial developer and investment advisor to assess overall scheme viability, as well as financial modelling from a Council perspective	Need to develop a consistent options appraisal methodology to determine - this should comply with the CIPFA guide - Options Appraisal - A Practical Guide for Public Sector Organisations
M2	The accounting treatment of material decisions is considered and demonstrated as part of the formal option appraisal process.	H	The accounting treatment and impact is determined at the time of the decision.	
Section 6: Monitoring Financial Performance				
N	The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability			
N1	Financial monitoring reports for high risk budgets are: - Scrutinised by the leadership team of the organisation on (as a minimum) monthly basis. - Financial monitoring reports for steady state/low risk budgets are: - Received by budget holders on a monthly basis - Received (in aggregate) by the leadership team on a regular basis (in aggregate) by the leadership team.	H	Bi-Monthly financial monitoring reports are provided to Directorate Management Teams, Corporate Leadership Team, Executive and Accounts and Audit Ctee, and identify significant variances and corrective actions being taken. The reports cover the position to date and the forecast for the remainder of the financial year. It also includes progress against savings targets and planned use of/contributions to earmarked reserves. High risk budget areas (largely demand led social care) are monitored on a monthly basis within appropriate service areas and monthly forecast against savings programme are reported to CLT and identify corrective action being taken.	
N2	The reports are provided to the leadership team in a timely manner and in a suitable format	H	Reporting to officers on high risk budgets is on a monthly basis and all budgets reported monthly. Managers are able to access information on demand. Reports have been developed with budget holders to provide them with the correct level of information.	
N3	The leadership team is happy with the reports that it receives and with its ability to use these reports to take appropriate action	H	The leadership team are happy with the reports it receives and with its ability to use these reports to take appropriate action. The format of the reports and information contained within the reports has been amended following suggestions from officers and Elected Members to make improvements to the reports. Amendments in the past included a one page Executive Summary with detailed analysis being moved to supporting annexes in order to provide a full audit trail of considerations in the forecast	
N4	Timely time financial and performance information is available to managers via the appropriate systems. The systems are engineered to provide relevant data at a sufficiently accurate level. The organisation ensures that information is appropriately tailored and streamlined to avoid the risk of 'data overload'	H	Managers are able to access financial information on demand via the Council's SAP financial management system. Reports have been developed with budget holders to provide them with the correct level of information. Finance business partners are available to provide support and analysis.	
N5	All Financial monitoring reports include: • The name of the budget holder responsible for the information presented • Accruals based financial information • Include the approved budget against which monitoring is taking place. • A forecast for the remainder of the budget period, • Service performance information and - is shown, for instance by reconciliations, to be consistent with the aggregate position for the authority.	H	Financial reports include all of the required financial information	
N6	Financial monitoring reports for high risk budgets are: • Scrutinised by the leadership team of the organisation on (as a minimum) monthly basis. Financial monitoring reports for steady state/low risk budgets are: • Received by budget holders on a monthly basis • Received (in aggregate) by the leadership team on a regular basis (in aggregate) by the leadership team.	H	High cost/risk budgets are reviewed on a monthly basis. These are reviewed by Service Managers, DMT, for example by a Children's Care High Cost and Adults Placement. Less volatile and lower cost budgets employ self-service by budget managers using the SAP FM system, supported by finance where required.	
N7	The authority has arrangements which allow annual service budgets to be recalibrated in response to unforeseen developments.	H	In-year budget realignments can be approved by either the Director of Finance and Systems, Senior Management Team or Executive Committee (depending on value)	
N3	At the financial monitoring period end the leadership team receives a set of financial statements with forecast outturn for the year ahead	H	The leadership team and Executive receive regular budget monitoring information as described above. Impact on future years is considered during the preparation of the draft and final budget	
N4	There are appropriate arrangements in place for reporting and managing the financial performance of each of the organisation's delivery partnerships and collaborative arrangements.	M	The Council currently has three joint venture arrangements with Bruntwood concerning three key sites across the Borough; Former Kelloggs HQ site in Old Trafford, Streford Mall and Stamford Centre, Altrincham. It is also sole shareholder in a Community Interest Company Trafford Leisure.	More formalised and transparent reporting of Company performance needs reporting to the Executive on a quarterly basis.
N5	There are appropriate arrangements in place for the project management and cost control of capital projects.	M	Capital projects are monitored on a monthly basis.	New Capital Programme Board established in 2022/23
O	The authority monitors the elements of its balance sheet which pose a significant risk to its financial stability			

O1	Unplanned and planned use of reserves are reported [quarterly] to the management team of the organisation and to Council.	H	Movements in reserves are in budget monitoring reports. Any unplanned use of reserves is only reported where significant (eg Asset Investment Programme) minor movements are not considered during the monthly monitoring. Reference is made to the use of budget support reserve should estimates forecast an overall budget pressure.	
O2	The authority has identified the elements of its balance sheet that are most critical to its financial sustainability	H	The Council has historically considered its reserves position, investments and borrowing, and debt levels as most critical to its financial sustainability. These are reported on a regular basis (budget monitoring, draft and final budget reports, Treasury Management Strategy, Prudential Indicators)	
O3	Management accounts include either a full balance sheet or an appropriate level of balance sheet information to meet business needs and evidence of monitoring of material items	H	Management accounts reporting is currently only explicitly made on the reserves elements of the balance sheet. Aspects of the balance sheet are, however by default included such as provisions (bad debts for Council Tax, Business Rates), provisions for rates appeals) are considered as part of the forecasting. This is considered appropriate as part of the management accounts. Other balance sheet analysis of areas of significant risk (debt, investments) is included in the appropriate reports (Treasury Management updates) A balance sheet analysis is included in the annual Statutory Accounts and narrative foreword.	
O4	The authority has put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet	H	Mechanisms are in place to monitor all of these critical elements of the balance sheet. The monitoring of reserves is outlined below. Borrowing and investments and Treasury Management are monitored and reported as part as the bi-annual Treasury Management Strategy monitoring reports reported to Executive and Accounts and Audit Cttee. Aspects of the balance sheet are not specifically included in the bi-monthly budget monitoring reports, other than reserve levels, however by default some elements are included such as provisions (bad debts for Council Tax, Business Rates), provisions for rates appeals) are considered as part of the forecasting.	
O5	Cash flow is managed through application of Treasury Management in the Public Services: Code of Practice and Cross- Sectoral Guidance Notes (CIPFA, 2017).	H	Robust and comprehensive treasury management processes, mitigating risk, adhering to the Treasury management guidance required. Prudential Code requirements are adhered to in order to provide the risk management of treasury activity.	
Section 7 - External Financial Reporting				
P	The Chief Finance Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom.			
P1	The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom. This includes the following : * The authority's leadership team is aware of the CFO's responsibilities in terms of the preparation of the annual financial statements. * The authority's CFO is aware of their responsibilities in terms of the preparation of the annual financial statements. * These responsibilities are included in the CFO's role description, personal objectives and other relevant performance management mechanisms. * The authority's financial statements have hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.		The authority's leadership team and the CFO are aware of the CFO's responsibilities in terms of the preparation of the annual financial statements. These responsibilities form part of the CFO's role description and personal objectives. The authority's financial statements have been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom, and have been consistently given an unqualified opinion by external auditors. The annual accounts are reviewed and signed by the Director of Finance. The accounts are presented in a format for users to understand the Council's financial performance, position, and cash flows	Need to develop a greater technical understanding and ownership of the Code by the Capital Strategy team
Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.			
Q1	The authority's leadership team is provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget. The information in these reports is presented effectively.	H	The presentation of the final outturn position to the Corporate Leadership Team and Executive compares the outturn to the revised budget and explains the reasons for any key variances from budget. The report sets out the impact of these variances on general balances and earmarked reserves and makes proposals for further contributions to/or from these. The report also sets out the impact of key variances on the MTFP/future years budgets and any mitigating action being taken.	

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 20 July 2022
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period January to March 2022.

Summary

The purpose of the report is:

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

Recommendation

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

Contact person for access to background papers and further information:

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

Background Papers: None

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TRAFFORD
COUNCIL

Audit and Assurance Service Report January to March 2022

Date: July 2022

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between January and March 2022. Details from this report and the other update reports issued through 2021/22 are reflected in the Annual Head of Internal Audit Report which gives an opinion on the overall effectiveness of the Council's control environment during 2021/22.

2. Planned Assurance Work

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

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

3. Main areas of focus – January to March 2022

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

4. Summary of Assurances in January to March 2022

There were 10 internal audit reports produced in the period (7 final reports and 3 draft reports).

There were 6 final reports issued where opinion levels were given. Opinions of "Substantial" Assurance were provided for 1 audit review; "Reasonable" Assurance for 4 of the audits with a "Limited" Level of Assurance for the other final audit report. The other final report issued consisted of advice to IT and Digital Services in respect of the implementation of a new system. A listing of final audit reports issued, including overall findings, plus a listing of draft reports produced is shown in Section 5.

5. Summary of Audit & Assurance Opinions Issued – January to March 2022

(See Appendix for details of Audit opinion levels, report levels and report status)

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/AG -Date Issued	COMMENTS
FINAL REPORTS ISSUED		
Level 4 Reports :		
Data breaches (Governance and Community Strategy/Authority-wide) / (Finance and Governance)	Reasonable* (GREEN) (1/2/22)	The purpose of this review was to follow up on progress in implementing audit recommendations, further to a previous audit review of processes for managing data breaches. Acknowledging the impact of the pandemic, some progress has been made in relation to each of the previous 18 recommendations. Areas of improvement include the implementation of the IKEN system for data breach incident recording and tracking. There remains scope for further improvements in reviewing roles and responsibilities, refreshing policies and aligning data breach reporting and IT incident management. A further audit to review progress will be undertaken later in 2022/23.
IT Asset Management (Finance and Systems) / (Finance and Governance)	Reasonable (GREEN) (7/3/22)	A review was undertaken by Salford Internal Audit Services of processes for managing the Council's IT Assets from acquisition to disposal. It was noted whilst there were no major concerns identified, there was scope to make a number of control improvements including the development of a formal IT Asset Management strategy, with supporting operating procedures and responsibilities. It was noted that there were plans as part of Phase 2 development of the Council's service management tool, Freshservice, to address a number of the recommendations in the report.
IT Service Management Implementation (Finance and Systems) / (Finance and Governance)	N/A (27/1/22)	Trafford Council's ICT and Digital team provides IT services and associated support across the Council. The main point of contact for the end users is the council's ICT service desk which records incidents and provides 'first line' support. As referred to above, a new service management system, Freshservice, is being implemented. The new system, alongside updated procedures will support the operation of the service desk. Salford Internal Audit Services undertook a consultancy review and issued a report setting out issues to consider in developing use of the system. It is expected that an audit review will be undertaken at a later date, once the new processes have been embedded.
Level 3 Reports :		
Highways Inspection and Repairs (Place) / (Environmental and Regulatory Services)	Substantial (GREEN) (11/1/22)	A review was completed of processes relating to Highways Inspection and Repairs. Since July 2015 Highways inspections and Repairs has been carried out on behalf of the Council by Amey, as part of the One Trafford

		Partnership with the Council. The audit included coverage of guidance and procedures to ensure compliance with legislation; evidencing and recording of inspections; performance monitoring and management reporting. Overall, effective controls were found to be in place. One issue was identified regards a small number of adopted roads not being included in the inspection programme. Further to the audit, this issue was rectified with inspections completed and further checks will be undertaken going forward to ensure accurate records are maintained.
Let Estates (Place) / (Housing and Regeneration)	Limited (AMBER) (23/3/22)	This review was largely undertaken whilst the Estates Team was provided by Amey as part of the One Trafford Partnership and the final report was issued shortly after the team transferred back to an in-house service within the Council's Place Directorate. A limited opinion was provided, reflecting a number of areas of improvement that were required. These included the need to develop a Let Estates Strategy; improve record-keeping and performance monitoring arrangements including monitoring of lease renewals, rent reviews and rent collection. Issues were also identified regards insurance arrangements and recommendations were made, including, where applicable, the need to re-charge certain tenants for insurance costs incurred by the Council. Since the service has transferred in house, an action plan is being progressed to address all the issues and it was agreed with the Service that a follow-up audit will be undertaken later in 2022/23 to review progress and consider the overall audit opinion.
Level 1 Reports:		
Moorlands Junior School (Children's Services) / (Children's Services – Education)	Reasonable (GREEN) (10/2/22)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. A small number of recommendations were made. These included the need to review and approve policies in relation to freedom of information, health and safety and business continuity. It was also recommended that financial benchmarking with other schools was re-established. It was acknowledged that although discussions and decision making continued throughout Covid-19 restrictions, clerking and staffing availability meant that Resources Committee meetings were not always recorded. The Resources Committee is now meeting on a more formal basis, with minutes being taken.
St. Alphonsus RC Primary School (Children's Services) / (Children's Services – Education)	Reasonable (GREEN) (15/2/22)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. A small number of recommendations were made. These included in relation to governance issues raised in relation to governor roles and meeting arrangements for the Finance Committee. There were also recommendations in relation to procedures for the ordering of goods and services to ensure an adequate division of duties; and procedures for ensuring prompt update of the school's asset inventory.

