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**TRAFFORD
COUNCIL**

AGENDA PAPERS FOR ACCOUNTS AND AUDIT COMMITTEE

Date: Wednesday, 28 September 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. QUESTIONS FROM MEMBERS OF THE PUBLIC		
A maximum of 15 minutes will be allocated to public questions submitted in writing to Democratic Services (democratic.services@trafford.gov.uk) by 4 p.m. on the working day prior to the meeting. Questions must be relevant to items appearing on the agenda and will be submitted in the order in which they were received.		
3. DECLARATIONS OF INTEREST		
Members to give notice of any interest and the nature of that interest relating to any item on the agenda in accordance with the adopted Code of Conduct.		
4. MINUTES		1 - 6
To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 20 th July 2022.		
5. COUNTER FRAUD & ENFORCEMENT TEAM (CFT) : 2021/22 ANNUAL REPORT		7 - 14
To consider a report of the Counter Fraud & Litigation Manager.		

6. **EXTERNAL AUDIT PROGRESS REPORT - SEPTEMBER 2022** 15 - 26

To consider a report by the Council's external auditor, Mazars.

7. **BUDGET MONITORING REPORT 2022/23 - PERIOD 4 (APRIL - JULY 2022)** 27 - 66

To consider a report of the Executive Member for Finance and Governance & Director of Finance and Systems.

8. **INSURANCE PERFORMANCE REPORT 2021/22** 67 - 76

To consider a report of the Director of Finance and Systems.

9. **AUDIT AND ASSURANCE REPORT FOR THE PERIOD APRIL TO JUNE 2022** 77 - 90

To consider a report of the Audit and Assurance Manager.

10. **ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2022/23** 91 - 94

To consider a report of the Audit and Assurance Manager.

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

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

12. **EXCLUSION RESOLUTION (IF REQUIRED)**

Motion (Which may be amended as Members think fit):

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

SARA TODD
Chief Executive

Accounts and Audit Committee - Wednesday, 28 September 2022

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, 20 September 2022** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH.

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ACCOUNTS AND AUDIT COMMITTEE

20 JULY 2022

PRESENT

Councillor B. Brotherton (in the Chair).

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

In attendance

Director of Finance and Systems (Mr. G. Bentley),
Audit and Assurance Manager (Mr. M. Foster),
Finance Manager (Mr. F. Fallon) (part only),
Governance Officer (Mr. A. Murray) (part only),
Governance Officer (Mr. J.M.J. Maloney).

Also In Attendance

Ms. K. Murray and Mr. M. U. Khan (Mazars).

APOLOGIES

Apologies for absence were received from Councillor Morgan.

1. MEMBERSHIP OF THE COMMITTEE 2022/23

RESOLVED – That the membership of the committee, and chairing arrangements, as agreed by Council for the municipal year 2022/23, be noted.

2. TERMS OF REFERENCE FOR THE COMMITTEE 2022/23

The Committee received for information its Terms of Reference as agreed by Council for the municipal year 2022/23. It was noted that these were unchanged from the previous year.

RESOLVED – That the Terms of Reference for the committee, as agreed by Council for the municipal year 2022/23, be noted.

3. QUESTIONS FROM MEMBERS OF THE PUBLIC

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

4. DECLARATIONS OF INTEREST

No declarations were made by Members of the Committee.

5. MINUTES

RESOLVED – That the Minutes of the Meeting held on 22nd March, 2022 be approved as a correct record and signed by the Chair.

6. 2021/22 DRAFT ANNUAL GOVERNANCE STATEMENT

The Director of Legal and Governance submitted a report presenting for the Committee's consideration the Draft 2021/22 Annual Governance Statement (AGS), whose preparation and publication was necessary to meet the statutory requirement set out in the Accounts and Audit Regulations. The content of the draft AGS had been reviewed and agreed by the Corporate Leadership Team, including significant governance issues detailed in the AGS. It had been produced taking into account both the framework and guidance on the AGS issued by CIPFA/SOLACE in April 2016.

RESOLVED – That, following consideration, it be noted that the final version of the Annual Governance Statement must be approved by 30 November 2022 in accordance with the Accounts and Audit (Amendment) Regulations 2021; and that the final version would be presented for approval by the Committee, prior to sign off by the Chief Executive and Leader of the Council.

7. AUDIT STRATEGY MEMORANDUM 2021/22

On behalf of the Council's external auditor, Mazars, Karen Murray introduced the Audit Strategy Memorandum / audit plan for the financial year 2021/22. She set out the key areas of audit work coverage, in respect of financial statements and the Council's arrangements to secure value for money; and areas of identified risk (in general, common to most local authorities) on which the audit work would focus. An opportunity was provided for members to raise questions, and these centred on the valuation of various categories of the Council's assets.

RESOLVED – That the content of the Audit Strategy Memorandum be noted.

8. EXTERNAL AUDIT PROGRESS REPORT

On behalf of the Council's external auditor, Mazars, Muhammad Uzair Khan introduced a progress report on the current external audit. One item was still outstanding from the 2020/21 accounts, but that was solely since guidance was awaited from the National Audit Office in respect of the "Whole of Government Accounts" return. Planning had been completed for the 2021/22 audit, and fieldwork would be undertaken in the autumn. It was noted that the update report incorporated a schedule of publications which might prove helpful to Members of the Committee in undertaking their role.

RESOLVED – That the content of the audit progress update be noted.

9. TREASURY MANAGEMENT ANNUAL PERFORMANCE 2021/22 REPORT

The Executive Member for Finance and Governance and the Director of Finance and Systems submitted a report which outlined the main treasury management activities undertaken during 2021/22, including in relation to compliance with all legislative and regulatory requirements, including all treasury management prudential indicators; average levels of external debt and interest rate payable for 2021/22; the average level of treasury investments for 2021/22; and the outturn position for the Council's Treasury Management function. It was noted that the key variances related 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.

In discussion, Members raised queries regarding the impact of rising interest rates, which was in fact currently limited, with the majority of the Council's debt being at fixed rates; and explored the implications of such issues as maturity dates, deferred grant payments and capital programme slippage for the Council's cash holdings and net indebtedness levels.

RESOLVED – That the treasury management activities undertaken in 2021/22 programme be noted.

10. BUDGET MONITORING REPORT 2021/22 - PERIOD 12 OUTTURN (APRIL 2021 - MARCH 2022)

The Executive Member for Finance and Governance and the Director of Finance and Systems submitted a report which informed Members of the 2021/22 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. In discussion, queries were raised regarding the expected impact of inflation, particularly in relation to pay and energy costs, and the consequences for budget provision made; on the nature of Council-wide budgets and the operation of the Collection Fund; and on the interrelationship between vacancy rates and use of agency staff, including the challenges of recruitment and retention in some areas of particular scarcity.

RESOLVED –

- (1) That the content of the report be noted, and the revenue outturn position showing a budget underspend of £1.530m, which had been transferred to the Budget Resilience, Innovation and Change Reserve.
- (2) That the reserves position as detailed in paragraph 15 and Appendix 8 to the report be noted.
- (3) That the final capital programme outturn position as detailed in paragraphs 30 to 47 of the report be noted.

11. CIPFA FINANCIAL MANAGEMENT CODE

The Director of Finance and Systems submitted a report which provided 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 clarified 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. Details were also provided of the standards comprising the Code and an assessment of the Council's compliance with these standards. Members were advised that the assessment will also be used to help inform the Council's 2021/22 Annual Governance Statement (AGS), to be published alongside the Statement of Accounts.

The Director advised that the Council was reasonably well placed, but would continue to monitor and reinforce its compliance; and it was noted that progress monitoring, potentially including benchmarking, could be incorporated within this Committee's work programme. Members discussed the issue both of financial training for Members of the Council, and the respective roles, in relation to financial issues, of this and the Scrutiny Committee, and it was agreed that these issues would be discussed in greater detail outside the meeting.

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

12. AUDIT AND ASSURANCE REPORT FOR THE PERIOD JANUARY TO MARCH 2022

The Audit and Assurance Manager submitted a report which provided a summary of the work of Audit and Assurance during the period, and ongoing assurance to the Council on the adequacy of its control environment. Rates of acceptance and implementation of audit recommendations during the period were encouraging. Much of the report's content was also reflected in the following agenda item, covering the full financial year; and updates on ongoing workstreams would be provided to the Committee's next meeting.

It was noted that the service's work on Covid business grants had now concluded; and that follow-up work was planned on the new Let Estate service. In response to a query, it was agreed that further detail of the work undertaken to date could be supplied outside the meeting.

RESOLVED – That the content of the report be noted.

13. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2021/22

The Audit and Assurance Manager submitted a report which provided a summary of the work of the Audit and Assurance Service during 2021/22, and also provided an opinion on the overall adequacy and effectiveness of the Council's control environment (encompassing internal control, risk management and governance) during 2021/22.

It was noted that the overall opinion was that the level of assurance was assessed as reasonable. Details of the component elements of this assessment were set out in the report. It was noted that the service carried out internal assessment of its adherence to established standards in carrying out its work; but also that an external assessment, under the auspices of CIFPA, was due to be undertaken in March 2023. In respect of a query regarding audit completions, the Committee was advised that whilst a realistic target had been set which was somewhat lower than the previous year's target, it was higher than that year's actual completions.

RESOLVED – That the content of the report be noted.

14. STRATEGIC RISK REGISTER 2022/23 (JULY 2022 UPDATE)

The Audit and Assurance Manager submitted a report which provided an update on the Council's strategic risk environment, setting out developments relating to the management of each of the identified strategic risks. The register had recently been reviewed by the Corporate Leadership Team; the Covid risk had reduced, whilst the most significant risk remained in respect of the Medium Term Financial Plan. It was noted that Members were welcome to suggest key areas for particular focus; and, whilst improvement in some areas was noted, it was agreed that a more detailed update on Information Governance performance might usefully be incorporated into the Committee's work programme. In discussion it was noted that ongoing learning from the Covid pandemic was reflected in the Council's arrangements for safeguarding business continuity.

RESOLVED – That the content of the report be noted.

15. ACCOUNTS AND AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL 2021/22

The Audit and Assurance Manager advised the Committee that the report of the Committee's Chair and Vice-Chair, which presented the 2021/22 Annual Report of the Accounts and Audit Committee, was to be submitted to Council at its meeting in July 2022. Thanks were accorded to the officers who had assisted with the report's preparation, and its content was noted.

RESOLVED – That the content of the report be noted.

16. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2022/23

The Audit and Assurance Manager submitted a report which set out the proposed work programme for the Committee for the 2022/23 municipal year. It outlined areas to be considered by the Committee at each of its meetings over the period of the year. It would help to ensure that the Committee met its responsibilities under its terms of reference, and maintained focus on key issues and priorities. It had been compiled taking into account statutory deadlines in relation to the completion and approval during 2022/23 of the Council's 2021/22 Accounts and Annual Governance Statement. Members were reminded that the programme was flexible, allowing for items to be added or rescheduled; and the issues raised elsewhere on the agenda, including monitoring of the Financial Management Code, Information Governance and consideration of training in finance issues, were noted.

RESOLVED – That the content of the report, and the issues noted elsewhere on the agenda, be noted.

The meeting commenced at 6.30 p.m. and finished at 8.26 p.m.

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 28 September 2022
Report for: Information
Report of: Counter Fraud & Litigation Manager

Report Title

Counter Fraud & Enforcement Team (CFT) : 2021/22 Annual Report

Summary

The report:

- outlines the Council's fraud prevention and detection performance and activities in 2021/22 and
- outlines the team's plans for 2022/23

Recommendation

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

Contact person for access to background papers and further information:

Name: David Wright – Counter Fraud & Litigation Manager

Extension: 2228

Background Papers:

None

1.0 Introduction

- 1.1 Local Authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs.
- 1.2 The Council operates a Counter Fraud and Litigation Team to ensure a continued commitment to the authorities' zero tolerance towards fraud as well as ensuring that appropriate action is taken to recover monies owed to the authority

2.0 Counter Fraud and Litigation Team

- 2.1 The team is based within Exchequer Services located at Sale Waterside – whose main remit is to investigate Revenues related matters such as Council Tax Support, Council Tax discounts & exemptions, Non Domestic rates liability avoidance and Social Care Fraud. In the last 2 years it has also been heavily involved with the administration of, and subsequent investigation into, potential abuses of the various Business Support Grants which were introduced to support businesses affected by Covid related restrictions. It is also required to carry out formal recovery action in relation to certain debts owed to the authority.
- 2.2 Over the 2021/22 financial year some members of the team were largely tasked with a project being led by Exchequer Services involved with paying Business Support Grants in respect of the various grant schemes made available to businesses across the borough affected by restrictions put in place to help to reduce the spread of Covid. This project began in March 2020 and continued throughout the year as different schemes were announced during the various stages of restrictions that had been in place, and then as a result of an upsurge of positive Covid tests during the winter months of 2021/22. In addition to the verification and payment of the grants to appropriate businesses, one of the roles the team has been continued to be tasked with relates to the identification and investigation of a number of fraudulent applications made to the authority during these periods. This is covered further later in this report. However it was also still able to spend time and resources continuing to support a rolling Council Tax Single Person discount review that has been undertaken on behalf of the authority by a 3rd party company. The review targeted householders claiming the discount where credit based data had highlighted that there may be additional person(s) residing in the property. In addition to cases identified whereby the discounts had been removed following admission by the tax payer that they were no longer eligible for the discount, or simply failed to respond to the review (leading to the discount to be removed automatically there were a number of accounts identified where the taxpayer had responded to the review confirming no longer eligible but giving false information regarding when the additional person(s) had moved into the property as evidence indicated that an earlier removal date should have been applied than we had previously been given. This led to investigations being set up by the team

which resulted in additional council tax liability being created than would otherwise have been the case.