DRAFT REPORTS

Level 3 Reports:

Licensing follow-up review (Place) / (Environmental and Regulatory Services)

By the end of March 2022, initial draft findings had been produced (A final report was issued in May 2022 and details will be reflected in the April to June 2022 Audit and Assurance update report).

Adult Services' Direct Payments (Adult Services) / (Adult Social Care)

By the end of March 2022, initial draft findings had been produced and a final report is due to be issued by June 2022.

Level 1 Reports:

Stretford Grammar School (Children's Services)

By the end of March 2022, initial draft findings had been produced (A final report was issued in May 2022 and details will be reflected in the April to June 2022 Audit and Assurance update report).

**Denotes this final report is a follow up audit – i.e. the main focus of the review was a follow up of recommendations made as part of a previous internal audit review.
(Note: Corporate Directorates listed above were those in place during 2021/22)*

6. Other Assurance Work

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

- Working with CLT to update the strategic risk register with an update report reviewed by CLT and presented to the Accounts and Audit Committee in March 2022.
- Up until March 2022, continuing to provide assistance to the Strategic Growth team in completing checks to support the processing of applications for the payment of grants to local businesses in respect of the COVID-19 Additional Restrictions (Discretionary) Grant Scheme.
- Ongoing work in relation to the National Fraud Initiative (Outcomes to be reported within the Annual Head of Internal Audit Report 2021/22).
- Production of the Internal Audit Plan for 2022/23 which was approved in March 2022.

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

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

Acceptance of Recommendations

From the final audit opinion reports produced and issued by the Audit and Assurance Service during the period, all 28 new recommendations made were accepted. A number of other audits were in progress during the period and levels of acceptance of recommendations made in the subsequent reports will be reflected in the next Audit and Assurance update.

Implementation of Audit Recommendations

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

As shown under final reports issued in Section 5, a follow up audit was completed in relation to Council processes to manage the risk of data breaches.

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

- Urmston Primary (Children's Services – Education) - Of the 6 recommendations agreed as part of the previous audit review it was reported all 6 had been implemented.
- Insurance (Finance and Systems) – Of the 3 recommendations previously made, 2 had been implemented with the remaining one in progress.
- Altrincham Library (Governance and Community Strategy) – Of the 3 recommendations previously made, 2 had been implemented with the remaining one in progress.

Overall analyses of both acceptance of audit recommendations and also recommendations followed up in 2021/22 is included in the 2021/22 Annual Head of Internal Audit Report.

8. Performance against Audit & Assurance Annual Work Plan

Details regards performance against the 2021/22 Internal Audit Plan is included within the Annual Head of Internal Audit Report, also issued in July 2022.

9. Future planned work

The Internal Audit Plan issued in March 2022 sets out internal audit work planned for 2022/23. An Audit and Assurance update report will be completed for the period April to June 2022 and submitted to CLT and also the Accounts and Audit Committee at its meeting in September 2022.

APPENDIX

POINTS OF INFORMATION TO SUPPORT THE REPORT:

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

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

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

Report Status:

Draft reports:

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

Final reports:

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

Breadth of coverage of review (Levels 1 to 4)

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

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

Report to: Accounts and Audit Committee
Date: 20 July 2022
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Annual Report of the Head of Internal Audit 2021/22

Summary

The purpose of the report is:

- To provide a summary of the work of the Audit and Assurance Service during 2021/22.
- To provide an opinion on the overall adequacy and effectiveness of the Council's control environment (which encompasses internal control, risk management and governance) during 2021/22.

Recommendation

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

Contact person for access to background papers and further information:

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

Background Papers:

None

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	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). 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.
Legal Implications	See Financial Implications
Equality/Diversity Implications	See above
Sustainability Implications	See above
Carbon Reduction	See above
Staffing/E-Government/Asset Management Implications	See Above
Risk Management Implications	See Above
Health and Safety Implications	See Above



TRAFFORD
COUNCIL

Audit & Assurance Service

Annual Report of the Head of Internal Audit 2021/22

July 2022

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Part One - Overview of Work Completed and Main Conclusions

SUMMARY AND OVERALL OPINION

The Annual Report of the Head of Internal Audit sets out details of the work of the Audit and Assurance Service during 2021/22. The most important aspect of the Annual Audit Report is to give an independent and objective opinion as to the overall adequacy and effectiveness of the Council's control environment during 2021/22.

Internal Audit is a statutory function and the Audit and Assurance Service carried out its work in 2021/22 in general conformance with the Public Sector Internal Audit Standards. Through its work, the Audit and Assurance Service aims to provide support to the organisation in its aim to maintain effective governance arrangements and a sound control environment; ensure effective systems are in place to manage risks including the risk of fraud and also demonstrate value for money.

Recommendations made in internal audit reports and guidance/advice provided are key mechanisms for identifying improvement actions required by the organisation. The Audit and Assurance Service also follows up the implementation of recommendations to ensure that improvements are actually occurring.

The Audit Opinion is based on internal audit work undertaken during the year. It is an important component of the Council's Annual Governance Statement which will accompany the Council's Annual Accounts for 2021/22. It should be noted that the report relates to areas reviewed by Internal Audit up to 31 March 2022. Any further issues relating to work undertaken after that time are covered in future update reports through the year to the Corporate Leadership Team and the Accounts and Audit Committee.

Planned internal audit work has been subject to some changes during 2021/22 due to the impact of the pandemic across the Council. There has, however, continued to be a range of internal audit work undertaken during the year across each of the main areas of the Internal Audit Plan, which enables an audit opinion to be given.

For most audit reviews undertaken, at least reasonable levels of assurance have been gained that the systems, procedures and controls in place to manage risks and deliver objectives are operating to a satisfactory standard. Follow-up internal audit work in areas previously reviewed demonstrates that progress is continuing to be made to improve controls and address risks previously identified, although further action is required in respect of some areas reviewed. Where areas for improvement have been identified during 2021/22, actions have been agreed with management to be followed up in 2022/23.

Given the above, based on assurance gathered during 2021/22, the Internal Audit Opinion is that, overall, a reasonable level of assurance can be given that the control environment encompassing internal control, risk management and governance, is operating to a satisfactory standard.

1. INTRODUCTION AND BACKGROUND

- 1.1 The purpose of the Annual Report of the Head of Internal Audit is to detail the work of the Audit and Assurance Service during 2021/22. The report provides an opinion as to the overall adequacy and effectiveness of the Council's control environment during 2021/22.
- 1.2 Internal Audit is a statutory function and must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS). It is a requirement of PSIAS that an annual internal audit report is written and presented to the organisation.
- 1.3 The Internal Audit function is provided by the Audit and Assurance Service, which is part of 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.
- 1.4 During 2021/22, the establishment of the Audit and Assurance Service comprised 6 full time equivalent (FTE) staff.
- 1 Audit and Assurance Manager,
 - 1 Principal Audit and Assurance Team Leader
 - 1 Principal Audit and Assurance Officer
 - 3 Senior Audit and Assurance Officers

One officer (Principal Audit and Assurance Team Leader) left the Council at the end of September 2021. Further to a recruitment exercise the post was filled internally in the team and the subsequent vacancy at Principal Audit and Assurance Officer level was also filled internally. At the end of 2021/22 this left one vacancy at Senior Audit and Assurance Officer level. It is aimed to recruit to fill this post later in 2022.

- 1.5 In addition to in-house resources, Salford Internal Audit Services provided support in respect of elements of the ICT Internal Audit Plan. The Audit and Assurance Service also worked with other Internal Audit providers where appropriate such as Stockport, Rochdale and Tameside Councils in respect of the STAR Shared Procurement Service.
- 1.6 The approach to internal audit work adopted at Trafford is set out in the Internal Audit Charter and Strategy (which were included in the report to CLT and the Accounts and Audit Committee in March 2022 with the 2022/23 Internal Audit Plan report). The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function provided by the Audit and Assurance Service. The Internal Audit Strategy describes the arrangements in place to deliver internal audit so as to ensure that the objectives and scope of the Service are met, thereby enabling Internal Audit to provide an opinion on the operation of the control environment. The Strategy covers audit resources, planning, service delivery and reporting.

- 1.7 In common with services across the Council, the COVID-19 pandemic continued to have an impact on the Audit and Assurance Service during the year. In terms of undertaking planned audit work, this largely involved working in a remote way for a significant part of the year. Since the year-end, as part of the recovery from the pandemic, the Service has adopted a “hybrid working” approach, in line with the Council’s guidance, and now combines an approach of physical audit meetings and visits with remote working as part of usual practice.

2. INTERNAL AUDIT OPINION FOR 2021/22

- 2.1 The Head of Internal Audit is required to give an annual opinion on the adequacy and effectiveness of the Council’s internal control environment. The opinion supports the Annual Governance Statement. **The Internal Audit Opinion for 2021/22 is as follows.**

Planned internal audit work has been subject to some changes during 2021/22 due to the impact of the pandemic across the Council. There has, however, continued to be a range of internal audit work undertaken during the year across each of the main areas of the Internal Audit Plan, which enables an audit opinion to be given.

For most audit reviews undertaken, at least reasonable levels of assurance have been gained that the systems, procedures and controls in place to manage risks and deliver objectives are operating to a satisfactory standard.

Follow-up internal audit work in areas previously reviewed demonstrates that progress is continuing to be made to improve controls and address risks previously identified, although further action is required in respect of some areas reviewed. Where areas for improvement have been identified during 2021/22, actions have been agreed with management to be followed up in 2022/23.

Given the above, based on assurance gathered during 2021/22, the Internal Audit Opinion is that, overall, a reasonable level of assurance can be given that the control environment encompassing internal control, risk management and governance, is operating to a satisfactory standard.

- 2.2 Factors determining the opinion are as follows

- Audit Opinion reports were issued through the year covering a range of services, functions, systems and processes including financial system audits, ICT Audits, schools, service reviews and procurement/contracts related reviews. (See Section 4 and Appendices A to B). Of the final audit reports issued during the year, all opinion reports issued provided substantial or reasonable assurance that controls were adequate and effective with the exception of 1 final report providing limited assurance. (See 3.4 to 3.6).

- For all final reports issued, action plans were agreed to implement recommendations made with the aim of improving arrangements for governance, risk management and internal control. Most recommendations made (98%) have been agreed by management (See 5.1 to 5.3).
- A number of areas identified in the previous year as requiring improved standards of control were followed up by Audit in 2021/22 and good progress had been made in implementing recommendations. Follow up review work undertaken during the year has identified that, overall, of the areas reviewed 95% of recommendations previously made had either been fully implemented or implemented in part / were in progress. (See 5.5 to 5.10 for an analysis of follow up audit reviews both for Council and schools related reviews).
- Key strategic risks have continued to be monitored through the year. Audit and Assurance has contributed to the review and update of the Strategic Risk Register which has been reported to the Corporate Leadership Team and the Accounts and Audit Committee. By the end of the year, the highest risk in the register related to uncertainty over the Council's medium term financial position. It is acknowledged that there are significant challenges ahead with the need to manage financial pressures including the impact of the pandemic, upward trend in inflation rates and significant rises in energy and fuel prices. There was regular reporting on how risks were being addressed. (See 4.3 including details of audit work completed and planned).
- Strategic risks are also reflected where applicable as part of significant issues in the Council's Annual Governance Statement. The 2020/21 AGS identified a number of significant governance issues for continued action in 2021/22 (See 4.2.4). Updates on all significant issues will be included in the 2021/22 AGS to be agreed by the Corporate Leadership team and this is due to be reported as a draft document for review by the Account and Audit Committee in July 2022. (See 4.2)
- The Audit and Assurance Service has continued to contribute to anti-fraud and corruption activity and where appropriate worked in liaison with other services including the Counter Fraud and Enforcement team. The Service has continued to co-ordinate work, in liaison with other services, in relation to the National Fraud Initiative (See 4.4).
- The Service continues to contribute to the review of information security and governance processes across the Council and development of action plans through its work. (See 4.6).
- There were some changes to planned audit work, due to the continuing impact of COVID-19. This included some audits being delayed at the request of services. In addition, time was required by Audit to support the COVID-19 response as it contributed to processes for making payments of grants to local businesses as part of the Additional Restrictions Grant Scheme. This consisted of making a number of checks prior to grant payments being made to provide greater assurance that payments were being made to eligible businesses. (See 4.9.4 and 6.3).
- A number of reviews were in progress by the year-end and therefore final reports had not been issued. It should be noted, however, that based on findings to date from those reviews in progress that whilst these will include reporting of a number of control improvements and recommended actions to address these, there were no reviews where a less than reasonable opinion is currently expected. (See 3.6).
- The audit opinion for 2021/22 also reflects assurance provided through the year from a number of sources which are reflected throughout the report such as corporate actions in responding to the impact of the pandemic, ongoing monitoring including financial management and the Council progressing improvement actions following external inspection and audit.

2.3 A detailed analysis of the internal audit work undertaken by the Audit and Assurance Service during 2021/22 is provided in this report.

3. WORK PLANNED AND COMPLETED

3.1 Total time allocated to carry out the Operational Plan was originally set at 910 days for 2021/22 (with an additional contingency of 100 days). This was calculated by subtracting overheads, e.g. leave, sickness, training etc, from the time available to each auditor. See Appendix A for a summary of work planned against completed with a breakdown of days across categories of internal audit work. The actual number of days spent delivering the 2021/22 Internal Audit Plan was 849. Details of planned work against actual are discussed further in Section 6.

3.2 It should be noted that in addition to the 849 actual days, additional time was taken for other activities that are not attributable to one particular category of work but support the audit process. In 2021/22, this included continued support to the Accounts and Audit Committee, liaison with the External Auditor, networking with other North West Internal Audit groups to share good practice, and liaison with services to gather information in support of the production of the audit plan.

3.3 Details of the internal audit reports issued are shown in Appendix B. Further detail in relation to audit reports issued are detailed in the Audit and Assurance update reports presented to CLT and the Accounts and Audit Committee through the year. (The final update covering January to March 2022 has been issued in July 2022 alongside this Annual Head of Internal Audit Report).

Analysis of Audit Opinions

3.4 For each audit report issued, one of four possible opinions is given. The four opinions are also denoted as Red/Amber/Green. These opinion levels were introduced from April 2021, taking into account guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The following table shows the number of final reports issued during 2021/22 for each opinion level.

LEVEL OF ASSURANCE	R/A/G STATUS	DESCRIPTION	NUMBER OF FINAL REPORTS ISSUED 2021/22
Substantial Assurance	Green	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.	6
Reasonable Assurance	Green	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.	9
Limited Assurance	Amber	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.	1
Very Low or No Assurance	Red	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.	0
Other*		Audit report issued with none of the above opinion levels – see notes below	3
		TOTAL	19

*Reports include 2 audit reviews where it was agreed that overall the direction of travel is improving compared to the previous audits but a further review will be completed later in 2022 where a new audit opinion will be provided to take into account ongoing developments. The other audit was completed as a consultancy review with a view that an audit review is undertaken at a later stage once the system is fully implemented.

- 3.5 As shown above, in respect of the final audit reports issued during the year, substantial or reasonable opinions were provided for all final audit opinion reports issued with the exception of one report with limited assurance. The framework of Opinion levels has changed compared to the previous year but overall, levels of assurance remain similar to the previous year.
- 3.6 A full listing of reports issued and associated audit opinions is given in Appendix B. It should be noted that there are a number of reviews where reports are either at draft stage or work is in progress at year-end (as also shown in Appendix B). At the time of writing, whilst other reports to be issued will include reporting of a number of control improvements and recommended actions to address these, there were no reviews where a less than reasonable opinion is currently expected. Details, however, will be confirmed through updates in 2022/23.

Other Assurance Provided Across the Council

- 3.7 A significant proportion of time spent does not result in the issue of formal internal audit opinion reports. The Audit and Assurance Service has contributed to a number of activities including the following:
- Risk management (including facilitating the update of the Council's strategic risk register and contributing to the provision of Risk Management guidance).
 - Anti-fraud and corruption (including co-ordinating the Council's work in supporting the National Fraud Initiative),
 - Working in liaison with Democratic Services to provide input and support to the process for producing the 2020/21 AGS and in planning the approach for the production of the 2021/22 AGS.
 - Where required, completing a number of checks as part of processes for certifying grant claims, reviewing performance data and other returns.
 - During 2021/22, significant time was provided to support the COVID-19 response with Audit and Assurance staff supporting other services administering COVID-19 business grants payments by carrying out a number of checks as part of the processes.
 - Gathering assurance on IT security and governance in schools through a questionnaire which is informing further audit work in 2022/23.
 - Providing other guidance and support (which included updating of the dedicated site on the intranet for the Audit and Assurance Service which provides information and guidance).

Stakeholders

- 3.8 The Audit and Assurance Service liaises and shares internal audit findings and reports with a wide group of stakeholders within the organisation including Executive Members, the Accounts and Audit Committee, Corporate Leadership Team, managers across the Authority and External Audit.

Part Two – Detailed Findings

4. DETAILED ANALYSIS OF WORK COMPLETED

Section 2 gave the overall Internal Audit Opinion on the operation of the control environment during 2021/22 and provided a summary of internal audit work undertaken on which the opinion is based. This section provides a more detailed analysis. (It should be noted any references to Corporate Directorates with the report relate to reporting structures in place in 2021/22)

4.1 Fundamental Financial Systems

- 4.1.1 This is a key area of internal audit work providing assurance regarding the controls in place for the Authority's key financial systems. Details of progress made during the year is set out below.
- 4.1.2 As also listed in Appendix B, three final audit reports were issued during the year and all opinion levels issued provided Reasonable or Substantial Assurance:

Reported in the April to July 2021 Audit and Assurance update:

-Children's Social Care Payments (Reasonable Assurance). The audit focussed on follow up of the previous review recommendations reported in April 2019 in relation to the Children's Adult Social Care payments system, Liquid Logic/ContrOCC. It is acknowledged whilst progress was impacted by the Covid-19 response, improvements continue to be made and which are also being informed by a system health check review. Further review of progress with outstanding recommendations is to be followed up later in 2022/23.

Reported in the August to October 2021 update:

-Accounts Payable System (Reasonable Assurance). The report noted that as part of the response to the pandemic, the Accounts Payable function implemented changes in procedures with the introduction of remote working and additional demand was placed on the team with the need to process COVID-19 related grant payments. Audit testing found overall that processes were found to be working effectively. The service has continued to progress with planned service improvement work with further developments planned including the further development of training documentation for system users.

-Treasury Management (Substantial Assurance). The report concluded that the Council's treasury management processes continue to achieve a high level assurance opinion. This includes the continued effective use of processes introduced at the start of the pandemic to accommodate remote working.

- 4.1.3 Further to a final report issued in 2020/21 on the Council's Asset Investment Strategy, a follow-up was completed in August 2021 which noted most recommendations had been implemented with plans in place to address any remaining recommendations. Further actions in this area are reflected in the Council's action plan relating to the CIPFA Financial Management Code (See Governance-Section 4.2.5).
- 4.1.4 Appendix B includes other reviews in progress by the year-end. This includes reviews within Adult Services. Firstly, an audit of Direct Payments in Adult Services where initial draft findings had been produced and a final report is to be completed by quarter one of 2022/23. In addition, a review of Adult Social Care payments was also in progress with an initial draft report to be also shared in quarter one. An audit of the Council's payroll system and procedures was also in progress by year-end. Whilst it is expected that for reviews in progress, these are expected to include reporting of some control improvements and recommended actions to address these, as at June 2022, there were no reviews where a less than "Reasonable" opinion is currently expected. Details, however, will be confirmed through updates in 2022/23.
- 4.1.5 In respect of other planned reviews, planning commenced on an audit of the Council tax system and it was agreed at the request of service management to schedule this review commence in early 2022/23. Other planned work has been rescheduled to 2022/23 as indicated in Appendix B.
- 4.1.6 In terms of the Council's financial management, there was regular reporting of budget monitoring through 2021/22 with reports submitted through the year to the Executive and Accounts and Audit Committee. These included actions taken to monitor and manage a number of financial pressures including the impact of the pandemic, upward trend in inflation rates and significant rises in energy and fuel prices.
- 4.1.7 The 2020/21 Annual Audit Report, issued by External Audit (Mazars) in February 2022, provided an unqualified opinion on the financial statements for the year ended 31 March 2021. As part of this, it was reported that a small number of areas were identified to improve internal control and management have agreed to address these areas. This included in relation to processes for ensuring that there is always an adequate description of journal entries posted to the general ledger.

4.2 **Governance**

- 4.2.1 The Audit and Assurance Service has a key role in providing assurance on the standards of governance and internal control in the Authority.
- 4.2.2 The requirement to produce an Annual Governance Statement (AGS) is set out in the Accounts and Audit Regulations. Legal and Democratic Services co-ordinate the production of the Annual Governance Statement in liaison with Officers and Members as set out in the approach / timetable agreed by the Accounts and Audit Committee each year. In order to complete this, corporate governance arrangements are reviewed with reference to the CIPFA/SOLACE Framework for Corporate Governance in Local Government. This includes identifying sources of assurance to provide evidence that the Council's governance arrangements comply with the CIPFA/SOLACE

framework. The framework consists of a set of principles covering issues such as ethics/values; stakeholder engagement; sustainable economic, social and environmental benefits; policies and procedures; capacity and training; management of risks and transparency/reporting arrangements.

- 4.2.3 Audit and Assurance continued to work with Legal and Democratic Services to provide advice on the process for producing the 2020/21 AGS. Audit also provided comment on early versions of the Draft AGS prepared by Legal and Democratic Services. These were taken into account in producing the Draft AGS, which was presented to the Accounts and Audit Committee at its July 2021 meeting. Audit and Assurance has continued to liaise with Legal and Democratic Services to provide advice in planning for the preparation of the 2021/22 AGS. As part of this, Audit has highlighted some areas for development to consider regards the AGS process. This includes reviewing the Council's Corporate Governance Code, which was produced following CIPFA/SOLACE guidance, to ensure it is up to date.
- 4.2.4 The final approved 2020/21 AGS, presented to the Accounts and Audit Committee for approval in September 2021, included a number of significant governance issues highlighted for continued progression in 2021/22 including actions in continuing to manage the impact of the COVID-19 pandemic; managing the Council's medium term financial position; review of the One Trafford Partnership with Amey; continued improvement actions in response to the Ofsted review of Children's Social Care; developments in governance supporting the delivery of leisure services; developments identified to improve information governance and ongoing improvement in the Council's business continuity arrangements. Updates on all significant issues will be included in the 2021/22 AGS to be agreed by the Corporate Leadership team and reported as a draft document for review by the Accounts and Audit Committee in July 2022.
- 4.2.5 Councils are expected to demonstrate that they are complying with the Financial Management Code, produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and reflect details on this in the AGS. This sets out the standards of financial management expected for local authorities. The aim of the Code is to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The first full year of compliance with the Financial Management Code is 2021/22. However, in recognition of the pressures that have been placed on local authorities in dealing with the COVID19 pandemic and impact on the medium-term financial position, CIPFA concluded that the first year of compliance can be within a more flexible framework where a proportionate approach is encouraged. An assessment has been completed by Financial Management and details of compliance will be reported to the Accounts and Audit Committee in July 2022. It is noted that whilst there is general conformance with the Code, a number of further actions to enhance compliance with the various standards are set out. These will also be taken into account in respect of future audit planning.
- 4.2.6 A number of key developments in governance across the Council in 2021/22 are to be reported in the 2021/22 AGS. This included the refresh of the Council's Corporate Plan "Our Trafford, Our Future" which was approved by the Council in November 2021 setting out the key priorities of reducing health inequalities, supporting people out of poverty, and addressing our climate crisis. In terms of standards, the Council conducted a review of the Members' Code of Conduct, utilising the

Model Code provided by the Local Government Association. The Model Code was subsequently adopted by the Council in March 2022.

4.3 **Risk Management**

- 4.3.1 The Audit and Assurance Service continued to facilitate the review and update of the Council's strategic risk register through liaison with CLT. This ensures that the Council formally identifies and monitors key risks to the achievement of Council objectives.
- 4.3.2 Reports setting out the strategic risk register and key developments in the management of risks have been submitted to and reviewed by CLT through the year. The Accounts and Audit Committee were provided with updates in July and November 2021 and March 2022. The strategic risk reports highlighted responsibilities and ongoing actions to manage the various risks as referred to below.
- 4.3.3 By the end of the year, the highest risk in the register related to uncertainty over the Council's medium term financial position. Other high risks included managing the impact of disruption caused by COVID-19; the climate change emergency; risks in relation to information governance; dealing with increase demand for school places; the performance of the One Trafford Partnership; risks in relation to delivering Leisure Services across the Borough and risks in relation to the economic impact of Brexit and COVID-19. Other risks include in relation to ensuring effective business continuity arrangements in place and also ensuring health and safety risks are continued to be managed effectively.
- 4.3.4 Risks in relation to safeguarding vulnerable children are also within the strategic risk register. The Council is continuing to progress an action plan in relation to Children's Social Care following the Ofsted review, originally reported in May 2019. It is noted that the Council is continuing its efforts to improve the service and ensure all of the issues identified by Ofsted are addressed. It is noted that this issue was also highlighted as a significant weakness in the External Auditor's Annual Report 2020/21 issued in February 2022, where it is acknowledged as reported by Ofsted during their visits in 2021/22 that improvements are being made but further action is required.
- 4.3.5 In terms of planned internal audit reviews, a review of business continuity was completed in November 2021. This review set out a position statement of progress made to date against previous audit recommendations. This reflected the fact that a project is in progress by the Council to improve arrangements in respect of business continuity, both corporately and at service levels, aiming to address issues previously reported by Audit and Assurance. Work includes refresh of existing business impact analyses and business continuity plans which will also help to inform IT Disaster Recovery plans. Given that development work was in progress at the time of the audit, it was agreed that a further follow-up audit will be undertaken later in 2022 which will further assess progress and an updated audit opinion will be provided (The previous audit opinion provided a Limited Level of Assurance and this will be reviewed to take into account any developments made or underway).