- 2.3. In addition to the Council Tax discount exercise, the team has also been continuing to work with the Non Domestic Rates team, regarding issues surrounding Small Business Rates Relief (SBRR) This project involved using software which identified businesses who were incorrectly claiming Small Business rates relief to reduce their Business Rate liability due to the fact that they also had businesses in other Local Authorities which we would otherwise have been unaware of. There has also been a number of investigations conducted as a result of data matching undertaken highlighting businesses who have been claiming SBRR on the basis they have only one business premises yet have received multiple business support grants – mostly from different local authorities. This has not only helped prevent relief being awarded incorrectly (and then subsequently being made liable for Non Domestic rates payments) but also uncovered abuses of the Business Support Grants schemes that we would otherwise have been unaware of. This in turn has increased the value of business liability due to the authority. An example of such a case is shown in **Case Study 1**

2.4

Case Study 1

An investigation was undertaken after a data matching exercise had highlighted that a business had received 2 Small Business Fund Grants totaling £20k in respect of 2 separate premises in 2020. The grants had been awarded based on the fact that they were receiving small business rates relief (SBRR) which would normally only be awarded where a business is only occupying 1 property in England. Our records showed that 2 different names had been used to register for business rates (1 in the name of the business and 1 in the name of one of the directors) but an inspection undertaken showed that it was the same business occupying both premises which would mean they were not eligible for the SBRR or the grants they had previously claimed. The business owner was subsequently interviewed and accepted responsibility for the relief and grants which had been incorrectly claimed and as a result of the findings of the investigation, the Council were able to recover the £20k grants which had been claimed and also remove the SBRR back to 2017 resulting in the business having to pay £38k in additional business rates to the authority.

Table 2 below shows the value of fraud or irregularity identified by the investigations element of the team during the 2021/22 financial year:

Table 2 – Counter Fraud & Litigation Team Investigations

	Amount (£)
Council Tax Discount Cancellations	39k
Council Tax Support/ Council Tax Benefit Overpayments	20.5k
Council Tax Liability Irregularities	21k
Non-Domestic-Rate-Liability Irregularities (net)	36.5k
Business Support Grant Irregularities	125k
Total Income Identified	242k

3.0 Figures shown overleaf reveals the amount of debt recovered by the teams' litigation officers employed by the authority during the last 5 financial years since they became part of the team. The figures show that in 2021/22 the team collected just over £1million pounds of previously unrecovered debt, and is the highest figure achieved to date. Whilst this identifies the scale of the debt which the authority is having to recover, it also clearly displays how effective the team continues to be in this matter. Often, once a formal letter before civil litigation action explaining the next stage of the recovery procedure is issued, debtors will engage in mediation. However ultimately if this approach does not prove effective then civil court legal proceedings are issued which gives the recovery officers more recovery options. A large percentage of the debt which the team is dealing with, relates to adult social care costs. This can often become more difficult to collect when the person who the debt relates to is unable to manage their own affairs, and the Council is dealing with 3rd parties acting on their behalf, either in an official or unofficial capacity. An example of such a case that proved very difficult to deal with but ultimately resulted in a significant debt being recovered in full, is discussed overleaf (**see Case Study 2**)

Case Study 2

In late 2020 the team were passed a debt relating to a service user's unpaid residential care charges which were proving difficult to collect. The service user had a family member acting as their Power of Attorney but she was not making any payments towards her mothers' care charges, resulting in a debt of just under £100k being outstanding. Contact was made with her daughter who initially said that she would arrange for the debt to be covered but then stopped communicating with us, and made no attempt to make any kind of repayment despite having access to her mother's finances. Attempts were made, via their solicitor to offer a settlement amounting to only two thirds of the amount outstanding which was declined, and it was only upon the issue of a letter before action explaining the next step of taking civil enforcement action, and referring the matter for investigation to the Office of Public Guardian, that repayments were made in 2 instalments to settle the debt in full.

A further case which the team were able to clear which had been outstanding for some time is discussed below in **Case Study 3**

Case Study 3

This case relates to a debt – also relating to adult care charges – of nearly £75k which had been outstanding for a few years due to the fact that the service user had passed away leaving a significant estate but without having appointed anybody to act for him. The account was being dealt with by a firm of solicitors who had initially stated they were in the process of being able to settle the debt, having traced 2 distant family members who were eligible to receive the proceeds of the estate. However attempts to contact the solicitors were met with silence, and it was only after contact was made with one of the firms senior partners via a complaint being lodged against the solicitor that the matter was progressed. This eventually resulted in them being able to appoint administrators for the estate which had identified there were more than adequate funds to be able to settle the debt in full and payment was duly received.

Over the last few years there has been a regular increase in the amounts being successfully recovered as shown in the table below.

Table 3 – Counter Fraud & Litigation Team Recovery

Year	Amount (£)
2017/18	402.7k
2018/19	587.7k
2019/20	640.9k
2020/21	858.7k
2021/22	1.02m

4.0 Business Support Grants

4.1 When the Business Supports Grant schemes were first introduced in March 2020 the objective was to provide much needed support for businesses operating in the borough as quickly as possible. However at the same time, it was also essential that Local Authorities needed to ensure that robust checks were in place in order that the limited funds available were being paid to the business owners who were actually eligible to receive them. The processes in place undoubtedly helped to prevent a large number of false applications that were submitted from succeeding, however there were still a small amount that were paid as a result of applicants providing false documentation (most commonly false tenancy agreements) or failing to declare that they had already vacated the premises before the schemes had been introduced and were therefore not eligible to receive payment. The data matching exercises undertaken also revealed instances where businesses had falsely claimed multiple grants across different boroughs. The team has been working to identify, investigate and then recover where possible grants which had been incorrectly awarded to them. This work is still ongoing but an example of such a completed investigation is detailed below in **Case Study 4**

Case Study 4

An investigation was set up following enquiries made to a company to support an application into the Omicron Grant introduced in December 2021 which raised questions over their eligibility for payments made to them in relation to previous grant schemes which we had made to them. The company, had received payments for a number of premises that they occupied in the borough, which had been made based on declarations within the respective application forms that the properties would normally operate as retail premises which, but for the Covid restrictions in place over 2020/21, would have been open to the public. However the investigation identified that whilst that was the case in relation to some of the properties, 2 of them were buildings used for training and admin purposes and therefore were not eligible for the funding made to them. The grant recipient was contacted and subsequently confirmed the correct use of the premises in question. The resultant £54k in overpaid grants which had been incorrectly claimed is now being recovered from the business in question.

5.0 Planned activity for 2022/23

5.1 Over the current financial year the Counter Fraud and Litigation Team has continued to operate in the previously mentioned areas of investigation. Work will continue to focus on identifying and investigating persons or businesses who have sought to abuse the schemes made available

To date this year, the team has:

- **Worked closely with Internal Audit and Exchequer Services to use our joint expertise to help combat all types of fraud being perpetrated against the Council, in particular in relation to Council Tax, Non Domestic Rates & Adult Social Care**
- **Supported the National Fraud Initiative data matching exercise, which has identified issues whereby businesses have incorrectly been awarded Business Support Grants and also potentially incorrectly claimed Small Business Rate Relief**
- **Taken the lead role in an ongoing Council Tax Single Person discount review.**
- **Further increase expertise in adult social care financial abuse matters**
- **Progressed cases in a timely manner that have been referred for the consideration of civil proceedings in relation to debts owed to the authority**

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External Audit Progress Report

Trafford Metropolitan Borough Council

Accounts and Audit Committee

September 2022



1. Audit progress

2. National publications

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01

Section 01: **Audit progress**

Audit Progress

Purpose of this report

This report provides 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. We will complete this once the guidance from the NAO is finalised.

Audit of the 2021/22 Statement of Accounts

During March 2022, we completed our initial planning work for the 2021/22 audit. Following this, we presented our Audit Strategy Memorandum to the July meeting. This set out the audit risks we identified in respect of the 2021/22 financial statements. There has been no change to our risk assessment since issuing our Audit Strategy Memorandum..

We received the Council's draft Statement of Accounts at the end of July, in line with the timetable agreed with Officers. Our detailed fieldwork on the statements will commence in October 2022, and is due to continue until end of November. We plan to report our findings from our audit to the November Accounts and Audit Committee meeting. However, this is subject to the resolution of a national technical issue in respect of accounting for infrastructure assets.

We plan to complete and report our Value for Money arrangements work in line with our audit opinion. National Audit Office (NAO) guidance provides for this to be completed within three months of the audit report on the financial statements.

02

Section 02:

National publications

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1	CIPFA/LASAAC Code Of Practice On Local Authority Accounting In The United Kingdom 2022/23	Code of Practice for 2022/23 financial statements
Department for Levelling Up, Housing and Communities		
2	Guidance on flexible use of capital receipts	Updated guidance on the type of projects that qualify for the capital receipts flexibility programme 2022-2025
3	Better Care Fund planning requirements 2022-23	Planning requirements for local authorities for the BCF 2022/23 year
National Audit Office (NAO)		
4	Improving government data: A guide for senior leaders	A good practice insight guide for senior leadership
Public Sector Audit Appointments Ltd		
5	Consultation on 2022/23 scale of audit fees	Consultation document

NATIONAL PUBLICATIONS

CIPFA

1. CIPFA/LASAAC Code Of Practice On Local Authority Accounting In The United Kingdom 2022/23, July 2022

Local authorities in the UK are required to keep their accounts in accordance with 'proper (accounting) practices'. Public sector organisations responsible for locally delivered services are required by legislation to comply with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This 2022/23 edition of the Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2022.

The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority. The Code applies to local government organisations across the UK including local authorities, police bodies, fire services and other local public service bodies.

This edition of the Code introduces a number of important amendments relating both to context and an understanding of requirements. Changes include:

- clarifying and expanding the applicability of the Code to Welsh authorities and bodies including corporate joint committees
- amendments to clarify the treatment of social benefits
- provisions which allow local authorities to account for leases in accordance with IAS 17, while also offering the option for local authorities to choose to adopt IFRS 16 on a voluntary basis. Where the latter option is taken, service concession arrangement liabilities must also be measured in accordance with the measurement requirements of IFRS 16.

The Code sets out the relevant requirements on local authority accounting including material developed as a result of an exceptional consultation which explored options which might help alleviate pressures on the timetable for publication and audit of local authority financial statements. However, preparers should be aware that further consultation has been undertaken in relation to accounting for infrastructure assets, and this may result in amendments and updates being made to this edition of the Code and potentially other earlier editions of the Code.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-202223-online>

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

2. Guidance on flexible use of capital receipts, August 2022

This is an updated direction and statutory guidance to extend the freedom for local authorities to use eligible capital receipts to fund the revenue costs of projects that deliver ongoing savings or improved efficiency. This direction revokes and replaces the direction of the same name issued on 4 April 2022.

Capital receipts are the money councils receive from asset sales, the use of which is normally restricted to funding other capital expenditure or paying off debt. The receipts cannot usually be used to fund revenue costs. The direction introduces a new restriction that authorities may not use the flexibility to fund discretionary redundancy payments, i.e. those not necessarily incurred under statute. This does not affect other types of severance payments and, to be clear, does not restrict, including pension strain costs, which may still be qualifying expenditure.

The direction allows authorities to use the proceeds from asset sales to fund the revenue costs of projects that will reduce costs, increase revenue or support a more efficient provision of services. This is an extension of the flexibility that has been in place since 2016, and will allow this freedom to continue to 2024/25 to help authorities plan for the long-term.

This direction clarifies that the capital receipts obtained must be disposals by the local authority outside the “group” structure.

As introduced in the direction issued on 4 April 2022, this direction includes the requirement to submit the planned use of the flexibility in advance of use for each financial year. This condition can be met by sending the authority’s own strategy documents provided they contain the detail asked for in the direction. This is not an approval process, the information must be sent to ensure transparency and allow proper monitoring by central government.

<https://www.gov.uk/government/publications/final-guidance-on-flexible-use-of-capital-receipts>

3. Better Care Fund planning requirements 2022-23, July 2022

The Better Care Fund (BCF) planning requirements set out details of the requirements that BCF plans must meet. They apply to both integrated care boards and local authorities, and they are published jointly with the Local Government Association.

<https://www.england.nhs.uk/publication/better-care-fund-planning-requirements-2022-23/>

NATIONAL PUBLICATIONS

National Audit Office

4. Improving government data: A guide for senior leaders, July 2022

This guide is for senior leaders responsible for delivering government services. The NAO's aim is to encourage decision-makers to realise the benefits of better use of data by helping them understand in more detail the core issues to be addressed which have held back progress in the past.

The guide focuses on data to support the operational delivery of public services, but the NAO intends that much of their guide will also be relevant to data for decision-making and to improve performance.

The guide discusses overcoming barriers in data sharing, data quality, data standards, resourcing, access to raw data and APIs (application programming interfaces), creating cross-government data sets for multiple users, data analytics.

[Improving government data: A guide for senior leaders - National Audit Office \(NAO\) insight](#)

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

5. Consultation on 2022/23 scale of audit fees, August 2022

PSAA is consulting on the fee scale for 2022/23 audits. This is the final fee scale under PSAA's current audit contracts, which cover audits of the financial statements of opted-in bodies for the five-year period 2018/19 to 2022/23. Audit work under the proposed 2022/23 fee scale will largely be undertaken from autumn 2023 onwards.

This fee scale consultation is separate from the procurement exercise PSAA is currently undertaking for audit contracts that will apply for the next five years, for audits from 2023/24. Audit work under the new contracts will take place from 2024 onwards. Any audit fee implications arising from the results of the procurement will be covered by our consultation on the 2023/24 fee scale in twelve months' time.

Consultees will be aware that auditors and auditing have been subject to very high levels of scrutiny in recent times following a number of widely reported financial failures in the private sector. These changes have resulted in significant tensions and pressures in the wider audit market and profession and have led to a series of government-commissioned reviews of audit and audit regulation. The Department for Levelling Up Housing and Communities (DLUHC) has announced a range of measures to be implemented to address the issues identified in the local audit framework specifically. These include a new system leader role to be discharged by a new regulator, the Audit Reporting and Governance Authority (ARGA) when it is established under future legislation.

This consultation on the 2022/23 fee scale is taking place in the context of these pressures and changes. The consultation explains how PSAA proposes to calculate the audit fees which will make up the 2022/23 fee scale, managing the impact of three key elements:

- fee variations approved in relation to 2019/20 and 2020/21 audit work which relate to recurrent audit work that is needed in subsequent audit years;
- changes in local audit requirements; and
- the impact of changes in inflation.

The consultation will close on Friday 30 September 2022.