- 4.3.6 An audit of insurance arrangements was completed in 2020/21 and a follow up of progress made of a small number of recommendations originally made showed these had been implemented or were being progressed as far as possible.
- 4.3.7 In respect of a planned audit review of health and safety, it was agreed at the request of management that this review was rescheduled given continuing commitments that were arising through the year, given the pandemic. Updates on actions in respect of managing health and safety risks were continued to be provided through strategic risk updates. There were regular communications to staff from the Council through the year providing guidance and support setting out Council procedures regards health and safety in response to the pandemic and more recently in respect of staff returning to the office, taking into account government and public health 'Living with Covid Guidance'.
- 4.3.8 Risks in relation to the Council investment strategy also remain in the strategic risk register. (See 4.1.3 regards the follow-up audit of this area). As part of the Accounts and Audit Committee's role in monitoring strategic risks, a presentation was provided by the Director of Finance and Systems on the Asset Investment Strategy and measures in place to manage associated risks.
- 4.3.9 In respect of cyber security risks, Section 4.6.5 refers to internal audit work and other reporting.
- 4.3.10 During 2022/23, other areas of risk will be considered for further internal audit work covering both strategic and service level risks.

4.4 **Anti-Fraud and Corruption**

- 4.4.1 Audit work in this area relates to reviewing measures in place to reduce the risk of fraud and corruption and, where appropriate, undertaking investigative work. This work forms an important part of the Council's approach to ensuring high standards of conduct are in place.

National Fraud Initiative

- 4.4.2 The Audit & Assurance Service continues to co-ordinate the Council's participation in the statutory National Fraud Initiative (NFI) exercise. The NFI is a nationwide data matching exercise, designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse. The exercise is a mandatory requirement for Local Authorities, which is co-ordinated by the Cabinet Office. The main exercise is carried out once every two years.
- 4.4.3 The Audit and Assurance Service has co-ordinated the submission of data, in liaison with other services across the Council. As part of the most recent major exercise, a number of datasets were submitted through 2020/21 and 2021/22. Following the release of data matches from these submissions, the Service has liaised with other services including the Council's Fraud and Enforcement team to facilitate the follow up of these data matches.

- 4.4.4 An update on the outcome from the exercise was included as part of the Audit and Assurance update presented to the Accounts and Audit Committee in February 2022. Since then, as at 21st June 2022, of the matches reviewed, errors in payments have been identified by Exchequer Services in relation to 7 cases, amounting to overpayments of £45k. These have been in relation to the payment of 4 COVID-19 Small Business Grants (amounting to £40k) and payments in relation to Council Tax support for the remaining 3 cases identified. These amounts are subject to recovery and where applicable information will also be reflected in the Counter Fraud and Enforcement Team Annual Report.
- 4.5.5 In terms of further work going forward, a new exercise will commence in 2022/23 with the submission of further data to the Cabinet Office around October 2022 for subsequent data matching.

Other Activity

- 4.4.6 Audit and Assurance provided support to relevant services in respect of an investigation in relation to irregularities around petty cash and other administration. As part of the work, Audit provided guidance and also a draft report to the relevant service with recommendations for subsequent improvements in control. An action plan is expected to be agreed shortly.
- 4.4.7 Audit continued to liaise with Legal Services to review aspects of existing anti-fraud related policies and procedures and provide advice in respect of updates to existing procedures. During 2021/22, the Council's Whistleblowing Policy was updated and further work will be undertaken later in 2022/23 to review other aspects of the strategy.
- 4.4.8 In terms of investigations, the Council's Counter Fraud and Enforcement team within Exchequer Services have continued to undertake investigation in to suspected fraud and irregularities. During 2021/22, these were primarily in relation to council tax, business rates, social care finance and COVID-19 Business Support Grants. A report on work for the year is due to be provided by the Council's Counter Fraud and Enforcement Manager to the Accounts and Audit Committee in September 2022.

4.5 Procurement / Contracts

- 4.5.1 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.
- 4.5.2 As part of internal audit planning, the Service continues to liaise with the STAR Shared Procurement Service and Internal Audit sections of the partner authorities (Stockport, Rochdale and Tameside Councils). Audit plans are co-ordinated and relevant findings from work shared to ensure an efficient audit process. There was regular liaison during the year with STAR for updates on developments, progress regards previous audit recommendations and considering future plans.

- 4.5.3 Regular reports were provided by STAR during the year to the STAR Joint Committee covering performance updates. This also included an updated risk register in March 2022. A presentation on STAR was also provided to the Accounts and Audit Committee in February 2022 which included key performance measures and plans to further develop processes to achieve Social Value.
- 4.5.4 An audit of processes introduced by STAR in respect of achieving Social Value in Procurement was completed during 2020/21 by Audit and Assurance on behalf of all the four Local Authorities. A follow-up audit review was later completed in November 2021. The introduction of the use of the Social Value Portal has resulted in significant development of processes to establish targets and monitor performance for individual contracts in respect of levels of social value achieved. Previous audit recommendations were followed up and it was confirmed that good progress had been made with all recommendations either fully implemented or being in the process of being implemented, which will further enhance processes.
- 4.5.5 An audit of the In-Tend system was included in the Internal Audit Plan, the system having been acquired by STAR 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. Stockport Council are to lead on this review and advised that the audit has been rescheduled with the aim to complete and report findings by the end of 2022.
- 4.5.6 In March 2022, the Cabinet Office issued a Procurement Policy Note regards reviewing contracts arrangements with suppliers from Russia and Belarus with a view to terminate these, subject to an alternative supplier being sources in line with value for money, affordability and minimal disruption to public services. Audit worked with STAR to identify key Council suppliers and carry out checks regards their ownership. Based on work to date, no issues were identified where any changes to existing suppliers needed to be considered.
- 4.5.7 It was noted that STAR also undertook a review of the Council's Contract Procedure Rules (CPRs). The updated Rules were presented to the Standards Committee, Scrutiny Committee and Executive prior to the Council agreeing in March 2022 that these were adopted. Training on the CPRs is to be arranged by STAR in 2022/23. It was agreed that a future audit review will include coverage of processes supporting the CPRs including exemptions to the CPRs and modification to contracts.
- 4.5.8 A follow- up audit was completed in September 2021 regards the use of Purchase cards. These are used across a number of services, generally to enable one off or low value purchases, online purchasing or from suppliers where payment is required upfront. The cards are administered by the Accounts Payable Team within Financial Management. Although the impact of COVID-19 had delayed some planned developments such as in relation to training, good progress has been made in implementing recommendations with all recommendations either implemented or in progress at the time of the audit.

- 4.5.9 Other internal audit reviews at Trafford covering procurement related activity include an audit of the Accounts Payable system (as referred to in 4.1.2).
- 4.5.10 In terms of a key strategic risk, there was regular reporting in the strategic risk register regards the One Trafford Partnership between the Council and Amey. It is noted that to achieve significant improvements in the delivery of the contract, the Council has activated the contractual 7 year review clause. This gave the opportunity to consider any changes to the contract for improvements and efficiencies with a process which has included Member oversight and stakeholder input. It was noted that this process is still ongoing, having been extended given the disruption caused by the pandemic. In respect of the One Trafford Partnership, as part of the 2022/23 Internal Audit Plan it was agreed that an audit will include a review of Waste Services.
- 4.5.11 Consideration of procurement / contracts aspects is also included in other categories of audit work including financial systems (per 4.1), schools (per 4.7), Other Business Risks (4.8) and Service Advice (4.10). Further planned work in relation to procurement/contracts is reflected in the 2022/23 Internal Audit Plan.

4.6 ICT Audit / Information Governance

- 4.6.1 Changes in ways of working in the last two years, including large numbers of staff regularly working from home, highlights the importance of effective information security and governance arrangements, which are required to support such developments.
- 4.6.2 Audit work was undertaken to cover a range of issues in relation to IT procedures, processes and controls, and information governance arrangements. IT Cyber Security, Business Continuity / Disaster Recovery and Information Governance continue to be identified as significant risks to the authority as reported through the Strategic Risk Register updates. The Audit and Assurance Service commissions Salford Internal Audit Services to undertake some of this work who provide specialist IT Audit Services for a number of authorities. Work was also undertaken in respect of wider information governance issues. Internal audit work undertaken is set out below:
- 4.6.3 A review was undertaken by Salford Internal Audit Services of processes for managing the Council's IT Assets from acquisition to disposal. It was noted whilst there were no major concerns identified, there was scope to make a number of control improvements including the development of a formal IT Asset Management strategy, with supporting operating procedures and responsibilities. It was noted that there were plans as part of Phase 2 development of the Council's service management tool, Freshservice, to address a number of the recommendations in the report.
- 4.6.4 Trafford Council's ICT and Digital team provides IT services and associated support across the Council (and also to Trafford CCG during 2021/22). The main point of contact for the end users is the council's ICT service desk which records incidents and provides 'first line' support. As referred to above, a new service management system, Freshservice, is being

implemented. The new system, alongside updated procedures will support the operation of the service desk. Salford Internal Audit Services undertook a consultancy review and issued a report setting out issues to consider in developing use of the system. It is expected that an audit review will be undertaken at a later date, once the new processes have been embedded.

- 4.6.5 Cyber Security is recognised as one of the Council's strategic risks. An audit review was originally undertaken in 2020/21 to provide management with an evaluation of the council's cyber security arrangements. Reference was made to reviewing processes against the cyber security framework devised by the National Institute of Standards and Technology (NIST which includes a set of standards, guidelines and practices for protecting IT assets including data). The review concluded that most key risks are being managed but further work was required to ensure that the Council is able to achieve a reasonable level of maturity against the NIST cybersecurity framework, particularly in relation to business continuity and disaster recovery. A follow-up review was undertaken during 2021/22. It is noted that progress continues to be made in implementing recommendations and a final audit report to confirm progress is expected to be issued later in 2022. In addition, strategic risk report updates have set out developments and plans during the year. This includes work to procure a Cloud-based back up storage solution which will provide additional protection against cyber-attacks and support developments in disaster recovery. The Chief Digital Officer provided a presentation to the Accounts and Audit Committee in March 2022 on latest developments in managing cyber risks.
- 4.6.6 An audit review of the adequacy and effectiveness of ICT security in schools commenced during the latter part of the year. A questionnaire was distributed to Trafford schools and findings collated. Findings from this are being used to inform further audit work and subsequently a series of audit visits has taken place in early 2022/23 to assess arrangements at individual schools and provide guidance. Findings from this will be reported in a future Audit and Assurance update.
- 4.6.7 It is acknowledged there are a number of developments taking place in respect of ICT across the Council, including the roll-out of Microsoft 365. Audit is continuing to liaise with IT and Digital Services as part of ongoing audit planning and identify further potential review work.
- 4.6.8 In respect of information governance, an audit review was completed which followed up on findings from a previous audit in relation to the Council's processes for managing the risks of data breaches. Acknowledging the impact of the pandemic, some progress has been made in relation to each of the previous 18 recommendations. Areas of improvement include the implementation of the IKEN system for data breach incident recording and tracking. It was reported that there remains scope for further improvements in reviewing roles and responsibilities, refreshing policies and aligning data breach reporting and IT incident management. A further audit to review progress will be undertaken later in 2022/23.

- 4.6.9 There were updates on information governance included in the strategic risk register which included reference to data breaches and also performance in relation to handling subject access requests and freedom of information requests. Future audit review work in relation to these areas is being considered.
- 4.6.10 The Council is required to provide a submission for the NHS Data Protection and Security Toolkit each year. This submission is mandatory for organisations to complete to access NHS data and systems. In terms of the 2021/22 submission to be completed by June 2022, where areas for development are identified these will be considered for further review as part of audit planning.
- 4.6.11 During 2021/22, IT and Digital Services continued to promote an awareness raising campaign through the provider, Purplephish, on information security with a number of topics covered during the period through e-learning. Staff were also required to complete mandatory e-learning in relation to data protection, freedom of information and information security.

4.7 Schools

- 4.7.1 As part of the Schools Financial Value Standard (SFVS) designed by the Department for Education, schools are required to compile evidence to support adherence to the Standard on an annual basis. It is noted that in accordance with SFVS, all schools have submitted a self-assessment for 2021/22 as required. Information submitted is available to Audit and Assurance to assist in planning school audits.
- 4.7.2 Areas covered in internal audit reviews reflect the requirements of the SFVS and include governance arrangements such as the role of the Governing Body and senior staff; budgetary control; purchasing; payroll processes; income collection, security of cash and other assets; and information security and governance.
- 4.7.3 Within the Internal Audit Plan it was originally planned that 12 school audits would be undertaken in 2021/22. During 2021/22, audits were largely completed on a remote basis but a more flexible approach was introduced towards the end of the year with some physical audit visits re-introduced. During the year, in respect of school audits, 6 final audit reports were issued; 1 draft report produced; 2 school audits were in progress and plans had been made for the remaining 3 reviews to commence in Quarter 1 of 2022/23. In respect of the 6 final audit reports issued it was found at the respective schools that there were generally sound system of governance, risk management and control in place. All opinion levels issued were at least stated as “Reasonable” with 2 of these being “Substantial” levels. (See Appendix B). Where areas for improvement in controls were identified, agreed actions plans were established. Summary findings from these reviews were also included in relevant Audit and Assurance updates issued through the year. At the time of writing this report, there are no school audits in progress by year-end where it is currently expected that a less than “Reasonable” audit opinion will be given.
- 4.7.4 During the year there was follow up by Audit in relation to 5 other schools to confirm progress in implementing previous recommendations. Good progress in implementing recommendations is

highlighted by the analysis regarding audit follow ups with 92% of recommendations made either implemented or no longer applicable (See 5.9).

4.7.5 Audit and Assurance continued to liaise with Financial Management and Children's Services to assist in following up issues raised at particular schools, ongoing audit planning and, where applicable, to provide advice to schools. (Also see Section 4.6 re IT audit work in relation to schools).

4.8 **Other Business Risks**

4.8.1 This comprises various work that does not fall into one of the categories referred to above but represents areas of business risk. This includes reviews of specific services and functions within individual Directorates. Risks reviewed encompassed a number of areas of control such as procedures and responsibilities, adherence to legislation and internal procedures, budgetary control, Payroll/HR related processes, risk management, security (of cash, assets and data), purchasing, income collection and recording and other areas of risk specific to the service under review.

4.8.2 There were four final audit reports issued in this category during 2021/22. Listed below are the audits completed with the respective Directorate and also opinion level given. Details of overall findings were included in the respective update reports for CLT and the Accounts and Audit Committee.

Final Reports issued:

Reported in the August to October 2021 Audit and Assurance update:

- Housing Waiting List (Place) – Substantial Assurance

Reported in the November to December 2021 Audit and Assurance Update:

- Supporting Families (Children's Services) – Assurance update provided to GMCA

Reported in the January to March 2022 Audit and Assurance update:

- Highways Inspection and Repairs (Place) – Substantial Assurance
- Let Estates (Place) – Limited Assurance

4.8.3 As shown above, two reviews were provided with an opinion of "Substantial" (Housing Waiting List and Highways Inspection and Repairs). Another review (re Supporting Families) does not have a specific assurance level in 2021/22 but assurance was gathered to provide an update as required for the Greater Manchester Combined Authority (GMCA). The report acknowledged improvements were underway with further work planned to developing Early Help services. In 2022/23, Internal Audit will review progress further and provide assurance required in accordance with GMCA requirements.

4.8.4 Finally, another final report issued (Let Estates) was provided with a Limited Level of Assurance. This lower opinion level reflected a number of control improvements required but it should be noted

that the findings were based on the Service as provided prior to it recently being transferred back from being provided by Amey as part of the One Trafford Partnership to an in-house service within the Place Directorate. An agreed action plan is currently in progress to improve controls and it has been agreed that a follow-up audit review will be undertaken by the end of 2022/23 to assess the improvements currently being made (See January to March 2022 Audit and Assurance update report for further details).

- 4.8.5 There were three other audits at various stages by the year-end with final reports to be issued later in 2022:
- Licensing follow-up audit (Place) – final report issued in May 2022 and details will be reported in the April to June 2022 Audit and Assurance update.
 - Household Support Fund, administered through Trafford Assist (Finance and Systems) – final report issued in June 2022 and details will be reported in the April to June 2022 update report.
 - Home to School Transport (Children’s Services) – review in progress and draft report expected to be completed by June 2022.
- 4.8.6 For a number of audits completed in the previous year, respective managers were requested to provide assurance as to progress made in implementing previous recommendations. Respective details are included in the following Audit and Assurance updates:
- Planning and Development (Place) – details reported in August to October 2021 update.
 - Altrincham Library (Governance and Community Strategy) – details reported in January to March 2022 update.
- 4.8.7 There are a number of reviews included in the 2021/22 Internal Audit Plan that have not commenced during the year. A number of services had commitments and priorities, particularly as a result of the continuing impact of COVID-19 during the year. Through liaison with respective Directorates, a number of reviews have been included in the 2022/23 Internal Audit Plan as reported in March 2022. In agreement with each Directorate there were also some changes to the Audit Plan during the year. These details are reflected in Appendix B under “Assurance – Other Business Risks.”

4.9 Grant Claims /Data Quality

- 4.9.1 Audit is required to carry out checks to support information contained in some grant claims made during the year in line with national requirements in relation to funding received.
- 4.9.2 In 2021/22, based on the checks undertaken, adequate assurance was obtained to support the claim made in relation to the Disabled Facilities Grant 2020/21 (completed October 2021).
- 4.9.3 During the year, Audit was also advised of two further grants that require to be subject to internal audit checks as part of the grant certification with these to be completed by June 2022. These relate to the Public Sector Decarbonisation Scheme Phase 1 (2020/21) and the COVID-19 Contain Outbreak Management Fund 2020/21 and 2021/22. In both cases, grant

certification was satisfactorily completed in June 2022 and details will be reflected in the April to June 2022 Audit and Assurance update report.

- 4.9.4 A significant amount of time continued to be spent during the year in supporting the Council's response to the COVID-19 pandemic. Audit and Assurance continued to provide assistance to the Strategic Growth team in completing checks to support the processing of applications for the payment of grants to local businesses in respect of the COVID-19 Additional Restrictions (Discretionary) Grant Scheme. This work was undertaken all through 2021/22 and was completed in March 2022.

4.10 Service advice / Projects

- 4.10.1 Advice was provided through the year across the Council on governance and control issues across various Council Services. There has been Audit input through attendance at a number of working groups including Systems Board meetings within Adults and Children's Services. Audit provided some input to the review and update of a number of Policies in relation to Information Governance. There was also liaison with the Commissioning team to provide some advice regards due diligence processes in undertaking service provider checks. Advice and support is also reflected elsewhere in earlier sections of this report e.g. re schools audit, risk management, governance etc.

- 4.10.2 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. The current content on the intranet is currently under review as part of the Council's implementation of Microsoft 365 and Audit is working with IT and Digital Services to ensure relevant information is included within the new system.

- 4.10.3 Audit continued to provide support to the Accounts and Audit Committee and issued a number of reports through the year as detailed in the 2021/22 Accounts and Audit Committee Annual Report.

5. MANAGEMENT RESPONSE TO INTERNAL AUDIT WORK

- 5.1 This section sets out the response to, and impact of, internal audit work during the year. Key indicators of Audit and Assurance's impact are :
- Acceptance of recommendations
 - Implementation of them.

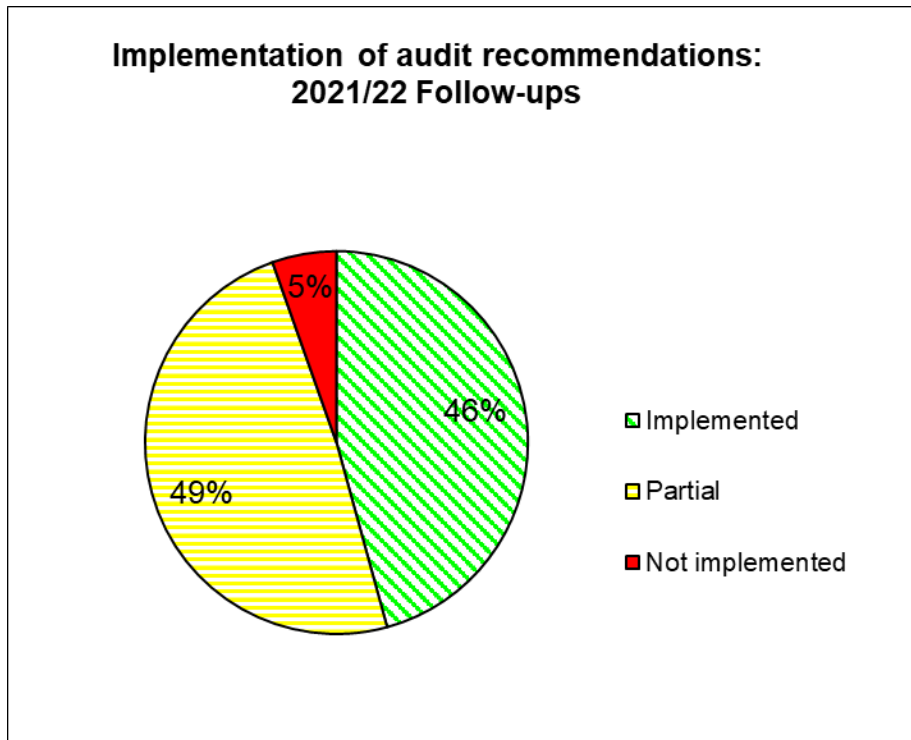
Acceptance of Recommendations

- 5.2 Most audit recommendations made during the year were accepted by management. Of the 53 new recommendations made during the year, 52 were accepted i.e. 98% (the same percentage as in 2020/21).
- 5.3 It should be noted that there were a number of other recommendations made during the year reflected in work in progress by the end of March 2022 and details regarding acceptance of these will be reflected in Audit and Assurance updates once respective reports are finalised in 2022/23.

5.4 Whilst overall less new recommendations were made compared to 2020/21 (when 103 recommendations were made), it should be noted that a number of audit reports issued in 2021/22 related to follow up work covering progress in implementing recommendation from the previous year (see below).

Implementation of audit recommendations

- 5.5 A number of internal audit reviews are followed up approximately 12 months after the issue of the final report to ascertain what progress has been made in implementing recommendations. This may be either through a further audit review or through manager self- assessment.
- 5.6 The results of individual follow up reviews are set out in the respective Audit and Assurance update reports which have been issued through the year. In terms of the latest reported outcomes this is reflected in the Audit and Assurance update for January to March 2022.
- 5.7 For all follow up work undertaken, an analysis of the percentage of recommendations implemented at the time of the respective follow up reviews is shown in the following chart.



5.8 From the reviews undertaken, of a total of 129 recommendations followed-up during 2021/22, it was reported that 59 (46%) had been implemented at the time of the follow up audit reviews (compared to

74% of recommendations followed up in 2020/21). A further 63 (49%) have been partially implemented / in progress (24% reported in the previous year). 7 recommendations (5%) had not been implemented (compared to 2% in the previous year).

5.9 It should be noted that of the above 129 recommendations analysed above, these relate to the following in terms of recommendations excluding schools and recommendations specific to school audits.

Recommendations Followed Up Excluding Schools		Recommendations followed up- School Audits	
Total Number	92	Total Number	37
Recommendations implemented or no longer applicable	27%	Recommendations implemented or no longer applicable	92%
Recommendations Implemented in part/in progress	66%	Recommendations Implemented in part/in progress	5%
Recommendations not implemented	7%	Recommendations not implemented	3%

5.10 There are a number of other follow-up audit reviews which were in progress by year-end. Details will be reported as part of further updates in 2022/23. It is noted that in 2021/22, compared to the previous year, a lower proportion of recommendations had been fully implemented but most that were not fully implemented were being progressed. It is acknowledged that the impact of COVID-19 has contributed significantly to this. Progress in implementing recommendations is taken into account to inform future audit planning and where appropriate further follow-up work has been planned for 2022/23 in areas where the implementation of a significant number of recommendations are in progress.

Client feedback

5.11 A client questionnaire is sent out with each audit report canvassing managers' views on the audit review. The questionnaire covers the audit approach; audit report issued and usefulness of the audit as an aid to management. For 2021/22, the responses were favourable from the completed questionnaires received. There were 6 survey responses received which all provided ratings of "Very Good" against the various aspects of the audit process (Based on 4 possible levels from "Very Good" to "Inadequate"). The survey also asked regards the level of improvement in internal control expected to be achieved following the audit review (2 responses indicated a significant improvement; 1 with a moderate improvement; 2 limited improvement and 1 indicated no improvement but regards the latter response, no audit recommendations had been made). There were a number of audits in progress by the year end where responses have yet to be requested but where feedback is obtained, this will be reflected in any future reporting for 2022/23.

5.12 The analyses of recommendations, follow-ups and client responses continues to demonstrate an overall positive response to internal audit work which contributes to continued improvements in governance and control arrangements across the Council.