<https://www.psa.co.uk/appointing-auditors-and-fees/list-of-auditor-appointments-and-scale-fees/2022-23-auditor-appointments-and-audit-fee-scale/>

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TRAFFORD COUNCIL

Report to: Executive

Date: 19th September 2022

Report for: Information

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

Report Title:

Budget Monitoring 2022/23 – Period 4 (April to July 2022).

Summary:

The purpose of this report is to inform Members of the 2022/23 summary forecast outturn figures relating to both Revenue and Capital budgets. It also summarises the latest forecast position for Council Tax and Business Rates within the Collection Fund.

Recommendation(s)

It is recommended that the Executive:

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

Contact person for access to background papers and further information:

David Muggerridge, Head of Financial Management Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Relationship to GM Policy or Strategy Framework	Not Applicable
Financial	Revenue and capital expenditure to be contained within available resources in 2022/23. It is the responsibility of the Executive to operate within the budgetary framework set by the Council when it agreed the budget for 2022/23 at the Council Meeting on 16 February 2022. At this stage in the year it is necessary to alert

	Members that a further report may need to be presented to the Council to revise the 2022/23 budget envelope. This would be in the event that mitigations in the form of additional government funding and in-year savings are insufficient to cover any remaining in-year pressures, predominantly caused by the impact of inflation.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Carbon Reduction	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

SECTION 1 - EXECUTIVE SUMMARY

1. The approved budget for 2022/23 agreed at the 16 February 2022 Council meeting was £192.57m. In determining the budget an overall gap of £20.14m was addressed by a combination of additional resources of £3.39m from Council Tax, use of reserves, £7.10m to address COVID-19 pressures and £4.33m for business as usual pressures, and £5.32m of service savings and additional income.

2. Summary of outturn

There is a net estimated outturn pressure of £6.91m at Period 4, an improvement of £1.13m since Period 2. Note this position includes:-

- the current performance against the approved budget which is a projected overspend of £912k (See Table 1 below)
- the impact of inflation, which is significantly higher than the provisions included in our approved budget and which are currently estimated to cost an additional £6m in 2022/23; this estimate remains unchanged from the period 2 position but given the uncertainty surrounding the outcome of the local government pay settlement for 2022/23 and the spiralling forecast for energy costs, significant risk exists on this estimate. Government have given strong indications that local authorities will need to manage the impact of this themselves and that no government support will be available, which means this will affect the delivery of other Council services. (see Paragraph 3 and 4 below)

This second monitor of the financial year provides a forecast outturn based on patterns of expenditure and income from the first four months of the year. It is still relatively early in the financial year and there remains some broad assumptions on future demand and therefore the estimate is subject to variation due to this volatility; however, it can be used as a broad indication of the direction of travel.

Although the estimated outturn is adverse, and follows a similarly cautious pattern as in previous years early monitoring reports, it should be noted that there are a number of assumptions and factors which have the potential to positively affect the figure. For instance there are significant contingency items within demand led services with £694k and £750k in Children's and Adults Services, £700k in the corporate budget contingency and in addition assumptions that staffing vacancies will be filled in a timely manner, which may not always be the case.

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	2022/23 Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Children's Services	44,057	45,655	1,598	3.63%
Adult Services	56,927	56,813	(114)	(0.20)%
Public Health	12,887	12,868	(19)	(0.15)%
Place	30,998	32,872	1,874	6.05%
Strategy & Resources	5,137	4,917	(220)	(4.28)%
Finance & Systems	8,169	8,256	87	1.07%
Governance & Community Strategy	6,310	6,617	307	4.87%
Total Directorate Budgets (*)	164,485	167,998	3,513	2.14%
Council-wide budgets	28,087	25,486	(2,601)	9.26%
Net Service Expenditure variance	192,572	193,484	912	0.47%
Funding				
Business Rates	(68,540)	(68,540)	0	
Council Tax	(112,601)	(112,601)	0	
Reserves Budget Support	(4,334)	(4,334)	0	
Reserves to Support COVID-19	(7,097)	(7,097)	0	
Funding variance	(192,572)	(192,572)	0	0.00%
Net Revenue Outturn variance	0	912	912	0.47%
Dedicated Schools Grant	157,129	157,853	724	0.46%

* Any change to the revenue budget by Directorate is shown in the details of virements in Appendix 1.

The following issues are worthy of being highlighted at Period 4:-

- **Children's placements** £350k overspend has reduced by £263k in the period largely due to the service stepping down one of the two previously reported high cost placements.
- **Home to School Transport** pressures have increased in the period by £527k to £980k due to the continued increase in demand in passenger numbers, additional costs for fuel and complexity of cases. These pressures continue from those experienced in the later part of 2021/22. The Business Intelligence unit in conjunction with the Trafford Travel Co-ordination Unit (TTCU) is finalising its task and finish project and the opportunities for changes to mitigate the overspend.
- **Adults placements** continue to be break-even, however assumptions on demand remain uncertain; a contingency balance of £750k has been included for future demand.

- **Adults Hospital Discharge Programme** – COVID related national funding for this budget has been removed and local budgets, managed through a Section 75 Agreement between the Council and the former Trafford CCG, are required to sustain the current operating model. A one-off support fund was established from the 2021/22 outturn whilst the model is reviewed. Current projections are that there are sufficient monies within this fund to cover projected costs in the current year. Recurring budgets are not thought sufficient to support the current level of demand and this remains a key risk for the provision of service in this area for 2023/24 onwards.
- **Strategic Investment Programme** – The Strategic Investment Property Portfolio is expected to deliver a net benefit to the revenue budget in 2022/23 of £5.67m. This is £1.56m lower than budget due to economic factors affecting some of the income particularly from the town centre investments. A positive pipeline of investment opportunities which will secure some significant regeneration benefits now exists and are currently in the due diligence stage. Should these come forward they will provide an opportunity to mitigate this in-year position and provide a net income stream to support future years budgets.
- **Impact of COVID-19** – There continues to be nothing to suggest that the impact of the pandemic is having any adverse pressure on income from Sales, Fees and Charges in this early monitor. ***The balance of the centrally held COVID-19 contingency budget of £1.5m has therefore been released in full as previously reported.***
- Staffing budgets across all service areas are forecast to underspend by £761k, an increase of £532k since last reported. This was an area of significant underspend in 2021/22 largely due to difficulties in recruitment and the management controls introduced in the year. At this stage in the year, assumptions have been made that vacant posts will be filled, however this remains an area for review in managing the overall future budget gap.
- Other net pressures £186k across all service areas; a positive change of £980k since last reported. This includes pressure on delivery of some aspects of the savings programme from 2021/22 of £245k relating to estates and business rate reviews. ***The recent rises in the Bank of England base rate has had a positive impact of the level of investment income generated by the investment of surplus cash balances of £855k.***
- **Schools DSG**
 - The overspend on the schools DSG budget is now £725k, a favourable movement of £845k which is mainly due to additional funding being allocated to the high needs block and an underspend in the growth fund;
 - The high needs block still has significant pressures and work continues to take place on this with a HNB sub-group of the funding forum which is working on a report to summarise options for longer term savings;

- In addition to this work a DSG Deficit Recovery Plan is currently underway and will be finalised by the end of September 2022. This will include the options for longer term savings and also assist in future planning.

3. Inflation, Energy and Cost of Living Impact

The Consumer Price Index (CPI) rose by 10.1% in the 12 months to July 2022, which represents a 40 year high. There is particular concern relating to energy prices, contractual inflation from companies in our supply chain and the impact of the 2022/23 local government pay award.

Not only does the escalating level of inflation pose a risk to the in-year position, where solutions need to be found to contain any pressures within existing resources, but also the impact on the Medium Term Financial Plan and increase in the budget gap in future years.

The assumptions on inflation remain fluid and the Council will need to remain flexible in its approach to managing these pressures. Increases in energy contracts are expected to cost £1.128m over budget. The 2022/23 Local Government pay negotiations continue, with a formal request recently being tabled by employee representatives being considered by the trade unions.

Each +1% increase in pay above the 2% assumed in the budget, would require approximately £800k of additional resource. The latest offer by the National Employers of an increase of £1,925 on all NJC pay points would see an average increase of approximately 6% across the payscale.

The proposed size of the pay award will also have an impact on the traded services arm of the Council and will require costs to be passed on to front line services, namely school budgets. Prices have been fixed for the next academic year commencing in September 2022, thus limiting the ability to pass these costs on in the current year. However, it is essential that early discussions start for price adjustments in the following year and also explore the flexibility of in-year amendments should inflation remain volatile.

At this stage our working assumption on the impact of the various inflation pressures in 2022/23 continues to be that a prudent figure of £6.0m would be needed.

4. Summary of Outturn and Management Action

The adverse service-related outturn of £912k is a cause for concern, however it is comparable with the early period estimates of previous years. There are still significant contingencies within Children's and Adults Services and cautious estimates that staffing vacancies will be filled promptly and it is likely that the outturn pressure will reduce. Furthermore, there are a number of earmarked risk reserves, such as the Strategic Investment Risk Reserve which could be drawn upon, if income levels in this budget deteriorate.

In respect of inflation and the potential pressure of £6m, albeit fluid at this stage, representations have been made to Government with regards the impact in 2022/23 and anticipated ongoing implications, which will add to the budget gap in later years. In addition various measures to mitigate the impact are being

undertaken; these include the launch of an energy saving campaign and pre-purchasing materials to maintain supply and avoid increasing costs.

Pending the outcome of discussions with the Government, as a precaution during the 2021/22 year end close down, the opportunity was taken to create a specific Inflation Risk Reserve to help mitigate against some of the 2022/23 pressures and a balance of £3.0m was transferred from the Budget Resilience Reserve. To alleviate the in-year inflation pressures further, a figure of £1.0m could be released from the central contingency budget of £1.7m, to arrive at a resource of £4.0m, although this would leave no flexibility for other unknown pressures during the year.

Such an application of reserves though would have significant adverse impacts on the resilience within the Council's reserves and contingencies to support the Finance and Change programme in delivering a sustainable budget in future years.

It is essential until the Council is clear on any further Government support, that a cautious approach is maintained in managing the budget. The following management actions and mitigating items will be available during the year.

- A detailed examination of areas of consistent budget underspend will be undertaken. Significant staffing underspends were evident in the 2021/22 final outturn and attention will be focused on whether vacancy factors can be reviewed. The management controls introduced in 2021/22 to approve all vacancies, along with a review of all non-essential spend, will continue for the foreseeable future.
- A number of contingency items are included in the outturn which have yet to be released. These include £694k and £750k in Children's and Adults services respectively for future potential increases in client demand and £700k in the corporate budget contingency.
- A review of all earmarked reserves will be undertaken to challenge and identify potential uncommitted resource. This will be completed in parallel with the the draft budget report for 2023/24.
- As in the previous financial year, in order to maintain robust challenge and focus attention on the delivery of the savings programme, the regular budget monitoring reports will be supplemented by monthly updates on all demand led budgets and the savings programme to be considered by the Corporate Leadership Team.
- As part of the work being undertaken by the Finance and Change Board, investigate whether opportunities exist to accelerate potential future savings proposals.

SECTION 2 – COLLECTION FUND

5. Council Tax

The Council Tax budget was increased in 2022/23 to reflect the return to pre-pandemic levels of activity following a temporary reduction in the budget in the previous two years. It had been expected that improvements would be made in

the likes of new properties coming online, a reduction in claims for Council Tax Support and hardship cases and improvements in cash collection.

Whilst the immediate consequences of the pandemic have been alleviated, they have been replaced by growing uncertainty in the wider economy. Delays in the supply of building material for new properties, increases in inflation and the cost of living pressures will invariably have some impact on the outturn.

As at Period 4, there is a favourable outturn on the Council Tax element of the Collection Fund of £442k, of which the Council's share is £360k. The table below summarises the outturn by theme as at Period 4.

Table 2: Summary of in year Council Tax movements	Council Tax Collection Fund (£000's)	Trafford Share (£000's)
Shortfall in Tax Base	459	374
Local Council Tax Support Scheme	(326)	(265)
Increase in Cash Collection	(675)	(550)
Other Movements (Backdated discounts etc.)	100	81
Total In Year Position (Surplus)/Deficit	(442)	(360)

As at period 4 the following points are worthy of note:

- There is a shortfall in the core Tax Base of £459k. This is due to an increase in the number of discounts (e.g. single person) being claimed over that assumed in budget. The Council continues to review and challenge applications for claims, and these may reduce during the year. There is a further pressure in the core tax base as a result of the delay in new properties coming on-line.
- The number of claims for Council Tax Support is lower than budget by £326k. This is relatively good news given that the budget was also increased to reflect a return to a lower pre-pandemic level of claims. This situation may however deteriorate as there is a potential for an increase in claims for support due to the wider economic downturn and the significant pressures on household finances forecast later in the year.
- Cash collection – in year cash collection is lower than anticipated when compared with pre-pandemic levels, however collection of historic debt is favourable, resulting in a net benefit of £675k.
- Other adverse movements of £100k, related to the award of backdated banding revaluations.

Over recent years and largely due to the pandemic, it has been difficult to forecast Council Tax income and this situation looks set to continue for the foreseeable future. In recognition of this, a Council Tax Risk Reserve of £500k

was established in 2022/23 to smooth out any unforeseen pressures. This reserve would be used as a first call if the estimated outturn should deteriorate.

It is too early in the financial year to consider if there is a recurrent pattern in either a shortfall in the Tax Base or a surplus in the Council Tax Support Scheme, which would need reflecting in the medium term financial plan. However, it is encouraging to see a positive improvement in historic collection rates, which would indicate that some resource could be released from the provision for historic bad debt.

6. Business Rates

As with Council Tax, there was an assumption of an increase in rates income as the economy started to return to pre-pandemic levels. Projecting business rates is by its nature complex and prone to variation, and the continuing economic pressures will add further uncertainty to the accuracy of projections. As at period 4 a number of assumptions have been made resulting in a favourable movement compared to budget. Whilst the projected surplus will be used to support future budgets, due to accounting arrangements there will be timing differences which will be smoothed through reserves.

SECTION 3 – SAVINGS AND INCOME PROGRAMME

7. MTFP Savings and Increased Income

The 2022/23 budget is based on the achievement of permanent base budget savings and increased income of £5.32m. As in previous years, it is critical that the current savings programme is achieved in full in order to avoid recurrent shortfalls cascading into future years and increasing the budget gap.

A detailed review of the status of each saving has been undertaken and a classification has been made using a “traffic light” system to highlight schemes at risk of not being achieved. Whilst some savings will be achieved through one-off alternative means/mitigating actions in the current year, a status has also been included on the risk of non-delivery falling into 2023/24.

Details of the savings ‘in exception’ of £1.160m are shown in Appendix 3 and a summary is as follows:

Table 3: Category	Number of Schemes	% of Schemes	Savings Budget (£000's)	Projected Outturn (£000's)	Net Variance (£000's)
Red	2	9%	(1,140)	0	1,140
Amber	10	43%	(1,579)	(2,872)	20
Green	11	48%	(2,603)	(1,290)	0
Total	23	100%	(5,322)	(4,162)	1,160

The latest forecast shows that the programme is currently expected to deliver savings of £4.16m, which is £1.16m below target. 12 schemes are classified as either Red or Amber status, of which the largest shortfall of £1.04m is from the Investment Strategy programme.

SECTION 4 – EARMARKED RESERVES

8. Reserves

The balance (unaudited) brought forward as at 1 April 2022 of usable reserves was £69.1m, excluding COVID, schools and capital reserves. Details of the reserve balances and movements in year were last reported in the recent Period 12 outturn report for 2021/22 and there is no further update to report at this stage.

A full analysis of all reserve movements will be reported at period 6 in preparation for the draft budget report.

SECTION 5 – CAPITAL PROGRAMME AND ASSET INVESTMENT STRATEGY

9. Approved Budget

The overall value of the indicative capital programme for 2022/23 to 2024/25 capital programme was restated in the P2 monitor to £217.59m which was an increase of £30.36m from the approved budget of £187.23m from February 2022. Details of the increase were included in the P2 monitor.

Since the P2 monitor the Council has been notified of additional resources of £4.5m for Key Route Network works and £230k for Bus Stop Accessibility Programme, taking the revised three-year capital programme to £222.32m.

The programme for 2022/23 currently stands at £58.22m following a review of all schemes by the Capital Programme Group, taking account of rephasing of schemes from 2021/22 and an assessment of the deliverability of projects considering such factors as:

- Impact of current levels of inflation which may impact on the ability to deliver programmes in-line with originally developed schemes.
- Review of spend re-profiled from 2021/22 to ensure that this can be realistically delivered in-year.
- Changes in the level of forecast capital receipts - funding of the capital programme is impacted by the availability of both the amounts and the phasing of expected receipts and development returns.

After the review of the programme detailed above, the revised capital programme budget for this financial year is £58.22m which is a net reduction of £21.34m compared to the original budget approved in February. Key movements include:-

- Children's Services
 - Capital Maintenance schemes – (£1.49m) – A small number of schemes where work is still being carried out to develop the final specifications have been re-profiled to the next financial year when it is anticipated that these works will be undertaken. In addition to this there is a small amount of uncommitted resources that are being held to mitigate potential cost pressures across the Capital Maintenance programme of works;
 - Basic Need - Willows Primary School – (£413k) – This scheme is expected to start on site in September with completion expected early in 2023/24;
 - Basic Need - Moorlands Junior School – (£393k) – As above the scheme is expected to start on site in September with completion expected early in 2023/24;
 - Basic Need - Templemoor Infant School – (£1.0m). Work on this scheme is now expected to commence early in 2023 with anticipated completion the scheme in the summer of 2023;
 - Basic Need - Davyhulme Primary School (£2.04m) – As above work on this scheme is now expected to commence early in 2023 with anticipated completion the scheme in the summer of 2023;
 - Basic Need – Unallocated (£350k) – This resource has yet to be allocated and currently being held to alleviate any cost pressures within the programme.
 - Children's Other – (£254k)

- Adult Social Care
 - Disabled Facilities Grant – (£1.57m) of works has been impacted due to Covid-19 and the associated difficulties in gaining access to client's properties. As a result there has been reprofiling of resources from previous years. Work is being undertaken utilising additional resources to clear the backlog of works and deliver works in line with available resources in future years.

- Place
 - Town Centre and Business Loan Schemes – (£400k) - There has been less than anticipated uptake on this scheme, work is being undertaken to redevelop the scheme to meet the requirements of local businesses.
 - Public realm works for Altrincham – £477k - Work is expected to commence on the scheme in October with significant element likely to be completed before the end of the financial year, an element of resources previously re-profiled to next year have been utilised to fund this year's work, with the remaining element to fund the completion of works in 2023/24.

- Carrington Relief Road/Rationalisation works - £729k of Homes England Funding previously forecast to be spent in the next financial year are now being utilised this year to facilitate the start of the rationalisation works that need to commence in September.
- Leisure Strategy – (£3.1m) - There has been a reprofiling of forecast spend in line with revised timetable, with works at Altrincham Leisure Centre, expected to commence early in 2023, along with design work for Sale and Stretford Leisure Centres.
- Public Building Repairs/Smarter Working – (£1.1m) – A review of works currently approved is underway as part of the wider council building strategy. In particular around areas where green and energy efficient schemes could be used as part of the solution to assist in the council green ambitions and to reduce utility costs.
- Football Facility Provision - (£1.8m) – Applications for schemes at Broadoak School and Crossford Bridge will be submitted in January 2023 with a decision in February 2023 which if successful will lead to works starting not long after.
- Longford Stadium Resurface – (£484k) – this scheme relies on an element of match funding from the service user and which is still subject to confirmation. Once matched funding is identified the full development of the scheme will take place
- Electric Vehicle Charging Points – (£497k) Work is being undertaken with the GM approved partner for phased roll outs with the financial model to facilitate delivery also being reviewed to balance the risk and return on the investment required. This may increase investment beyond that in Council's approved programme accordingly.
- Mayors Cycling & Walking Challenge Fund – (£1.0m). Although there has been an element of re-profiling design work has been completed for a number of phases with works on these expected to commence in the Autumn.
- Traffic and Transportation – (£800k) – Design work is underway on the majority of schemes within the programme, with resources that are being utilised to deliver other elements of the programme leading to slight delays
- Highways and Structural Maintenance incl. Bridge Assessments – (£3.1m) – Due to the award of KRN funding resources have been re-prioritised to deliver the works to ensure that timescales of the award are met.
- Highways Infrastructure Safety Improvements – (£508k) – Work is underway on planning the delivery of scheme but there are delays in key stakeholder discussions.
- New Chapel and Resomation Cremators – (£1.3m) - This scheme has been delayed due to issues with utilities infrastructure, currently the scheme is under review with alternative sites being explored.

- Place Other – (£817k) – There are a small number of schemes where resources have been re-profiled.
- Finance and Systems
 - ICT programme of works – (£1.56m) – Work has commenced on the recently approved replacement of the Council's CRM systems and resources are being prioritised to deliver this due to contractual risks of any significant delays. Additional capacity will be available imminently to deliver other elements within the approved programme, with remaining resources being re-profiled to next year for delivery.

Status, Progress of Specific Major Schemes

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

Specific Issues

- Highways Structure and Maintenance

At Executive on the 25th June 2022 the programme of works associated with the recently awarded Key Road Network of £4.5m was approved from DFT through a TfGM bid process. As a result of this additional funding, resources will need to be reprioritised to ensure delivery of the schemes is completed in the timescales linked to this funding with the majority of this work being completed by the end of March 2023. This reprioritisation of resources will have an impact on the ability to deliver the original approved programme of works for 2022/23. This has been done to maximise additional funding sources available with an element of the original works being re-profiled to next year. The original approved Highways Structures and Maintenance programme for 2022/23 was £9.6m with the revised programme now being £11.5m including £3.5m of Key Route Network works, £230k of Bus Stop Accessibility Programme and some reprofiling to future years of the original programme giving a net increase of £1.9m for the total programme.

General Update

- Leisure Strategy

At Executive on 25th June 2022 approval was granted for Altrincham Leisure Centre to move to the next RIBA stage (4) which includes final clarifications for cost and scope, developing the designs for a planning application and then a move into the construction phase of the redevelopment. This will include a further review of the business case and all associated risks. To accommodate the redevelopment there will be a temporary full closure of Altrincham Leisure Centre to allow refurbishment work to take place. Closure will take place over Christmas 2022 to prepare

for works being carried in January 2023. A full refurbishment of Altrincham Leisure Centre is estimated to take up to 18 months. For Stretford Leisure Centre, based on RIBA stage 2 information, a fully updated business case including an updated facility mix and business plan is to be reported to Executive in December 2022. Following approval from Executive in March 22, an initial public consultation for Sale Leisure Centre has now been completed. The results of the consultation will be presented back to the December 2022 Executive.

- **Future High Streets Fund**

Trafford were awarded £17.6m by the Ministry of Housing, Communities and Local Government (MHCLG) in 2020 to assist in the delivery of works around the Stretford Town Centre that contribute to the overall Stretford Masterplan. In addition to this funding, Section 106 contributions of £1.5m and potential contributions of £3.56m from Trafford Bruntwood LLP this gives a total work package of £22.66m. The original bid include 6 main elements to the scheme as follows:

- Reconfiguration of Chester Road Entrance to Stretford Mall to form new linkage to the car park and service yard.
- Works to allow the formation of a new ground floor linkage through Stretford Mall to enable the creation of an extended 'High Street' along King Street.
- Reconfiguration of the Barton Road / Kingsway traffic lighted junction and associated highway and landscaping works to enable the site for mixed use.
- Reconfiguration of the highway and re-landscaping of Kingsway between Barton Road and Chester Road junctions to enable better pedestrian access to key town centre assets.
- Pedestrian/cyclist upgrade measures to Chester Road Junction.
- Preparation of land between Chester Road junction and Bridgewater Canal to unlock Lacy Street for development

The first two elements of the work are being undertaken directly by Trafford Bruntwood LLP with initial design works well underway with an anticipated start date on site of January 2023. For the other elements Trafford Council are the lead with initial design work progressing so they can commence in the next financial year. Further updates will be provided in the Capital Programme monitoring throughout the year.

Inflationary Pressures

The longer-term impact of the Covid-19 pandemic and other recent world events have the potential to impact on the ability to deliver the entirety of the Council's approved three-year Capital Programme. The key potential risks relate to pressure on costs and availability of resources for both materials and labour. These can impact on the ability for the programme to be delivered

within the planned resources and timeframes, and as such the programme may need to be amended.

Market evidence suggests that since the start of the pandemic construction materials costs have increased by over 40%, and although there is recent evidence that these costs are now settling, the situation is still volatile. Although raw materials costs are now currently falling these are being offset by increased energy and transport costs which are expected to keep rising in the short term.

General construction material availability is also improving but there are still a number of products that remain on a long lead-in time including bricks, roof tiles and semi-conductors. Some of these delays can be mitigated through early engagement with the supply chain and through advanced ordering. An example of this is for street lighting columns for which there is a long-term programme of works approved and it has been possible to purchase supplies now to support the future delivery of the programme.

A review of two key areas of the programme (Highways and Schools) is currently demonstrating a mixed picture, as follows:

- Revised costs for two major Basic Needs schemes at Moorlands Junior School and Willow Primary School are showing cost increases of between 30% and 40%, potentially increasing costs by £1.8m. In order to mitigate this, work is underway to value engineer the schemes, utilise scheme contingencies as greater cost certainty is attained, and reduce the programme length to reduce preliminary costs. There is currently an unallocated basic need allocation of circa £8m which is earmarked to deliver additional secondary school places in future years. Pupil projections are produced annually for the statutory School Capacity (SCAP) survey and given the significant changes between 2021 and 2022, a review is being undertaken to confirm requirements which may free up resource to assist with known pressures identified. It is to be noted that with the future uncertainty, all planned future places from identified projects may not be deliverable from existing resources. A report will be provided to the Executive to provide an update in the autumn and seek any approvals needed. There are similar pressures being identified within the Schools Capital Maintenance programme of works but these are on a smaller scale and with some unallocated resources already earmarked to mitigate potential cost pressures it is anticipated that these can be managed within the current approved programme.
- The current Highways programme is not currently demonstrating the same cost increases as above. This is down to a number of factors including that the original costings were undertaken more recently so a significant element of cost pressure will have already been accounted for in the programme. These recent costings will also have allowed for contingencies to enable increases to be absorbed accordingly to an extent. An example of this is the Surface Dressing and Treatment programme which is currently still forecast to be delivered on time and within original budget.

- There is however a continued risk that the ongoing energy cost increases will have an impact later within this financial year. This will potentially result in a small number of schemes needing to be funded from next year's currently unallocated resources. Ultimately this is going to result in less schemes being delivered as part of the overall three-year programme and the potential for assets deteriorating to a level where increased levels of maintenance is required from the revenue budget to maintain safety and compliance with the highways policies.

Inflation pressures are also having an impact on the potential financial returns from self-development schemes that the Council are looking to undertake in the future to support the funding of the Capital programme. Work is being undertaken to value engineer schemes, to package works together to achieve greater economy of scale and access additional funding to support schemes through streams such as Brownfield funding. If levels of receipts are not achieved as expected this will have an impact on the level of overprogramming within the capital programme and will need to be addressed by a reduction in the current approved programme or through additional borrowing which will come with an additional revenue cost.

Recent interest rises announced by the Bank of England are having an impact on assumed borrowing costs to support the capital programme with an associated impact on revenue budgets. Since the budget was approved in February 2022 the cost of borrowing through PWLB has increased by about 1.2%. It is currently anticipated that the current year's capital programme requires £8.74m of borrowing which could lead to an increase in revenue costs of £105k per annum. This will be managed within the overall treasury management portfolio and internal cash balances will be used on a temporary basis with any borrowing taken up when interest rates are expected to normalise.

Resources

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

Table 4 - Capital Programme Resources 2022-23	Revised Programme £m
External:	
Grants	39.06
Contributions	2.98
Sub-total	41.68
Internal:	
Receipts requirement	5.02
Borrowing	8.74
Reserves & revenue contributions	2.42
Sub-total	16.18
Total Resourcing	58.22

The Land Sales and Development Programme is continuously reviewed. The current position indicates an over-programmed level within the capital programme of £3.38m which is still in line with the original three-year budget that was approved in February 2022. The programme is currently being reviewed with a small number of additional receipts identified which have been used to offset receipts that are not now expected to realise previously anticipated levels.