6. PERFORMANCE AGAINST AUDIT PLAN

- 6.1 Actual time spent delivering the Plan was 849 days (93.3% of the chargeable planned target of 910 allocated days). Following the departure of an officer during the year, there was some reduction in available days for part of the year but this has been largely mitigated by contingency time in the plan (See section 1.4 re staffing changes during the year). An analysis of planned operational audit time against actual days spent in 2021/22 is shown in Appendix A. Within each category, there are some variations between planned and actual days. This has occurred for sections of the Audit Plan where some reviews have been rescheduled to 2022/23 and where applicable this was taken into account in planning allocated time within the 2022/23 Internal Audit Plan.
- 6.2 In the 2021/22 Internal Audit Plan, a target was set of 32 audit opinion reports to be issued to either final or draft stage. There were 18 final audit opinion reports actually issued (and 1 other final report issued providing consultancy advice). There were 4 other opinion reports at draft stage so in total 23 audit reports produced, with a further 7 reviews in progress.
- 6.3 A lower number of audit reports were actually issued compared to that planned. As in the previous year, significant time was spent to support the Council in administering COVID-19 grants to businesses resulting in some changes to work completed. This is reflected in Appendix A showing time spent in relation to Grant checks. In addition, during the year there were changes in planned work including the rescheduling of some reviews at the request of services due to commitments arising from the impact of the pandemic. There were some delays in completing work, in particular in relation to schools, with the need to work remotely rather than undertake a physical visit. Despite the above, assurance was obtained across each main area of the Internal Audit Plan. For the first quarter of 2022/23, there has been an increase in completion of audit reports as the restrictions have been removed (and details will be reported in the next Audit and Assurance update).
- 6.4 Available resources were considered through the year to ensure account was taken of priorities, including in relation to statutory duties, specific deadlines and risk areas to follow up from previous years e.g. in relation to the certification of grant claims, input to the Annual Governance Statement, National Fraud initiative work, follow-up audits etc. In addition, a number of reviews were rescheduled in agreement with relevant services to 2022/23.
- 6.5 Appendix B shows details of audit opinion reports issued during the year. It also highlights any work in progress or scheduled for 2022/23.
- 6.6 The 2022/23 Internal Audit Plan reported to CLT and the Accounts and Audit Committee in March 2022 took account of reviews to be carried forward from 2021/22.

7. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 7.1 The Audit and Assurance Service carries out its work in general conformance with the Public Sector Internal Audit Standards and the CIPFA Statement on the Role of the Head of Internal Audit.

- 7.2 It is a requirement that the Annual Head of Internal Audit Report provides a statement on conformance with the Public Sector Internal Audit Standards (PSIAS).
- 7.3. The Standards incorporate a number of aspects including:
- Ethics (incorporating integrity, independence, objectivity, confidentiality and competency).
 - Purpose, authority and responsibility of Internal Audit.
 - Standards (including planning, undertaking and managing audit assignments, monitoring, communication, due professional care, quality assurance and improvement).
- 7.4 In terms of actions previously identified at the end of 2020/21, to support continued conformance with PSIAS the following was completed (The relevant PSIAS reference is shown in brackets):
- A review was previously undertaken during 2020/21 of the Internal Audit opinion levels used to provide an opinion on individual audit reviews. The review took into account CIPFA guidance issued in April 2020 and a new set of opinion levels was set out in the 2021/22 Internal Audit Plan approved by the Accounts and Audit Committee in March 2021. The new opinion levels have been implemented with all audit opinion reports issued from April 2021 applying the new levels (PSIAS 2450 - Overall Opinion).
 - Work was undertaken to support the Council's Anti-Fraud and Corruption Strategy with Audit input provided, in liaison with the Council's Monitoring Officer, to update details within the Council's whistleblowing policy (PSIAS 2110 - Governance).
 - In line with the Council's workforce re-integration as part of COVID-19 recovery and in accordance with corporate guidance on "hybrid" working, the Service has utilised a mix of remote working and physical visits as part of audit reviews and will continue to develop its ways of working (PSIAS 2300 – Performing the Engagement).
- 7.5 Following a self-assessment against PSIAS undertaken at the end of 2021/22, actions planned to be undertaken through 2022/23 to support conformance include the following:
- In liaison with other relevant services, continue to work to review and, where appropriate, update the existing Anti-Fraud and Corruption Strategy and supporting guidance.
 - With the ongoing development of Council IT systems including the implementation of Microsoft 365, work will continue to consider appropriate systems to use for documenting and storing internal audit work. This includes considering the future use of the existing Audit Management System with a view that any possible revisions to current arrangements are implemented through 2023/24. There is also ongoing development of the use of IT systems to support data analytics work as part of undertaking audit reviews.
- 7.6 It is a requirement of PSIAS that an external quality assessment of Internal Audit is undertaken at least every 5 years. The previous external assessment was completed towards the end of 2017/18. A further assessment has been arranged to be undertaken at the end of 2022/23. This will be undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA). It is expected

that the review will be undertaken in March 2023 and findings will be reported to the Accounts and Audit Committee at its first meeting in 2023/24.

- 7.7 In accordance with its Quality Assurance and Improvement Programme, the Service continued to report on its work through the year to both CLT and the Accounts and Audit Committee which included both updates on progress against the 2021/22 Plan; the impact of audit work; client feedback and the Internal Audit Plan for 2022/23.

APPENDIX A

2021/22 Operational Plan: Planned Work and Actual Days Spent

<u>Category</u>	<u>Details</u>	<u>Planned Allocated Days 2021/22</u>	<u>Actual Days 2021/22</u>
Financial Systems	<p>Completion of fundamental financial systems reviews</p> <p>See Section 4.1 for work completed and Appendix B for audit opinion reports issued and planned.</p>	150	144
Governance	<p>Corporate Governance / AGS - to provide support and advice to Legal and Democratic Services. Complete a review of the content of the draft AGS with reference to the CIPFA/SOLACE Governance framework and guidance.</p> <p>Advice / assurance in respect of governance issues.</p> <p>See Section 4.2 for description of work completed and planned.</p>	25	22
Corporate Risk Management	<p>Facilitating the updating of the Council's strategic risk register.</p> <p>Actions to support the Council's Risk Management Strategy including provision of guidance, independent review of existing risk management arrangements and, where applicable, recommend areas for development.</p> <p>Also See 4.3 for work completed and Appendix B for opinion reports produced and planned.</p>	45	44
Anti-Fraud and Corruption	<p>Co-ordinate the Council's activity in respect of the National Fraud Initiative ensuring work completed across services in investigating data matches is progressed in accordance with Cabinet Office requirements.</p> <p>Contributing to investigations of referred cases of suspected theft, fraud or corruption.</p> <p>Other work to support the Anti-Fraud and</p>	60	64

	<p>Corruption Strategy, including where applicable working with other relevant services to review existing policies and guidance supporting the overarching strategy.</p> <p>See Section 4.4 for work completed and planned.</p>		
Procurement / Contracts/ Value for money	<p>Review of procurement / contract management arrangements including systems in place and associated arrangements to secure value for money (Work includes liaison with the STAR Procurement Service and partner authority auditors).</p> <p>See Section 4.5 for work completed and Appendix B for opinion reports issued and planned.</p>	60	24
Information Governance / Information, Communications and Technology	<p>ICT Audit reviews and advice, including reviews conducted by Salford Internal Audit Services.</p> <p>Information Governance audit reviews</p> <p>See Section 4.6 for work completed and Appendix B for audit opinion reports issued and planned.</p>	80	92
Schools	<p>Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.</p> <p>Audit reviews of schools – 12 school audit visits to be undertaken during the year.</p> <p>Follow-up of progress for audits completed in 2020/21.</p> <p>See Section 4.7 for work completed and Appendix B for audit opinion reports issued and planned.</p>	140	139
Assurance – Other Business Risks	<p>Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services and functions. Includes:</p> <ul style="list-style-type: none"> - Audit reviews - Follow up reviews including further audits and gaining assurance from service updates. <p>See Section 4.8 for work completed and Appendix B for audit opinion reports issued and planned.</p>	195	132

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Grant claims checks / Data Quality	Internal audit checks of grant claims / statutory returns and other checks as required (including in relation to COVID-19 business grant payments) See Section 4.9 for work undertaken.	95	142
Service Advice / Projects	General advice and guidance, both corporately and across individual service areas. Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues. See Section 4.10 for work completed.	60	46
TOTAL		910*	849

* Note there was a further contingency of 100 days within the 2021/22 Plan.

Audit Opinion Reports 2021/22

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<u>Audit Opinion Reports: Title / (Corporate Directorate)/ (Executive Portfolio as at 31/3/22)</u>	<u>Status</u>	<u>Opinion Level</u>	<u>Future plans (where final report not yet issued)</u>
Financial Systems			
- Children's Social Care Payments System - Liquid Logic/ContrOCC (Children's Services)	Final report issued 28/4/21	Reasonable*	Completed
- Accounts Payable System (Finance and Systems)	Final report issued 10/9/21	Reasonable*	Completed
- Treasury Management (Finance and Systems)	Final report issued 28/9/21	Substantial	Completed
- Asset Investment Strategy follow-up (Authority-Wide)	Follow-up assessment completed August 2021	N/A	Completed
- Adult Social Care Direct Payments (Adults' Services)	Draft report produced	-	Final report to be issued in 2022/23.
- Adult Social Care Payments System (Adults' Services)	In progress	-	Final report to be issued in 2022/23
- Payroll (Strategy and Resources)	In progress	-	Final report to be issued in 2022/23
- Council Tax (Finance and Systems)	Planning commenced	-	Final report to be issued in 2022/23
- Budgetary Control (Authority-wide/Finance and Systems)	-	-	Included in 2022/23 Internal Audit Plan
- Accounts Receivable / Debt Recovery (Finance and Systems)	-	-	Future planned work to be confirmed in 2022/23
Risk Management			
- Business Continuity follow up review (Authority-Wide)	Final report issued 23/11/21	N/A	Completed
- Health and Safety (Strategy and Resources / Authority-wide)	-	-	(Further follow-up review later in 2022) Rescheduled to later in 2022/23
Procurement /Contracts /Value for money			
- Social Value in Procurement – follow-up (STAR authorities – Trafford lead) (Finance and Systems)	Final report issued 16/11/21	Substantial*	Completed

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<ul style="list-style-type: none"> - Purchase cards follow-up audit (Finance and Systems) - In-Tend Contract Management System - Stockport Lead) (Finance and Systems) 	<p>Final report issued 10/9/21 -</p>	<p>Reasonable* -</p>	<p>Completed Commencing Q1 2022/23</p>
ICT Audit / Information Governance			
<ul style="list-style-type: none"> - ICT Service Management (Finance and Systems) 	<p>Final (Consultancy) report issued 27/1/22</p>	<p>N/A</p>	<p>Completed</p>
<ul style="list-style-type: none"> - ICT Asset Management (Finance and Systems) - Cyber Security (Finance and Systems / Authority-wide) - ICT Security in Schools (Finance and Systems / Children's Services) 	<p>Final report issued 7/3/22 Draft report shared with mgt. In progress</p>	<p>Reasonable - -</p>	<p>Completed Final report to be issued in 2022/23 Final report to be issued in 2022/23</p>
<ul style="list-style-type: none"> - Data breaches (Governance and Community Strategy/Authority-Wide) 	<p>Final report issued 1/2/22</p>	<p>Reasonable*</p>	<p>Completed</p>
Schools			
<ul style="list-style-type: none"> 12 School Audits (Children's Services) 			
<ul style="list-style-type: none"> - Dawhulme Primary School 	<p>Final report issued 21/6/21</p>	<p>Substantial</p>	<p>Completed</p>
<ul style="list-style-type: none"> - Gorse Hill Primary School 	<p>Final report issued 13/7/21</p>	<p>Reasonable</p>	<p>Completed</p>
<ul style="list-style-type: none"> - Holy Family Catholic Primary School 	<p>Final report issued 22/10/21</p>	<p>Substantial</p>	<p>Completed</p>
<ul style="list-style-type: none"> - Kingsway Primary School 	<p>Final report issued 19/11/21</p>	<p>Reasonable</p>	<p>Completed</p>
<ul style="list-style-type: none"> - Moorlands Primary School 	<p>Final report issued 10/2/22</p>	<p>Reasonable</p>	<p>Completed</p>
<ul style="list-style-type: none"> - St. Alphonsus RC Primary School 	<p>Final report issued 15/2/22</p>	<p>Reasonable</p>	<p>Completed</p>
<ul style="list-style-type: none"> - Stretford Grammar 	<p>Draft report produced</p>	<p>-</p>	<p>Final report issued May 2022.</p>
<ul style="list-style-type: none"> - St. Mary's C of E Primary, Sale 	<p>In progress</p>	<p>-</p>	<p>Final report issued May 2022</p>
<ul style="list-style-type: none"> - St. Anne's C of E Primary 	<p>In progress</p>	<p>-</p>	<p>Final report issued June 2022</p>
<ul style="list-style-type: none"> - Victoria Park Junior School 	<p>Planning commenced</p>	<p>-</p>	<p>Final report issued June 2022</p>
<ul style="list-style-type: none"> - St. Michael's C of E Primary School 	<p>Planning commenced</p>	<p>-</p>	<p>Final report to be issued 2022/23</p>
<ul style="list-style-type: none"> - Brentwood School 	<p>Planning commenced</p>	<p>-</p>	<p>Final report to be issued 2022/23</p>
Assurance – Other Business Risks			
<ul style="list-style-type: none"> - Housing Waiting List (Place) 	<p>Final report issued 27/9/21</p>	<p>Substantial</p>	<p>Completed</p>
<ul style="list-style-type: none"> - Highways Inspection and Repairs (Place) 	<p>Final report issued 11/1/22</p>	<p>Substantial</p>	<p>Completed</p>
<ul style="list-style-type: none"> - Let Estates (Place) 	<p>Final report issued 23/3/22</p>	<p>Limited</p>	<p>Completed – further follow-up in 2022/23</p>
<ul style="list-style-type: none"> - Licensing (Place) 	<p>Draft report shared with mgt.</p>	<p>-</p>	<p>Final report issued May 2022</p>

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 20 July 2022
Report for: Information
Report of: Cllr Barry Brotherton and Cllr Judith Lloyd - Chair and Vice
- Chair Accounts & Audit Committee (2021/22)

Report Title

Accounts and Audit Committee Annual Report to Council 2021/22.