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

Table 5 - Capital Programme Resources 2022/25	Budget 2022/23 £m	Budget 2023/24 £m	Budget 2024/25 £m	Budget Total £m
General Programme Investment	58.22	120.08	44.02	222.32
Grants	39.06	76.53	9.84	125.43
External Contributions	2.98	4.80	-	7.78
Revenue and reserves	2.42	1.18	0.01	3.61
Prudential Borrowing	8.74	29.73	27.68	68.11
Shortfall in 22/23 Receipts	-	-	-	-
Forecast Capital Receipts	2.25	5.43	8.29	15.97
Total Funding	55.92	122.43	40.59	218.94
Surplus / (Deficit)	(2.77)	(2.41)	1.80	(3.38)

There are a number of options that will be considered in order to address the forecast deficit for the current year of £2.77m and the overall level of over-programming of £3.38m. The options are as follows:

- a. Re-phasing of capital schemes that are funded from receipts will assist in reducing the short-term deficit. Work has already been undertaken with services to identify some schemes that can and have now been delayed mainly until the next financial year, although this effectively delays the funding issue until later financial years.
- b. Deletion of schemes currently funded from receipts would assist with short term pressures and reduce the level of over programming within the programme. Historic schemes where work has not yet commenced will be reviewed as part of the new round of bidding to identify if all these schemes are still required and still align with council priorities.

This will also include a wider review of the programme to identify any potential schemes that are no longer required.

- c. Identify additional opportunities for land sales and development returns that are currently not assumed within the anticipated levels of receipts. Work is continually ongoing to identify any sites that are no longer required that could be either sold or developed in addition other development opportunities across the borough
- d. Short-term borrowing as detailed in the February 2022 capital strategy could be used to fund the deficit in capital programme for the next two years until receipts are realised and then used to repay the borrowing. This would have an additional revenue costs and is therefore not an option given the overall position on the Council's revenue budget. This also carries a risk that if receipts are not realised within predicted time scales, or at all, the borrowing will then need to be paid for on a longer or more permanent basis for which there are no resources currently identified.

Asset Investment Fund

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 £360.28m, of which £228.90m has currently been expended.

The balance of the approved £500m which is available for further investment is £139.72 (Table 6 below)

Table 6: Asset Investment Fund	Prior Years Spend £m	Repayments £m	Actual Spend 2022/23 £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	5.32	-	0.08	0.65	6.05
Brown Street, Hale	9.01	(2.68)	0.11	-	6.44
Former sorting office, Lacy Street, Stretford	0.90	-	-	-	0.90
GMP Site, Chester Road, Old Trafford	-	-	-	0.64	0.64
Care Home Purchase & Remediation	2.31	-	0.07	0.53	2.91
Tamworth	0.13	-	-	0.26	0.39
Various Development Sites	0.33	-	0.03	-	0.36
Sub Total	18.00	(2.68)	0.29	2.08	17.69
Equity:					
Stretford Mall, Equity	8.82	-	-	-	8.82
Stamford Quarter, Equity	16.97	-	0.52	7.20	24.69
K Site, Stretford Equity	11.21	-	-	1.18	12.39
Sub Total	37.00	-	0.52	8.38	45.90
Development Debt:					
Bruntwood; K site	11.11	-	-	1.28	12.39
Bruntwood; Stamford Qtr/Stretford Mall	25.82	-	0.52	7.23	33.57

CIS Building, Manchester	60.00	(25.80)		-	34.20
The Hut Group	62.45	(62.45)		67.50	67.50
Castle Irwell, Salford	18.70	(19.25)	0.85	18.70	19.00
Castle Irwell, Salford – Phase 2	3.74	-	5.30	2.96	12.00
Broadheath, Altrincham – Loan for Industrial Development				21.50	21.50
Hale Library	1.29	-	1.56	1.75	4.60
Sub Total	183.11	(107.50)	8.23	120.92	204.76
Total Capital Investment	318.03	(110.18)	9.04	131.38	348.27
Albert Estate Investment	17.62	(5.61)		-	12.01
Total Investment	335.65	(115.79)	9.04	131.38	360.28
Balance available					139.72

These investments are forecast to generate a net benefit to the revenue budget in 2022/23 of £5.67m, a deficit of £1.56m compared to the budget net target. Key variances include:-

- The 2022/23 budget assumed additional net income of £3.4m from schemes that were yet to be committed to. This figure represented the recycling of funds from schemes that have matured and been repaid, such as the Crescent. Four new debt investments have been identified and progressed sufficiently for an indicative return of £0.58m in 2022/23 to be included in the projections. Three of these new schemes will require further due diligence and approval from IMB before they are entered into by the Council. Work will continue in order to identify further investments which will provide a revenue return as part of the Asset Investment Strategy's recycling target.
- The IMB have agreed to a 6 month extension to the debt facility at the CIS Tower, at a lower balance of £34.2m. This extension, in addition to the four months up to the end of July that had already been agreed, will provide a net revenue return of £1.41m in 2022/23.
- The forecast net returns from the Council's debt investment in the Albert Estate have reduced, by £0.21m due to a partial repayment of the loan from £17.62m to £12.01m.
- 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 autumn 2022, which has caused a pressure in 2022/23 of £0.68m.
- A shortfall in returns from the Council's three joint ventures with Bruntwood of £0.85m, 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. This shortfall will be met from a draw from reserves in 2022/23, with the reserve balance replenished when the sites return to surplus.
- Higher returns to the value of £0.09m on debt facilities which are linked to variable interest rates, offset by additional costs of £0.07m from the increased cost of financing.
- The Risk Reserve level at the start of the year was £6.31m. This level of reserve is currently considered to be sufficient in relation to the immediate risks that the portfolio is exposed to. The Council will, therefore, make reduced contributions in 2022/23, and £0.78m will instead be used as part of the mitigation of the forecasted income pressures.

Risk Reserve B/F	£6.31m
In year contribution	(£0.85)
Risk Reserve C/F	£5.46m

Issues / Risks

A key risk is the ability to deliver the revised capital programme in 2022/23, and this will continue to be closely monitored and reported throughout the year and as any significant issues may arise.

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

Recommendations

10. It is recommended that that the Executive:

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

Other Options

No Applicable.

Consultation

Not Applicable

Reasons for Recommendation

Not applicable

Finance Officer ClearanceNR.....

Legal Officer ClearanceDS.....



DIRECTOR'S SIGNATURE

Appendix 1

Service Review/Virements	Children's (£000's)	Adults (£000's)	Place (£000's)	Strategy & Resources (£000's)	Finance & Systems (£000's)	Governance & Community Strategy (£000's)	Council-wide (£000's)	Total (£000's)
Period 2 Outturn Report	44,100	69,814	30,998	5,094	8,169	6,306	28,091	192,572
Virements:								
Performance Training Officer	(43)			43				0
Minor budget re-alignments						4	(4)	0
Total movements	(43)	0	0	43	0	4	(4)	0
Period 4 Outturn Report	44,057	69,814	30,998	5,137	8,169	6,310	28,087	192,572

Appendix 2

Main variances, changes to budget assumptions and key risks

The main variances contributing to the projected overspend of £912k, any changes to budget assumptions and associated key risks are highlighted below:

Table : Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	1,598	<p>Projected outturn variance £1.598m adverse, adverse movement of £215k.</p> <p>Below is the projected position on children's placements and other budget areas.</p> <ul style="list-style-type: none"> • £350k over budget on Children's placements, favourable movement of £263k (note 1); • £269k under budget on staffing, favourable movement of £210k (note 2); • £980k over budget on home to school transport, adverse movement of £527k (note 3). • £537k over budget on other running costs and income across the service, adverse movement of £161k (note 4); <p><u>Note 1</u></p> <p>Children's placements currently projects an overspend of £350k, favourable movement of £263k.</p> <p>At the time of setting the budget for 22/23 and based on placements in December 2021 the service had a contingency of £1m for additional demand with savings of £758k to achieve (original savings were £1.358m less full year effect of those achieved in 21/22 of £600k).</p> <p>In reviewing this position based on the placements as at the 1st April 2022 this contingency had reduced to a negative position of £294k. This was mainly due to 2 additional placements made during February/March 2022 with an annual cost of £1.346m. This had a significant impact on the children's placements position for 22/23. As at period 4 this has reduced by £267k as the service has stepped down one of the placements. In addition to this the latest projection also anticipates savings of £563k to be achieved from the second placement.</p> <p>Within the overall position there is also another £397k of planned reductions still to take place, a favourable movement of £251k from period 2.</p> <p>Contingency of £349k was utilised between Period 2 and 4 and although not sufficient to cover the overall net increase in new</p>

	<p>placement costs of £497k, this has been offset by a combination of additional savings and a review by the service on health contributions made towards placements. There is still a contingency of £694k included in the above projections to cover any further demand, cost increases and potential timeline changes to the anticipated planned reductions mentioned above.</p> <p>The savings of £1.358m included in the budget has been achieved through a combination of work undertaken during 21/22 and its full year impact, planned and additional reductions for 22/23 and a review of funding received from health towards placements. However there are still further planned reductions to take place and continuous scrutiny in this area will be applied. Projections on these may be subject to change.</p> <p>The numbers of children as at the end of July 2022 compared to those at the end of May 2022 are as follows:-</p> <ul style="list-style-type: none"> • children in care 342, a reduction of 16 • child protection 216, an increase of 19 • children in need 786, an increase of 18 <p>Although children in care numbers are reducing it is important to note that overall costs for placements may not fall at the same level as the types of placements that are stepped down and those that are new will vary as will the costs. For example the current average cost for internal fostering is £22k per year and for a residential placement it is £310k.</p> <p><u>Note 2</u></p> <p>The favourable variance in staffing of £269k, favourable movement of £210k is due to delays and difficulties in recruiting. These are one-off in nature as the service continues with its service redesign and recruitment drive during 2022/23.</p> <p>The staffing savings included in the budget of £110k are expected to be achieved this year either through permanent reductions or due to the delays in recruiting as mentioned above. However, this will be reviewed throughout the year as to their permanency as the service redesign continues.</p> <p><u>Note 3</u></p> <p>The projected overspend in Home to School Transport of £980k, an adverse movement of £527k is due to:</p> <ul style="list-style-type: none"> • the service continues to see an increase in demand with further applications being received;
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		<ul style="list-style-type: none"> • 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; <p>The task and finish project being undertaken by the Business Intelligence Unit to look at opportunities for change to mitigate the overspend has produced its findings. This is currently being reviewed by the service to identify the actions that can be taken forward.</p> <p>Note 4</p> <p>The adverse variance in running costs and income across the service is £537k, an adverse movement of £161k as outlined below:</p> <ul style="list-style-type: none"> • £61k adverse variance on Partington nursery, favourable variance of £24k. The overall variance is due to a shortfall in income. • £383k adverse variance in running costs, adverse movement of £188k. The variance is due to: - <ul style="list-style-type: none"> ○ one off costs to support a young person in hospital £190k adverse, no movement, ○ S17 costs £218k adverse, adverse movement of £218k. 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 with placements the type of need required by each family can vary depending on the complexities. A review of all S17 payments is currently taking place to assess likely future years requirements. ○ Other costs £25k favourable, favourable movement of £30k • £93k adverse variance on minor variances across the service, no movement.
Adult Services	(114)	<p>Projected variance £114k favourable a favourable movement of £85k from P2.</p> <p>The impact of COVID-19 continues to have a significant bearing on the service in terms of demand, its service delivery and finances, This is expected to continue throughout this financial year.</p> <p>The areas of favourable variance and pressures are outlined below:</p> <ul style="list-style-type: none"> • Nil variance on Adult clients (Note 1), no movement; • £114k favourable position on staffing and running costs a favourable movement of £85k. (Note 2).

		<p><u>Note 1</u></p> <p>Adult Clients is projecting a nil variance as at period 4.</p> <p>This budget remains high in complexity and volatility as a result of COVID-19 due to the following:-</p> <ul style="list-style-type: none"> • assessing the impact on clients of previous infection and long covid; • assessing the long-term impact on clients unable to access services during this period; • supporting the NHS with rapid discharges from hospitals as they deal with the backlog of patients waiting treatments; • potential impact of new infections; • increased mental health support. <p>Packages of Care – The P4 position is projecting a £31k favourable variance, a favourable movement of £31k from P2. Within the forecast is a contingency of £750k to mitigate new demand and increases to existing client costs that may present throughout the financial year.</p> <p>Discharge to Assess – Between April 2020 and March 2022 national funding was available in the form of the hospital discharge fund. However, from April 2022 this funding is no longer available and local plans are required to sustain the current operating model.</p> <p>To meet this the Council and Trafford CCG, now known as NHS Greater Manchester Integrated Care (Trafford Locality), established a joint one-off fund to support hospital discharges during 22/23 to enable the model to be reviewed as recurring budgets held by both organisations are not sufficient.</p> <p>The Council’s recurring discharge to assess budget for beds is £1.5m and any costs in excess of this will be met from the joint fund. Current projections are that there are sufficient funds to cover these projected excess costs.</p> <p>Savings – The savings target for 22/23 is £219k and £13k savings have been achieved to date. The forecast assumes that the target will be under achieved by £31k an adverse movement of £31k from P2. This is due to a delay in the implementation of savings proposals. Regular scrutiny will be applied in this area and updates will be provided through the financial year.</p> <p><u>Note 2</u></p> <p>The forecast projected outturn position for staffing and running costs is a favourable variance of £114k a favourable movement of £85k from P2 as outlined below:-</p>
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		<ul style="list-style-type: none"> • Nil variance on staffing a favourable movement of £77k. • £114k favourable variance on client equipment due to lower than anticipated activity, a favourable movement of £8k from P2. • The savings target on Liberty Protection Safeguards of £100k is currently forecast to be achieved. However, this is dependent on the date of implementation which is set by central government.
Public Health	(19)	<p>Projected Outturn variance £19k favourable an adverse movement of £13k from P2.</p> <p>This favourable position is due to a reduction in contract costs of £38k being offset with adverse minor variations of £19k.</p>
Place	1,874	<p>Total projected outturn variance £1.874m adverse, an adverse movement of £232k.</p> <p>Place Revenue Budget £317k adverse, an adverse movement of £107k:</p> <ul style="list-style-type: none"> • Pressures include £157k relating to property costs (increased by £12k), including ongoing security costs at Trafford Town Hall, residual utility bills for properties disposed of in 2021, and one-off costs associated with the PFI review of Sale Waterside. • There are also estates savings of £195k, and an additional £50k from business rate reviews, which are in the process of being finalised but not expected to be fully achieved in the current year. • There is a projected shortfall in building control income of £72k (increased by £12k), which is offset by a related underspend in staffing from vacancies. Projected parking income is also £55k below budgeted target (£2k increase) due to later implementation of fee changes approved by Council in February 2022 and ongoing effects of COVID-19 on demand compared to pre-pandemic. • Additional income above budget includes Altair £120k and other rents £3k. Projected other rents have reduced by £92k which includes revised assumptions relating to Altrincham Market £80k and Stretford Mall £12k. • Other net minor movements across all services are £25k adverse (increase of £21k); • There is an estimated overall staffing underspend of £190k relating to vacancies forecast across the year (excluding the ringfenced Planning account) (increase of £56k), which is

		<p>approximately 2.5% of the staffing budget. This is offset by a Directorate-wide efficiency saving of £69k;</p> <ul style="list-style-type: none"> • The Planning service is a ringfenced account and is projecting a shortfall in income of £287k (increased by £116k) which is offset by an underspend of £275k in staffing, running costs and reserve contributions (increased by £92k). This is a net overspend of £12k for the year (£24k net adverse movement). <p>Strategic Investment Programme £1.557m adverse, an adverse movement of £125k:</p> <p>The Strategic Investment Property Portfolio is expected to deliver a net benefit to the revenue budget in 2022/23 of £5.674m. This is £1.557m lower than budgeted due to economic factors affecting some of the income particularly from the town centre investments (£125k adverse movement).</p>
Strategy & Resources	(220)	<p>Projected outturn variance £220k favourable, a favourable movement of £234k.</p> <ul style="list-style-type: none"> • Staff costs are estimated to be £186k less than budget across the Directorate based on actual and forecast vacancies across the whole year, which is 2% of the total staffing budget and £152k higher than last reported; • Running costs are forecast to be £101k underspent, a favourable movement of £40k mainly related to Bereavement Services; • Other Income is projected to be £159k above budget. This includes £103k from the traded Music Service, £24k from Catering and Cleaning, £39k from Bereavement Services and £44k from staff parking, offset by a £33k shortfall in income from libraries and other income £18k. The projection is £42k higher than last reported and includes for the Music Service £103k offset by a reduction of £59k in Bereavement Services (offset by reduced running costs above). <p>These are offset by the budgeted Directorate-wide efficiency saving target of £226k, which is expected to be achieved in full.</p>

Finance & Systems	87	<p>Projected outturn variance £87k adverse, a favourable movement of £77k.</p> <ul style="list-style-type: none"> • Staff costs are estimated to be £192k less than budget across the Directorate based on actual and forecast vacancies for the whole year, which is 2.2% of the total staffing budget and £89k higher than last reported; • Running costs are forecast to be overspent by £17k (increase of £3k); • Income is projected to be £76k below budget (adverse movement of £9k), which relates to reduced ICT trading income from schools. <p>These are offset by the budgeted Directorate-wide efficiency saving target of £186k.</p>
Governance & Community Strategy	307	<p>Projected outturn variance £307k adverse, an adverse movement of £6k.</p> <ul style="list-style-type: none"> • Staff costs are estimated to be £76k above budget and includes for agency costs covering vacancies and service demand. This has increased by £52k since last reported as a number of interim arrangements will need to be further extended due to difficulties in filling vacancies; • Running costs are projected to be overspent by £66k (reduced by £26k) and mainly relates to legal fees associated with workload demand; • There is a projected shortfall in income of £75k compared to budget (favourable movement of £18k). This overall shortfall includes £25k in capital fee income which is related to staff vacancies, £62k shortfall in traded services and £43k reduced grant income in electoral registration service. Registrars' income is forecast to be £45k above budget (favourable increase of £20k) and land charges £10k. <p>The above is offset by the budgeted Directorate-wide efficiency saving target of £90k.</p>

Council-wide	(2,601)	<p>Projected Outturn variance, £2.601m favourable, a favourable movement of £1.201m since Period 2</p> <p>Treasury Management</p> <p>The average interest rate at the time of setting the budget was expected to generate income of £433k. Successive increases in the Bank of England base rate has seen a subsequent increase in the average investment rate, which is currently expected to generate additional investment interest of £855k.</p> <p>Other net adverse variances against budget of £65k.</p> <p>Housing Benefit</p> <p>The Housing Benefit budget is notoriously difficult to predict. At period 4 a saving on the net Housing Benefit budget (payments made, less subsidy and overpayment recovery) of £257k is estimated, although there is a wide margin for error given the unknowns and this figure could change throughout the year. A reserve of £500k is set aside should this budget enter an overspend position.</p> <p>COVID-19 Contingency</p> <p>At this stage in the year, there is nothing to suggest there are any long term COVID pressures, with income levels from Sales, fees and charges being in line with budget, therefore the central COVID contingency of £1.50m has been released in full, as previously reported.</p> <p>GMCA Transport Levy</p> <p>The final GMCA Transport levy set is lower than the budget agreed in February by £154k.</p>
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Dedicated Schools Budget	724	<p>The DSG allocation has increased by £697k since P2 due to additional funding being allocated within the High Needs Block (£575k) which was mainly for growth at the special free school (The Orchards) and the Early Years Block (£122k) for updated census data (January 22).</p> <p><u>Schools Block</u> - £361k underspend relates to the Growth Fund.</p> <p><u>Central Schools Block</u> - £22k underspend is mainly on the Primary Targeted area.</p> <p><u>High Needs Block</u> - £1.11m overspend is due to a £211k overspend on the budget set and that the budget set is £898k more than the latest grant allocation received.</p> <p>The £211k overspend is mainly due to funding an additional 24 further education placements at £6k each (£144k) with no additional grant. Additional funding in the current formula is not provided by central government for any increases in 19-25 year olds. Additional places at The Orchards and Delamere account for £40k with the balance of the overspend relating to minor variances.</p> <p>There is a negative high needs block reserve of £1.992m, leaving an overall deficit of £3.101m.</p> <p>Work continues to take place on this with a HNB sub-group of the funding forum which is working on a report to summarise options for longer term savings.</p> <p>In addition to this a meeting has also been held with the Education and Skills Funding Agency (ESFA) to progress work on a DSG Deficit Recovery Plan which will also assist in future planning.</p> <p><u>Early Years Block</u> - £2k minor underspend.</p>
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Appendix 3

Theme/Title	Service Area	Budget 2022/23 £000's	Outturn Projection 2022/23 £000's	Gross Variance 2022/23 P4 £000's	Description of Saving	Financial RAG 22/23	Financial RAG comments
Strategic Investment Income	Place	(1,040)	0	1,040	Recycling of receipts to maintain net income at achievable levels	RED	Ongoing MTFP issue
Resident parking permits and parking charges	Place	(100)	(80)	20	A range of measures will be undertaken to ensure charges are suitable whilst also recognising potential impact on users, businesses and the environment.	AMBER	Delay in implementing the fee changes approved in February.
Digital Strategy	Council Wide	(100)	0	100	Increased use of digital technology to deliver better and more efficient services.	RED	Increased investment in technology to deliver efficiencies (streamlining processes etc) Savings yet to be identified
TOTAL SAVINGS AND INCOME PROPOSALS		(1,240)	(80)	1,160			

Appendix 4

2022/2025 INDICATIVE CAPITAL PROGRAMME				
	2022/23	2023/24	2024/25	Total
DESCRIPTION	£m	£m	£m	£m
Schools				
Basic Need – School Places	0.79	9.56		10.35
Firs Primary School	3.39			3.39
Willows Primary School	2.10	0.86		2.96
Templemoor Infant School	0.51	1.28		1.79
Moorlands Junior School	3.00	0.97		3.97
Davyhulme Primary School	0.50	2.49		2.99
School Access Initiative	0.13	0.05		0.18
Devolved Formula Capital	0.82	0.62	0.37	1.81
Capital Maintenance Grant	3.22	3.97	2.48	9.67
SEND Capital	1.82	8.23		10.05
Sub-total	16.28	28.03	2.85	47.16
Children's Services				
Foster Carers – Accommodation Improvements	0.13	0.12	-	0.25
Hayeswater Centre – Improving outdoor provision	0.03	-	-	0.03
Children Services – Data Capture	0.30	0.20		0.50
Liquid Logic – Children's & Delegation Portals	0.01	-	-	0.01
Sub-total	0.47	0.32	0.00	0.79
Adults Social Care				
Disabled Facility Grants	3.36	4.04	2.47	9.87
Assistive Technology/Technology Innovation	0.10	0.10		0.20
Right Care For You	0.10			0.10
Liquid Logic/Data Capture	0.09	-	-	0.09
Shawe Road, Urmston – Complex Needs (Change of use)	0.10		-	0.10
Liberty Protection Safeguards (Liquid logic updates)	0.07	-	-	0.07
Sub-total	3.82	4.14	2.47	10.43
Place				
Town Centres Loans Fund	0.18	0.10		0.28
Business Loan Scheme	0.10	0.40		0.50
Altrincham Town Centre – Public Realm	2.00	0.78		2.78
Stretford Town Centre – Public Realm	0.04	1.50		1.54
Market Street, Altrincham – Redevelopment	0.24			0.24
Greater Manchester Full Fibre		0.07		0.07
Manchester Airport – Project Apollo				0.00
Manchester Airport – Project Mere		3.26		3.26
Trafford Waters, Trafford Park – Infrastructure	4.06			4.06
Future High Street Fund	3.02	12.66	1.00	16.68

Public Building Repairs and Compliance Programme	0.45	0.81	0.45	1.71
DDA Programme	0.12	0.05	0.04	0.21
Sale Waterside/ Trafford Town Hall Improvements incl. Update Working Arrangements	0.38	0.67		1.05
Watling Gate – Preservation/Conservation		0.16		0.16
Members Committee Room ICT	0.15			0.15
Altrincham, Market House Improvements	0.10			0.10
De-carbonisation Programme	2.78			2.78
Leisure Strategy – “Increasing Physical Activity” Maintenance	0.19	0.05		0.24
Altrincham Leisure Centre	0.92	12.06	5.63	18.61
Sale Leisure Centre	0.25	0.25	17.40	17.90
Stretford Leisure Centre	0.25	5.29	10.06	15.60
Football Facility Provision	0.36	1.80		2.16
Turn Moss Playing Fields	0.10			0.10
Timperley Sports Club – Artificial Pitch Contribution	0.35			0.35
Sports Provision – Artificial surface replacement		0.48		0.48
Altrincham Driving Range	0.09			0.09
Parks - Tennis Courts Programme	0.72			0.72
Integrated Transport Schemes	0.38	0.96	0.61	1.95
Boroughwide – Boundary / Village Entry Signs	0.01	0.09		0.10
Altrincham Town Centre Cycle Link	0.13			0.13
The Square, Hale Barns	0.06			0.06
Mayors Cycling and Walking Challenge Fund	2.78	15.80		18.58
Residents Parking Scheme	0.05	0.10		0.15
Electric Vehicle Charging Points		0.50		0.50
Cycle Parking at Stations	0.04			0.04
City Cycle Ambition Grant	0.01			0.01
Casualty Reduction Programme				0.00
Active Travel	0.05	0.46		0.51
EAT - Social Distancing Works	0.21			0.21
Integrated Transport - S106		0.07		0.07
Bus Stop Accessibility Programme	0.23			0.23
Highways Structural Maintenance	3.00	6.31	2.91	12.22
Surface Dressing & Treatment Programme	3.00	3.00		6.00
Key Route Network Programme	3.50	1.00		4.50
Pothole & Challenge Fund				0.00
Park Map - ICT Upgrade		0.02		0.02
Highways Tree Programme		0.05		0.05
Highway Maintenance Section 106		0.07		0.07
Street Lighting	1.22	0.50		1.72
Electric Street Furniture Replacement	0.08	0.05		0.13
Bridge Assessments and Strengthening	0.55	0.50		1.05
Carrington Junction and Relief Road	0.95	12.50		13.45
Highways Infrastructure Safety Improvements	0.10	0.51		0.61

New Chapel and Installing Resomation cremators	0.15	1.30	0.50	1.95
Countryside Access – Infrastructure & Biodiversity	0.09			0.09
Play Area Infrastructure and Refurbishments	0.83	0.25		1.08
Parks & Open Space, Outdoor Sports & RRF – S.106 Funded	0.37	0.23		0.60
Parking – Improvements/P&D/Signage	0.09			0.09
Enforcement and Permit Software Upgrade	0.04			0.04
Regent Road Multi-storey Car Park	0.20			0.20
Assistance to Owner Occupiers	0.06	0.08		0.14
Housing Standards / Empty Property Initiatives	0.06	0.09		0.15
Affordable Housing Fund		0.05		0.05
CCTV Transformation Programme – Phase 2	0.54			0.54
CCTV Cameras – Fly-tipping Prevention	0.16			0.16
Sub-total	35.79	84.88	38.60	159.27
Governance & Community Strategy				
Waterside Arts Centre	0.05	-	-	0.05
Sub-total	0.05	0	0	0.05
Finance & Systems				
Civica – New Web Front-end	0.01			0.01
ICT Services and Infrastructure	0.21	0.09		0.3
Office 365 – Implementation, training etc.	0.12			0.12
Windows 10 Implementation	0.3			0.3
Systems Upgrades SAP/RFC	0.02	0.22		0.24
Development / Low Code Solution	0.11	0.11		0.22
Meeting Room – Video Conferencing	0.11			0.11
Improved Digital Resilience and Disaster Recovery	0.13	0.24		0.37
Digital Inclusion		0.15		0.15
CRM - Update/Replacement	0.6	1.4	0.1	2.1
Digital and Hardware Investment		0.5		0.5
Business Intelligence	0.2			0.2
Sub-total	1.81	2.71	0.1	4.62
GENERAL PROGRAMME TOTAL	58.22	120.08	44.02	222.32

Prudential Indicators – 2022/23

The Prudential Code for Capital Finance in Local Authority has been reviewed and updated following a consultation with Local Authorities in November 2021. The Code requires that the Council report and monitor Prudential Indicators on at least a quarterly basis during the financial year. These indicators are designed to support and record local decision making in manner that is publicly accountable.