Summary

The report sets out the 2021/22 Annual Report of the Accounts and Audit Committee to be submitted to Council.

Recommendation

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

Contact person for access to background papers and further information:

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

Background Papers:

None

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TRAFFORD
COUNCIL

Accounts and Audit Committee
Annual Report
To Council

2021-2022

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FOREWORD BY THE CHAIR AND VICE-CHAIR OF THE ACCOUNTS AND AUDIT COMMITTEE

The Accounts and Audit Committee has met regularly through the year and it was good to resume meetings again at Trafford Town Hall following the previous year when all of the Committee's meetings were held via Zoom. The Committee has continued to fulfil its role to provide independent assurance to the Council and the public on the effectiveness of the Council's governance, financial management, risk management and internal control arrangements.

The Committee planned its work in an agreed work programme, with scheduling taking into account statutory timescales. The Committee has continued to cover a broad range of work through the year, gaining assurance from a number of sources, both within the Council and from our External Auditors. The Committee has been updated regularly through the year on of how the Council is addressing key risks including current financial challenges it faces such as those related to the impact of the pandemic; economic conditions including the fallout from the conflict in the Ukraine and significant inflationary pressures.

This report sets out the work of the Committee during 2021/22.



**Councillor Barry Brotherton
Chair, Accounts and Audit Committee 2021/22**



**Councillor Judith Lloyd
Vice-Chair, Accounts and Audit Committee 2021/22**

INTRODUCTION

Role of the Committee

The purpose of the Accounts and Audit Committee is to:

- provide independent assurance on the adequacy of the risk management framework and the associated control environment,
- undertake independent scrutiny of the Authority’s financial and non-financial performance to the extent that it affects the Authority’s exposure to risk and weakens the control environment, and
- oversee the financial reporting process.

Assurance is gathered by the Committee from a number of sources including from the work of Finance Services (including Financial Management and Internal Audit), External Audit (provided by Mazars) and the Governance and Community Strategy Directorate. Relevant officers within these areas attended various meetings throughout the year. This was supplemented by assurance and guidance from other sources where this was considered appropriate, for example from Council managers and external advisors. At each meeting, Committee Members received reports and presentations and were able to assess information, raise queries and seek further information where requested.

Purpose of the Report

The purpose of this report to Council is to:

- summarise the work undertaken by the Accounts and Audit Committee during 2021/22 and the impact it has had.
- provide assurance to the Council on the fulfilment of the Committee’s responsibilities.

Membership of the Committee

The Accounts and Audit Committee’s Terms of Reference state that the membership of the Committee shall comprise 9 Members, be politically balanced and shall not include any Members of the Executive. A non-voting member, with appropriate skills and experience, may be co-opted on to the Committee with the approval of the Council.

Accounts and Audit Committee Membership	
2021/22 (as at March 2022)	2022/23
Cllr Barry Brotherton (Chair)	Cllr Barry Brotherton (Chair)
Cllr Judith Lloyd (Vice Chair)	Cllr Judith Lloyd (Vice Chair)
Cllr Ged Carter	Cllr Ged Carter
Cllr Mike Cordingley	Cllr Shaun Ennis
Cllr Waseem Hassan	Cllr Waseem Hassan
Cllr Rose Thompson	Cllr Rose Thompson
Cllr Chris Boyes	Cllr Graham Whitham
Cllr Alan Mitchell	Cllr Dave Morgan
Cllr Daniel Jerrome*	Cllr Michael Whetton
Ms. Jeannie Platt**	Ms. Jeannie Platt**

*In terms of changes in membership of the Committee through the year, Cllr Daniel Jerrome replaced Cllr Geraldine Coggins from September 2021.

**Non-voting co-opted Member.

ACCOUNTS AND AUDIT COMMITTEE – SUMMARY OF WORK COMPLETED

Areas covered by the Committee during the year, in line with its remit, included:

- Internal Audit
- External Audit;
- Risk Management;
- Corporate Governance, Internal Control and the Annual Governance Statement;
- Anti-Fraud and Corruption, and
- Financial management and the production of the Statement of Accounts.

The Committee derives its independent assurance from a number of sources including the work of External Audit, Financial Management, Internal Audit and managers across the Council. During the year, these sources of assurance were reported to the Committee on a regular basis encompassing all the themes identified in the Committee's Terms of Reference. The Committee received information at each meeting and provided challenge and feedback to officers and external auditors, therefore fulfilling its responsibilities during 2021/22.

The Committee agrees its work programme at the start of each year to ensure it meets its responsibilities. In 2021/22, the work programme included regular updates on the work of External Audit and Internal Audit including audit plans and findings from work completed; approval of the final accounts; budget monitoring reports received through the year; updates on the Council's strategic risk register; treasury management updates on activity and approval of the treasury management strategy. There were also other updates on a number of areas including the Council's asset investment strategy; anti-fraud and corruption measures, insurance activity, cyber security arrangements and an update on procurement activity from the STAR Shared Procurement Service.

The Committee has met regularly through the year in accordance with its work programme, with meetings held during 2021/22 on 22 July, 28 September, 25 November, 2 February and 22 March.

During the year, the Committee fulfilled its role in respect of the approval of the Council's accounts for 2020/21. The Committee gained assurance from the Council's External Auditors (Mazars), that the financial statements give a true and fair view of the Council's financial position as at 31 March 2021. In respect of the assessment of value of value arrangements, the External Auditor's report acknowledged actions being taken to address the challenges to the Council's financial position. It was acknowledged that significant challenges remain arising from demand-led pressures, cost increases and the ongoing impact of the pandemic. An area of significant risk was highlighted in respect of issues originally raised from the Ofsted report issued in May 2019 on Children's Social Care. It was noted that the Council is continuing its efforts to improve the service and ensure all of the issues identified by Ofsted are addressed.

Assurance in terms of the outcome of the 2021/22 External Audit of the Council's financial statements and reporting on the Council's value for money arrangements will be reported later in 2022 to the Committee as part of the External Auditor's 2021/22 Audit Completion report.

2021/22 Accounts and Audit Committee – Annual Report to Council

The work programme for the year also included training and awareness for Committee Members which included training sessions outside of the Committee meetings covering the Council's Accounts and also Treasury Management. In March 2022, the Chair of the Accounts and Audit Committee attended a meeting of the North West Regional Audit Forum, attended by Audit Committee Chairs across the region and representatives from the Local Government Association. This has recently been set up as a means of sharing good practice and considering further training opportunities.

Details of the work undertaken by the Committee at each of its meetings through the year are set out in the rest of this report.

Accounts and Audit Committee – Work Completed During 2021/22

Internal Audit

Role of the Committee in relation to Internal Audit:

- Review and approve (but not direct) the Internal Audit Charter, Internal Audit Strategy and Internal Audit resourcing.
- Review and approve (but not direct) the annual Internal Audit work programme. Consider the proposed and actual audit coverage and whether this provides adequate assurance on the organisation’s main business risks. Review the performance of Internal Audit.
- Receive summary Internal Audit reports and seek assurance on the adequacy of management response to Internal Audit advice, recommendations and actions plans.
- Review arrangements for co-operation between Internal Audit, External Audit and other review bodies, and ensure that there are effective relationships which actively promote the value of the audit process.
- Receive the Annual Head of Internal Audit Report and Opinion.

Work Completed	Outcome/ Impact
<p>July 2021 The Annual Head of Internal Audit Report was presented which provided an opinion on the adequacy and effectiveness of the Council’s control environment during 2020/21 based on Internal Audit work undertaken during the period.</p> <p>September 2021, November 2021 and February 2022 The progress of Internal Audit work undertaken by the Audit and Assurance Service during 2021/22 was reported to the Committee through the year. This included summary findings from individual audit reviews, responses to audit reports, progress in implementing the annual audit plan and performance of the Audit and Assurance Service.</p>	<p>The Annual Report and updates during the year ensured the Committee maintained an overview of the control environment (encompassing governance, internal control and risk management) reviewed by Internal Audit. The Committee was able to raise queries to request further information where applicable and obtain assurance in respect of Internal Audit performance.</p> <p>Updates included details of areas reviewed where controls were found to be operating to a satisfactory standard and others within the Council where improvements were identified and audit recommendations made accordingly. It was noted that given the impact of the pandemic on services that there was some rescheduling of internal audit work which was agreed with respective Corporate Directorates when agreeing future internal audit plans.</p> <p>The Committee was also advised of ongoing support provided by Internal Audit to support other services in assisting with administering checks prior to the payment of COVID-19 grants to businesses.</p>

Internal Audit (Continued)	
Work Completed	Outcome/ Impact
<p>March 2022 The 2022/23 Internal Audit Plan was presented to the Committee. The report set out planned work for the year which also acknowledged that this remained flexible and subject to review as needed during the year. The report also included the Internal Audit Charter and Strategy.</p>	<p>Members approved the 2022/23 Internal Audit Plan.</p>

External Audit

The role of the Committee in relation to External Audit is:

- To review and consider proposed and actual External Audit coverage and its adequacy, and consider the reports of External Audit and other inspection agencies.
- To receive updates from External Audit on findings and opinions (including the audit of the annual financial statements and the value for money conclusion) and seek assurance as to the adequacy of management’s response to External Audit advice, recommendations and action plans.
- To review arrangements made for co-operation between External Audit, Internal Audit and other review bodies.

Work Completed	Outcome/ Impact
<p>July 2021 The Committee received a report from Mazars on the progress made in delivering its responsibilities as the Authority’s external auditor.</p> <p>Two other reports were presented by Mazars at the meeting. It was noted that these had already been circulated to Members further to the final Committee meeting in the previous year - 2019/20 Annual Audit Letter and Audit Strategy Memorandum 2020/21.</p>	<p>The Committee was able to monitor progress in respect of external audit work. In respect of the 2020/21 accounts, it was noted that the national reporting timetable had been extended with the Council now due to publish draft financial statements by 31 July 2021.</p> <p>The Audit Strategy Memorandum provided Members with details regards significant areas of audit coverage, the auditor’s approach and key concepts underpinning their work for the 2020/21 audit.</p> <p>(Findings from the 2019/20 Annual Audit Letter were detailed in the 2020/21 Annual Accounts and Audit Committee Report).</p>
<p>September 2021 The Committee received a progress report from Mazars regards work underway and planned. It was noted that the 2020/21 audit was still in progress. In addition, as part of the report, details of a number of national publications were included which might be of interest to the Committee’s Members in undertaking their role.</p>	<p>A revised timetable for reporting the 2020/21 audit was agreed with this to be completed for the November 2021 meeting.</p>
<p>November 2021 At its meeting on 25 November 2021, the Committee received the Audit Completion Report setting out the findings from the External Auditor, Mazars, in respect of the audit of the Council’s accounts for the year ended 31 March 2021.</p>	<p>The key issues arising from the audit were highlighted and it was noted that it was expected that an unqualified opinion would be given on the 2021/21 financial statements.</p>

External Audit (Continued)	
Work Completed	Outcome/ Impact
<p>A report by the Director of Finance and Systems set out background and options available for the process for the Council to appoint the external auditors for a 5 year-period from the financial year 2023/34. The report recommended to opt in to the sector-led option through Public Sector Auditor Appointments (PSAA).</p>	<p>The Accounts and Audit Committee considered the options available and it was agreed that the Committee recommended to Council that the future process for appointing the external auditor for the period 2023/24 to 2027/28 3 was undertaken via the sector-led body, PSAA.</p>
<p>February 2022</p> <p>The External Auditors' Annual Report 2020/21 was presented to the Committee. 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.</p>	<p>The report from Mazars confirmed that an unqualified opinion was given on the financial statements for 2020/21. It was noted that the draft accounts provided to the Auditor were of a good quality and were supported by good quality working papers. A small number of opportunities were identified from the audit to improve internal control and management agreed to address these recommendations in 2022/23.</p> <p>In respect of the assessment of value for money arrangements, the report acknowledged actions being taken to address the challenges to the Council's financial position. It was acknowledged that significant challenges remain arising from demand-led pressures, cost increases and the ongoing impact of the pandemic.</p> <p>An area of significant risk was highlighted in respect of issues originally raised from the Ofsted report issued in May 2019 on Children's Social Care. It was noted that the Council is continuing its efforts to improve the service and ensure all of the issues identified by Ofsted are addressed.</p>
<p>March 2022</p> <p>Mazars provided an update on current external audit work. It was noted that planning for the 2021/22 audit was in progress and it was intended to refer the Audit Strategy Memorandum to the Committee's next meeting.</p>	<p>The Committee was able to continue monitoring progress in respect of external audit work. The Committee's attention was drawn to a number of useful information sources and documents, in particular in relation to ongoing consultation on the Accounting Code of Practice and Cyber Security good practice, both of which featured elsewhere on the agenda.</p>

Risk Management

The role of the Committee in relation to risk management:

- Review the adequacy of arrangements for identifying and managing the organisation’s business risks – including the Council’s risk management policy and strategy and their implementation.
- Review the robustness of the strategic risk register and the adequacy of associated risk management arrangements.
- Receive and consider regular reports on the risk environment and associated management action.