These indicators are approved and set by the Council in February each year as part of the wider budget setting process.

The prudential indicators cover the three areas in which the Council is required to report and monitor:

Capital expenditure indicators:

- **Estimates of capital expenditure;** Actual total capital expenditure for previous financial year and estimates of spend for the following three years. Variances found here from the approved indicator level to the current forecast level are due to revisions to the programme, reported through the regular Capital Budget Monitoring and approved by the Executive.
- **Estimates of capital financing requirement;** 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).

Prudential Indicators - Period 4 2022/23	2021/22	2022/23			2023/24			2024/25		
	Actual £m	Approved £m	Current Forecast £m	Variance £m	Approved £m	Current Forecast £m	Variance £m	Approved £m	Current Forecast £m	Variance £m
Capital Expenditure										
Capital expenditure - General Programme	27.07	79.56	58.22	(21.34)	68.60	120.08	51.48	39.07	44.02	4.95
Capital expenditure - Investment Strategy	30.90	130.15	93.99	(36.16)	75.00	118.63	43.63	25.00	28.46	3.46
Capital expenditure - Total	57.97	209.71	152.21	(57.50)	143.60	238.71	95.11	64.07	72.48	8.41
Capital Financing Requirement (CFR)	376.35	538.44	471.34	(67.10)	624.81	611.33	(13.48)	624.28	657.15	32.87

External debt indicators

- **Authorised limit for external debt;** This is a key prudential indicator and represents a control on the maximum level of external debt that the Council will require for all known potential requirements. It includes headroom to cover the risk of short-term cash flow variations that could lead to temporary borrowing and any potential effects arising from bringing “off balance sheet” leased assets onto the balance sheet in compliance with IFRS 16.
- **Operational boundary for external debt;** calculated on a similar basis as the authorised limit but represents the likely level of external debt that may be reached during the course of the year and is not a limit
- **Gross debt and the capital financing requirement;** The Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

Prudential Indicators - Period 4 2022/23	2021/22	2022/23			2023/24			2024/25		
	Actual £m	Approved £m	Current Forecast £m	Variance £m	Approved £m	Current Forecast £m	Variance £m	Approved £m	Current Forecast £m	Variance £m
External Debt										
Authorised limit for external debt - Capital Programme	200.00	210.00	210.00	0.00	240.00	240.00	0.00	240.00	240.00	0.00
Authorised limit for external debt - Investment Strategy	300.00	400.00	400.00	0.00	475.00	475.00	0.00	500.00	500.00	0.00
Authorised limit for external debt - Other long-term liabilities	4.20	3.90	3.90	0.00	3.50	3.50	0.00	3.10	3.10	0.00
Authorised limit for external debt - Total	504.20	613.90	613.90	0.00	718.50	718.50	0.00	743.10	743.10	0.00
Actual external debt	322.42									
Operational boundary for external debt - Capital Programme	180.00	190.00	190.00	0.00	220.00	220.00	0.00	220.00	220.00	0.00
Operational boundary for external debt - Investment Strategy	300.00	400.00	400.00	0.00	475.00	475.00	0.00	500.00	500.00	0.00

Operational boundary for external debt - Other long-term liabilities	4.20	3.90	3.90	0.00	3.50	3.50	0.00	3.10	3.10	0.00
Operational boundary for external debt - Total	484.20	593.90	593.90	0.00	698.50	698.50	0.00	723.10	723.10	0.00
Gross debt and the capital financing requirement	Compliant	Compliant	Compliant	-	Compliant	Compliant	-	Compliant	Compliant	-

Affordability indicators

- **Estimates of 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. This demonstrates the affordability and proportionality of that borrowing by comparing it to the Council's net revenue stream as a whole.
- **Estimates of net income from commercial and service investments to net revenue stream;** This indicator compares income from commercial investments to the Council's net revenue stream. As before, this comparison allows for consideration for the Council reliance on that income and its proportionality.

Prudential Indicators - Period 4 2022/23	2021/22	2022/23			2023/24			2024/25		
	Actual £m	Approved £m	Current Forecast £m	Variance £m	Approved £m	Current Forecast £m	Variance £m	Approved £m	Current Forecast £m	Variance £m
Affordability										
Financing Costs to net revenue stream	6.6%	6.7%	6.6%	-0.1%	6.8%	6.6%	-0.2%	6.6%	6.7%	0.1%
Net Income for commercial and service investments to net revenue stream	9.4%	7.5%	8.5%	1.0%	6.0%	8.0%	2.0%	5.4%	7.5%	2.1%

TRAFFORD COUNCIL

Report to: Accounts & Audit Committee
Date: 28 September 2022
Report of: Director of Finance and Systems

Insurance Performance Report 2021/22

Summary

This report provides a summary of insurance performance for 2021/22:

- Gross cost of the insurance activity was £1.209m; comprising £507k of premium costs and £702k for claims. Savings in premiums and claim payments resulted in an underspend of £89k against budget. The balance of £89k was redirected to the Insurance Risk Reserve to address potential sector wide emerging claims.
- The provision for outstanding liability claims was £3.323m at 31 March 2022, compared to £3.215m at 31 March 2021, an increase of £108k.
- Claim numbers decreased in 2021/22, 209 new claims received compared to 284 in 2020/21.
- Repudiation rates for liability claims remains consistently high at 74%
- Changes to The Data Protection Act (DPA) presents an emerging risk to the Council, 5 claims received in 2021/22

Recommendations

That the report be noted.

Contact for access to background papers and further information:

Name: Dave Muggerridge
Extension: 4534
Background Papers: None

1. Introduction

1.1 This report updates the Committee on the Council's insurance activities for 2021/22, the report focuses on:

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

2. Cost of Insurance

- 2.1 The insurance programme covers a broad range of insurable risks; a summary of policies and appointed insurers are detailed **Annex 1**.
- 2.2 Premium and claims costs are the main items of expenditure for the insurance budget with an annual provision made to cover the estimated cost of claims. An Insurance Risk Reserve allows us to absorb and smooth out any significant pressures during years where claims may exceed the net revenue budget.
- 2.3 The Council's Insurance Provision was £3.323m as at 31st March 2022. This amount is set aside by the Council to meet claims costs which fall within the Council's elected policy excesses (detailed in **Annex 1**). The level of the provision is reviewed, biennially, by an external Actuary. The likely growth of the cost of claims received is assessed and a forecast provided in respect of potential claims, yet to be reported (IBNR).
- 2.4 The Insurance Risk Reserve is maintained in the event of a catastrophic insurance loss or in the event of a large number of high value claims and is used to balance any fluctuation in the overall provision level and additional costs associated with historical Municipal Mutual Insurance claims. The amount set aside is sufficient to cover the excess of three large insurance claims, where the Council is required to pay the first £275k/£250k. The Insurance Risk Reserve also includes £500k for potential additional costs associated with MMI claims and a balance of £450k to smooth any fluctuation in provision level and cover any uninsured losses over budget. The balance on the reserve was reviewed as part of the budget robustness exercise when preparing the 2022/23 budget and the reserve was reduced by £250k at the time.
- 2.5 The 2021/2022 net budget for insurance activity of £860k consists of insurance premiums at £536k, provision for claims of £712k, provision for self-insured loss claims of £100k (which are largely property related) and income from recharges to schools and trading functions at £488k.
- 2.6 The insurance budget is held within Council Wide, however is only reported in detail at year end due to the evolving nature of the way claims histories develop. In 2021/22 reductions in prior year claims provision of £22k, savings in premiums of £29k and self-insured claims being £88k under budget against a reduction in income from schools of £50k resulted in an underspend of £89k.
- 2.7 In 2021/22 a new actuary was appointed to assess our provision. Taking a different stance to the previous actuary, a suggestion was made that the Council should identify a risk reserve to cover potential costs associated with sector wide emerging claims which we may become exposed to as a result of legislative changes. Such advice was considered by officers as a prudent measure, against which ring-fencing further resources needed to be considered alongside other council-wide financial risks. A decision was made to bolster the

insurance reserve over a period of time to reach a figure of 50% of the balance suggested by the Actuary, a figure of £240k. The insurance reserve was subsequently topped up by the £89k underspend, resulting in a breakeven position in the total insurance budget.

Table 1 – Insurance Expenditure for 2021/2022	Budget £000	Actual £000	(Under)/ Over Spend £000
Premiums	536	507	(29)
Provision for Claims	712	690	(22)
Self-insured Loss Claims	100	12	(88)
Gross Cost	1,348	1,209	(139)
Income	(488)	(438)	50
Contribution to/(from) reserves		89	89
Net Cost	860	860	0

2.8 The balances of the Insurance Provision and the Insurance Risk Reserve at the 2021/2022 year end were:-

Table 2 – Provision and Reserve Balances			
Provision	£000:	Insurance Risk Reserve	£000:
Balance as at 01/04/2021	(3,215)	Balance as at 01/04/2021	(1,700)
Less Claims Paid	582	Budget Support Reserve Transfer #	250
Reassessed Provision	(690)	Contribution to Reserve	(89)
Balance as at 31/03/2022	(3,323)	Balance as at 31/03/2022	(1,539)

Balance on the reserve was reviewed as part of the budget robustness exercise in preparing the 2022/23 budget and the reserve was reduced by £250k to leave a reserve to cover 3 significant claims (previously 4).

3. Claims

3.1 Activity

Financial Year	Amount Paid in Claims Across All Policy Years (01/04/1992 to 31/03/2022) £000	Number of New Claims Received and Processed in Year
2021/2022	582	209
2020/2021	553	284
2019/2020	405	390

3.2 Claim payments of £582k were made in 2021/22, an increase of 5% on 2020/21. Three large public liability claims (those in excess of £50k) settled in 2021/22 contributed to the small increase.

3.3 **Annex 2** provides an overview of our five years claims experience by policy year (01/04/2017 – 31/03/2022) split by the following risks: Employer’s Liability, Highway Injury, Highway Property, Highway Trees and Public Liability.

3.4 **Employer’s Liability** numbers remain consistently low with 5 claims received for 2021/22 against a yearly average of 4 claims

3.5 The Governments 2019 manifesto encouraged new flexible ways of working resulting in a new hybrid way of working for most Council employees.

However, the Council’s duties under The Health and Safety at Work Act 1974 also apply to those working from home and, whilst a rise in claims was initially predicted from remote employees, for example, muscular skeletal disorders caused by poor working conditions, this has not yet borne true for Trafford. A personal injury claim can however be received some three years post incident.

3.6 **Highway Injury** whilst we only received 42 claims in 2021/22 against a yearly average of 73 these claims remain the largest financial risk to the Council. The ability to successfully defend claims relies on the effectiveness of the Highway Inspection Regime and timely repair of defects. Through partnership with our Highway colleagues and the One Trafford Partnership we ensure a high repudiation rate of 85%.

3.7 **Highway Property** damage such as that caused to vehicles due to potholes in the carriageway, remain the largest risk in terms of numbers of claims received. Despite only 75 claims being received for 2021/22 against a yearly average of 229; due to the fall in road users/commuters. Whilst these claims are typically low value, we adopt the same robust approach to defence as we do with personal injury; ensuring our Highway inspection regimes are up to date and having open dialogue with our Highways colleagues. We successfully defend 3 out of 4 claims.

3.8 **Highway Tree** we received 47 claims in 2021/22 against a yearly average of 49 claims over a five year period. Work continues in improving our response to this risk. A tree liability review was carried out in 2020/21 and has led to revisions of policy and planned investment into new software to support risk mitigation. We are mindful that external factors such as extreme weather, now being experienced in the UK, and climate change will always be against us, but the proposed changes afoot will ensure that we are achieving best practice working models.

3.9 **Public Liability** – 20 claims were received in 2021/22 against a yearly average of 28. We currently have 14 large claims (those in excess of £50k), 7 of which relate to safeguarding concerns. These cases are complex, require specialist legal knowledge and carry high award levels if the Council is deemed liable.

In recent years precedent has been set in several significant abuse and care cases and established rulings of vicarious liability in respect of alleged abuse by foster carers (*Armes v Nottingham County Council*) together with clarifying the duty of care which may be owed to non-looked after children (*GN v Poole*), which has resulted in an increase in alleged Human Rights Act violations.

Cases of this nature are known as long tail claims, meaning that the allegations received in present day may relate to historic events. They are particularly difficult to foresee, given that claims may be brought due to changes in legislation, as mentioned above.

We appoint specialist solicitors to represent Trafford from the outset and we work closely with the appropriate heads of service within Legal, Safeguarding and our HR teams to ensure that the Council's interests and funds are fully protected.

Please note that Data Breach claims also form part of our Public Liability claims experience, refer to point 4.4 for detail.

3.10 Defence Rates

Category of Claim	No of Closed Cases between 01/04/2017 and 31/03/2022	No of Closed Cases Defended between 01/04/2017 and 31/03/2022	Defence Rate
Employer's Liability	10	7	70%
Highway – Injury	279	236	85%
Highway – Property	938	686	73%
Highway - Tree	190	140	74%
Public Liability	106	61	58%
Total	1,523	1,130	74%

4 Market update / Outlook

4.1 Property

Inflationary pressures, labour shortages, increased reinstatement costs and supply chain issues mean that underwriters continue to push for increased property rates. Insurers are also tightening discipline around understanding the risks they write and require detailed risk information to firm up cover.

Cladding remains a concern, buildings with cladding can prove very difficult to insure. With the help of our property colleagues, our cladded risks have been surveyed to establish detailed cladding information and identification. This risk management work is set to continue throughout the year and has enabled us to satisfy insurers requirements and, therefore, continuity of cover.

4.2 Motor

Rates are expected to increase in 2022, with further concern around those moving towards dependence on electric vehicles, as the lengthy repair times and high cost of repairs increases claim costs.

4.3 Liability

Rate increases slowed in the early part of 2022, with insurers specifically targeting poorly performing risks. However, claims inflation remains a factor, running at anything between 5% and 15% due to increasing legal defence costs, conditional fee agreements, changes in legislation and legal precedent.