Work Completed	Outcome/ Impact
<p>July 2021</p> <p>The Committee was provided with a report on the Council’s Strategic Risk Register. The report provided an update on the strategic risk environment, including updates on each of the risks on the risk register, including where applicable, changes in risk levels.</p>	<p>The Committee received assurance on the arrangements for reviewing key strategic risks, including risks associated with the impact from COVID-19.</p> <p>The Committee sought further information on a number of areas of risk and it was also agreed that further detail would be provided at a future meeting in respect of the Council’s investment programme (See details re September 2021 meeting).</p>
<p>September 2021</p> <p>The Committee received a presentation on the Council’s Asset Investment Strategy. This included details of the objectives and criteria for making investments, coverage of investments made to date, governance and risk management arrangements, and performance to date.</p>	<p>Members were provided with responses to a number of questions raised and it was agreed further information would be supplied in relation to the valuation of investments and investments that addressed priorities in relation to the environment.</p>
<p>November 2021</p> <p>A report was submitted by Financial Management providing details of the Council’s insurance performance in 2020/21, which included details in respect of insurance costs and claims activity during the period.</p> <p>The Committee received a further update report on the Council’s Strategic Risk Register.</p>	<p>Members asked questions in respect of arrangements for handling insurance claims and obtained assurance that insurance arrangements are monitored and regularly reviewed.</p> <p>The Committee continued to monitor arrangements for the management of strategic risks and noted further detail to be provided at a future meeting on cyber security risks. (See March 2022 meeting).</p>
<p>March 2022</p> <p>A presentation on cyber security risks and actions taken to mitigate these was provided.</p>	<p>In discussion, Members reviewed and raised questions regarding a number of the key current</p>

(Risk Management continued)	
Work Completed	Outcome/ Impact
<p>This covered the cyber security environment, risks and threats and their consequences, key principles of security, risk mitigation measures, sources of advice and assistance, and the work being undertaken in response to audits of cyber security.</p> <p>The Committee received a further update on the Strategic Risk Register.</p>	<p>issues highlighted during the course of the presentation. Members were advised that a further update would be made to the Committee in due course.</p> <p>The Committee had received assurance through the year on the management of key strategic risks.</p>

Corporate Governance, Internal Control and the Annual Governance Statement

The role of the Committee in relation to the above is to:

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

Work Completed	Outcome/ Impact
<p>July 2021 A report setting out the 2020/21 draft Annual Governance Statement (AGS) was presented to give Members the opportunity to review the content of the AGS prior to it being finalised.</p>	<p>The Committee were able to consider the content of the AGS at draft stage and provided feedback on the content of the Statement to be taken into account as part of completing a finalised version.</p>
<p>September 2021 The final version of the AGS was submitted to the Committee. It was noted that the document had been updated since the previous meeting to take into account comments from the Committee and also updated details regards some of the significant governance issues to be managed in 2021/22. Issues highlighted where plans were in place included in relation to the Council's Medium Term financial position and addressing the continuing impact of COVID-19.</p>	<p>The Committee approved the AGS.</p>
<p>March 2022 A report setting out the proposed approach / timetable to ensure compliance with the production of an AGS for 2021/22 was presented, noting a final version was due to be approved by 30 November 2022, in accordance with national deadlines.</p>	<p>Procedures and responsibilities of Members and Officers in the process for producing and approving the 2021/22 AGS were agreed.</p>

Anti - Fraud & Corruption Arrangements

The role of the Committee is to:

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

Work Completed	Outcome/ Impact
<p>November 2021</p> <p>The Committee received a report of the Counter Fraud and Enforcement team outlining the Councils’ fraud prevention and detection performance and activities in 2020/21, as well as the team’s plans for 2021/22.</p> <p>In terms of 2020/21, it was noted that several staff within the team provided support to the processing and payment of the various Business Support Grants introduced at various stages of the pandemic. The team also investigated potential fraudulent applications. Other key areas of work in 2020/21 included investigations in relation to Council tax discounts; Council tax support; Non-Domestic Rates and Social Care payments. The team also have a role to carry out formal recovery action in relation to certain debts owed by to the Authority. The report included case study examples to show how the team contributes to fighting fraud and protecting public funds. The Committee is expected to receive an update on counter-fraud work undertaken in 2021/22 at its meeting in September 2022.</p>	<p>The Committee was able to ask questions on Council processes and was provided with assurance that the Council is continuing to investigate suspected fraud and support both fraud prevention and detection.</p>
<p>February 2022</p> <p>As part of the Audit and Assurance Service update report, this included an update on progress made by the Council in contributing to the National Fraud Initiative (A nationwide data matching exercise, co-ordinated by the Cabinet Office, designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse). An update on outcomes to date from the exercise which commenced in 2020/21 was provided and noted that a final update will be provided as part of the 2021/22 Annual Head of Internal Audit Report.</p>	<p>The Committee gained assurance that the Council was continuing to support the National Fraud Initiative.</p>

Accounts / Financial Management

The role of the Committee is to:

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

Work Completed	Outcome/ Impact
<p>July 2021</p> <p>A report was submitted on the outcome of the review of treasury management activities for the previous financial year (2020/21).</p> <p>The Committee received a report setting out 2020/21 outturn figures relating to both revenue and capital budgets. It also summarised the outturn position for Council Tax and Business Rates within the Collection Fund. It was noted in respect of the revenue outturn position for 2020/21 there was an underspend of £2.804m which would be transferred to the Budget Support Reserve.</p> <p>In advance of the Committee receiving the Council’s 2020/21 accounts for review and approval, a training session was held for Members covering the 2020/21 financial outturn position and the draft accounts.</p>	<p>Accounts and Audit Committee Members were able to undertake prior scrutiny of treasury management reports prior to reporting to the Executive and Council, meeting the requirements of the CIPFA Code of Practice on Treasury Management.</p> <p>Members had the opportunity to ask questions on a number of aspect of the report, including in relation to the financial position going forward where it was noted there would be significant challenges.</p> <p>Members had the opportunity to gain information and raise queries ahead of reviewing the 2020/21 accounts to be presented at the November 2021 meeting.</p>
<p>November 2021</p> <p>A report was presented providing an update on the progress of the treasury management activities undertaken for the first half of 2021/22.</p> <p>The Council’s 2020/21 accounts were presented to the Committee (up to date at the time of the Committee report distribution and were complete pending any further changes prior to the completion of the audit which was expected imminently). Amendments from the draft accounts had been highlighted and took account of changes agreed with the External Auditor.</p>	<p>The Committee was able to monitor treasury management performance during the year, in line with the CIPFA Code of Practice on Treasury Management.</p> <p>The Committee viewed the accounts and it was agreed that following the completion of the audit, the Accounts and Audit Committee Chair and Director of Finance and Systems would approve the accounts. (Further to the meeting, the Accounts were approved in November 2021).</p>

(Accounts/Financial Management continued)	
Work Completed	Outcome/ Impact
<p>(Also see Risk Management: November 2021 meeting – insurance update provided by Financial Management).</p>	
<p>February 2022 A Treasury Management report was submitted setting out the Council’s strategy for 2022/23 – 2024/25. This included the strategy for investments, borrowing, and the minimum revenue provision in terms of the amounts set aside for debt repayment. (In advance of the February meeting, a training session was provided for Committee Members in January 2022 to focus on issues within the Treasury Management Strategy report).</p> <p>The Committee received a presentation by the STAR Shared Procurement Service, providing an update on achievements and future plans.</p>	<p>The Accounts and Audit Committee asked questions on the content of the report and recommended that the Council approve the various elements of the Treasury Management Strategy.</p> <p>An opportunity was provided for Members to raise questions in respect of a number of aspects covered including sustainability aspects of procurement and issues relating to the setting and delivery of Social Value targets. It was agreed by Committee Members that a future update would include further detail on performance in relation to Social Value as well as an update on expected changes in procurement legislation.</p>
<p>March 2022 A report was circulated to Accounts and Audit Committee Members which explained the accounting concepts and policies which would be used in preparing the 2021/22 annual accounts.</p>	<p>Members were advised there were no material changes currently expected to the Accounting Policies for the 2021/22 accounts but were advised there may be changes in light of outcomes from a national consultation on the Code of Practice on Local Authority Accounting in the UK 2021/22. Any changes would be reflected in future reporting to the Committee.</p>
<p>All meetings The Accounts and Audit Committee received budget monitoring reports at each of the meetings through the year. This included the budget outturn position for 2020/21 at its July 2021 meeting and updates through the year on the latest position for 2021/22 at each of the other meetings. Updates reflected monitoring and actions taken to manage a number of financial pressures including the impact of the pandemic, upward trend in inflation rates and significant rises in energy and fuel prices.</p>	<p>The Committee reviewed budget monitoring reports and provided challenge through the year in relation to the information provided, both through discussions in the meetings, and where applicable further information provided to Members in response to queries raised.</p>

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 20 July 2022
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Accounts and Audit Committee – Work Programme – 2022/23

Summary

This report sets out the proposed work programme for the Committee for the 2022/23 municipal year.

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

The work programme has been produced taking into account statutory deadlines in relation to completion and approval during 2022/23 of the Council's 2021/22 Accounts and Annual Governance Statement.

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

Recommendation

The Accounts and Audit Committee is asked to approve the 2022/23 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
20 July 2022	Agree Committee's Work Programme for 2022/23 Training workshop to be arranged outside of the meeting on the 2021/22 Financial Outturn and Statement of Accounts					
	- 2021/22 Head of Internal Audit Annual Report - Internal Audit Monitoring Report (Q4 2021/22)	- Audit Strategy Memorandum 2021/22 - Audit Progress Report	- Strategic Risk Register Report	- 2021/22 Draft Annual Governance Statement - Accounts and Audit Committee 2021/22 Annual Report to Council		-Treasury Management update (Annual Performance Report 2021/22) -2021/22 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn Reports -Financial Management Code Update
28 September 2022	- Internal Audit Monitoring Report (Q1 2022/23)	- 2021/22 Audit Progress Report	(See Financial Management – Insurance Performance 2021/22) -Strategic risk update	- 2021/22 Annual Governance Statement	- Counter Fraud and Enforcement Team Update Report	- 2022/23 Budget Monitoring and Prudential Indicator Reports (Period 4) - Insurance Performance Report 2021/22

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
24 November 2022	- Internal Audit Monitoring Report (Q2 2022/23)	- 2021/22 Audit Completion Report (Mazars) - External Auditor Appointment Update (Director of Finance and Systems)	- Strategic Risk Register Report.			- Approval of Annual Statement of Accounts 2021/22 - Treasury Management : 2022/23 Mid-Year Performance Report - 2022/23 Budget Monitoring and Prudential Indicator Reports (Period 6)
1 February 2023	Training: Treasury Management briefing session to be arranged outside of meeting					
	- Internal Audit Monitoring Report (Q3 2022/23)	- Auditor's Annual Report 2021/22	- Strategic risk update		(Anti-Fraud and Corruption update, within Internal Audit monitoring report)	- Treasury Management Strategy - 2022/23 Budget Monitoring and Prudential Indicator Reports (Period 8) - Procurement update (STAR)

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
14 March 2023	- 2023/24 Internal Audit Plan / Internal Audit Charter and Strategy	- Audit Progress Report	- Strategic Risk Register Report - Strategic Risk update: Cyber Security	- Report on arrangements for 2022/23 Annual Governance Statement		- 2022/23 Budget Monitoring and Prudential Indicator Reports (Period10) -Accounting Policies