Insurers have been tightening policy terms and reducing limits due to the continued uncertainty in the Reinsurance markets surrounding the final Brexit outcomes on insurer's ability to access the "single market". This has implications on insurers ability to share the risk with reinsurers. It is reported that the London market lost £4.5 billion of premium to the European market in 2019 due to Brexit.

4.4 Data Protection Claims – Growing Risk

As mentioned in last year's report, the 2018 General Data Protection Regulations, which aligned the UK with the wider EU Law, means that Data litigation is on the rise.

At Trafford we have currently have 5 DPA claims, which sit within our Public Liability claims experience.

All organisations face challenges in the growth of privacy and data protection claims in relation to the exposure of sensitive information, for example, sending personal data to an incorrect recipient.

However, we are beginning to see positive Court judgments which suggest that the Courts have little time for opportunistic and low value claims being made.

We collaborate with our Information Governance team in order to consider the allegations made and to establish the facts surrounding the breach together with revisiting systems, software and supervision levels in order to mitigate matters and uphold good standards of practice.

4.5 **Cyber**

As detailed last year, the cyber liability market remains hard with the number and financial implications of attacks increasing.

Those insurers that remain in the market are increasing their key control requirements exponentially, making it harder still to obtain a quotation.

We have recently held tripartite risk evaluation meetings engaging our Brokers and IT colleagues to ensure that future planned investment is targeted at best practice and may help us to meet insurers requirements going forward.

Currently, Cyber risk is managed from our insurance risk reserve balances.

4.6 **Insurance Renewal 2023**

Concerns over inflation, elevated catastrophe activity, with climate change having a significant impact on weather patterns, together with a worsening experience on cyber as a result of ransomware claims, all represent key drivers behind expected market rate increases. Other challenges also include inflationary pressure and insurers lower investment yields.

Our partner Brokers and Insurers advise that rate increases are expected to fall in the range of 17% - 20%. Mitigating the potential exposure to cost increases continues to be our focus.

Our collaborative working approach ensures our ability to demonstrate continued risk improvements to Insurers, reflected in our improving claims experience, and ensures any cost increases are contained and commensurate with our own risk exposures.

Trafford Council Current Insurance Programme






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Policy	Property Damage / Business Interruption	Employers' Liability / Officials Indemnity	Public Liability	Motor	Personal Accident / School Journey	Money	Crime	Professional Negligence	Commercial Investment Properties
Limit of Indemnity	Declared Value Business Interruption Max Indemnity Period 36 months	£50m Employers Liability £2m Officials Indemnity	£50m	Unlimited Third Party Injury £5m Third Party Damage	Accidental bodily injury, death, disablement or the incurring of Medical Expenses, Travel cancellation	Various Physical loss of money	£5m Financial loss sustained as a result of a criminal act	£5m	Declared Value
Insurer	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Commercial via Marsh
Excess	£250,000	£275,000	£275,000	£1,000	Various	£250	£10,000	£100,000	£250
Aggregate Stop Loss*	£750,000 £1m for BI	£2M	£2M						

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

Claims History by Policy Year as at 31/03/2022

Annex 2

Class of Business	2017/2018			2018/2019			2019/2020			2020/2021			2021/2022		
	No of Claims	Paid £000	Res £000	No of Claims	Paid £000	Res £000	No of Claims	Paid £000	Res £000	No of Claims	Paid £000	Res £000	No of Claims	Paid £000	Res £000
Employer's Liability 	5	61	1	2	8	73	4	0	11	5	14	8	5	3	5
Highway Injury 	82	161	38	87	156	270	69	94	53	53	55	453	42	5	313
Highway Property 	301	33	0	305	51	25	207	23	9	103	10	24	75	4	38
Highway Tree 	40	56	6	46	34	49	55	49	17	54	19	58	47	1	60
Public Liability 	38	60	0	34	171	21	28	296	200	10	11	5	20	3	78
Total	466	371	45	474	420	438	363	462	290	225	109	548	189	16	494

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 28 September 2022
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period April to June 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 April to June 2022

Date: September 2022

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between April 2022 and June 2022 and highlights progress against the 2022/23 Internal Audit Plan to date. At the end of the year, these update reports will be brought together in the Annual Head of Internal Audit Report which will give the opinion on the overall effectiveness of the Council's control environment during 2022/23.

2. Planned Assurance Work

Key elements of the 2022/23 Work Plan produced in March 2022 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
- 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 – April to June 2022

Work in the quarter included finalising a number of school audit reviews and also progressing a number of financial system audits which are to be reported in the next quarter. There was also significant work completed to finalise the sign off of grant claims where Internal Audit input was a requirement. All audit opinion reports and grant sign offs completed or in progress are listed in Section 5 and other key areas of audit work undertaken are referred to in Section 6.

4. Summary of Assurances in April to June 2022

There were 9 internal audit reports produced in the period (6 final reports and 3 draft reports). In addition, Audit completed checks in relation to 2 grant claims providing assurance from the Council that the grant conditions had been complied with (See Section 5 for a listing of reports issued and grant checks completed, together with a summary of findings).

In respect of the 6 final reports issued, opinions of "Substantial" or "Reasonable" Assurance were provided for all audits. For these reports, where applicable, agreed action plans are in place to implement the recommendations made.

5. Summary of Audit & Assurance Opinions Issued – April to June 2022

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

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/AG -Date Issued	COMMENTS
FINAL REPORTS ISSUED		
Level 3 Reports:		
Licensing - follow-up audit (Place) / (Housing and Neighbourhoods)	Reasonable* Assurance (GREEN) (4/5/22)	A follow-up audit was undertaken to assess progress in implementing previous audit recommendations. Of the 18 recommendations previously made, 3 had been fully implemented, 5 were in progress with the remaining 10 recommendations to be addressed. It is acknowledged that the pandemic has had an impact on progress with staff seconded to support other priorities. The opinion reflects the overall direction of travel is improving and that generally there are sound controls in place in relation to licensing functions. Some areas for improvement in relation to policies and procedures were identified in the previous audit and where progress has yet to be made an action plan has been agreed to be progressed during 2022/23.
Level 2 Reports:		
Household Support Fund - Trafford Assist (Finance and Systems) / (Finance and Governance)	Substantial Assurance (13/6/22)	An audit review was completed of processes to cover the procedures for administering payments in respect of the Household Support Fund (HSF) grant funding being made available by Central Government to the Council during 2021/22. Funds were used to provide support to households who would otherwise struggle to buy food or pay essential utility bills or meet other essential living costs or housing costs. The funds were awarded using the Council's Trafford Assist software. The review confirmed that overall there were appropriate arrangements in place with procedures implemented to ensure payments are only made to those applicants who meet the criteria as per the Council's policy.
Level 1 Reports:		
Stretford Grammar School (Children's Services) / (Children's Services)	Reasonable Assurance (GREEN) (3/5/22)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. A number of recommendations were made in relation to procurement processes including processes in respect of obtaining quotes and tenders and the ordering and payment of goods and services.
St. Mary's C of E Primary, Sale (Children's Services) / Children's Services)	Substantial Assurance (GREEN) (20/5/22)	A good standard of governance and internal control arrangements were found to be in place. The roles and responsibilities of governors, sub-committees and key staff are clearly defined. Relevant school policies are reviewed on a regular basis. A small number of audit recommendations were made including in relation to reviewing and updating the agreed documented procedures for use of the school's debit card.
Victoria Park Junior School (Children's Services) / (Children's Services)	Substantial Assurance (GREEN)	A good standard of governance and internal control arrangements were found to be in place. The roles and responsibilities of governors, sub-committees and key staff are

	(29/6/22)	clearly defined. Relevant school policies are reviewed on a regular basis. A small number of audit recommendations were made including in relation to updating the School's Finance Manual in relation to procurement processes relating to obtaining quotes and tenders.
St. Anne's C of E Primary School (Children's Services) / (Children's Services)	Substantial Assurance (GREEN) (29/6/22)	A good standard of governance and internal control arrangements were found to be in place. The roles and responsibilities of governors, sub-committees and key staff are clearly defined. Relevant school policies are reviewed on a regular basis. A small number of audit recommendations were made including in relation to governance and the monitoring of business interests.
<u>DRAFT REPORTS</u>		
<u>Level 3 Reports:</u>		
Adult Social Care Payments System (Adults' Services) / (Adult Social Care)		By the end of June, initial draft findings had been produced. A final report has since been issued and will be reported in the July to September 2022 update.
<u>Level 2 Reports:</u>		
Home to School Transport (Children's Services) / (Children's Services)		By the end of June, initial draft findings had been produced. A final report is to be issued and outcomes will be reported in a future Audit and Assurance update in 2022.
<u>Level 1 Reports:</u>		
St. Michael's CE Primary (Children's Services) / (Children's Services)		By the end of June, initial draft findings had been produced. A final report has since been issued and will be reported in the July to September 2022 update.
<i>*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.</i>		
GRANT CERTIFICATION	DATE COMPLETED	DESCRIPTION/ COMMENTS
Public Sector Decarbonisation Scheme (Place)/ (Climate Change and Transport Strategy)	8/6/22	The Public Sector Decarbonisation Scheme consists of a number of different schemes throughout Trafford to reduce the amount of carbon used by Council. A government grant is available for such works and this is administered in Greater Manchester by the GMCA. Further to checks completed, Audit confirmed that based on work undertaken the opinion was given that in all significant respects, the conditions stated in the grant award in respect of the Public Sector Decarbonisation Scheme Phase 1 (2020-21), which amounted to just over £1m, had been complied with.
Contain Management Outbreak Fund (Authority-Wide)	30/6/22	The purpose of the grant is to provide support to councils towards expenditure lawfully incurred or to be incurred in relation to the mitigation against and management of local outbreaks of COVID-19. Based on audit work undertaken, it was confirmed that the conditions attached to the 'Local authority Test and Trace Contain Outbreak Management Fund grant determinations 2020-21 and 2021-22, which amounted to £9.3m, had been complied with.

6. Other Assurance Work

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

- Working with CLT to update the strategic risk register – Work progressed in updating the strategic risk register (with an update report later reviewed by CLT and presented to the Accounts and Audit Committee in July 2022).
- Work to co-ordinate the reporting of outcomes from the National Fraud Initiative (with details reported as part of the Annual Head of Internal Audit Report at the July 2022 Accounts and Audit Committee).
- Finalising work which had commenced in March 2022 regards reviewing contracts with suppliers from Russia and Belarus as reported at the July 2022 Accounts and Audit Committee. No issues were identified where any changes to existing suppliers needed to be considered.
- Liaising with Legal and Governance to provide advice and input regards the process of compiling the 2021/22 Draft Annual Governance Statement and suggested developments to consider in respect of the AGS process.
- Audit input ahead of the annual submission by the Information Governance team for the NHS Data Security and Protection Toolkit for 2021/22. This submission is mandatory for organisations to complete to access NHS data and systems.
- Providing other ad hoc guidance and advice. Updating the Audit intranet site with updated details such as the internal Audit Plan.

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

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

Acceptance of Recommendations

From the final audit opinion reports produced and issued by the Audit and Assurance Service during the year to date, all of the 19 new recommendations made have been 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.

As shown under final reports issued in Section 5, a follow up audit was completed in relation to an audit of Licensing.

Another follow-up in progress during the quarter was in relation to cyber security and outcomes will be reported as part of the July to September 2022 update. Further follow-up work of previous audits is being undertaken and on overall analysis of outcomes from audit recommendations followed up in 2022/23 up to 30 September 2022 will be included in the Q2 Audit and Assurance update.

8. Performance against Audit & Assurance Annual Work Plan

Appendix 1 shows an analysis of time spent to date against planned time for the 2022/23 Operational Internal Audit Plan

As at 30 June 2022, 204 audit days were spent against 192 allocated days (See Appendix 1). A further 50 contingency days were in the 2022/23 Internal Audit Plan.

As part of the Internal Audit Plan, a target of 30 audit reports was set (comprising opinion reports, consultancy reports and grant sign-offs) to be completed in 2022/23 to final or draft stage. As at the end of the 1st quarter of the year, 11 assignments had been produced to final or draft stage (9 opinion reports and 2 grant certifications).

There was one report completed in the quarter not previously included in the 2022/23 Plan. This relates to the grant sign off for the Public Sector Decarbonisation Scheme listed in Section 5.

A list of reports planned with details of progress to date and future planned work is included in Appendix 2.

The next update on progress against the 2022/23 Internal Plan, including reports issued, will be reflected in an update for Quarter 2, to be shared with CLT and the Accounts and Audit Committee in November 2022.

9. Planned Work for July to September 2022

Areas of focus include :

- Issue of final reports for all reports listed in Section 5 where draft findings have been produced.
- Complete grant certification work for two other grants: Universal Drug Treatment Grant 2021/22 and Local Transport Capital Block Funding (Pothole Fund) 2021/22.
- Progression of other internal audit reviews as listed in Appendix 2.
- Providing a strategic risk register update report to the Accounts and Audit Committee in July 2022 and commencing a further update later in the quarter.
- Liaison with services to make preparations for the 2022/23 exercise in respect of the National Fraud Initiative.

2022/23 Operational Plan: Planned against Actual Work (as at 30 June 2022)

<u>Category</u>	<u>Details</u>	<u>Planned Allocated Days 2022/23</u>	<u>Planned Days (up to 30/6/22)</u>	<u>Actual Days (as at 30/6/22)</u>
Financial Systems	<p>Completion of fundamental financial systems audit reviews</p> <p>See Appendix 2 for opinion reports issued and planned.</p>	165	40	41
Governance	<p>Corporate Governance / Annual Governance Statement (AGS) – to liaise with Legal and Governance, including providing comment on processes supporting the AGS, and its content with reference to the CIPFA/SOLACE Governance framework and guidance.</p> <p>Advice / assurance in respect of governance issues and ongoing liaison with services to consider further audit reviews.</p> <p>Work to date has included liaising with Legal and Governance regards the collation of the Draft AGS.</p>	25	5	4
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>Work to date focussed on preparing the Strategic Risk update report (later reviewed by CLT and the Accounts and Audit Committee in July 2022).</p> <p>Also See Appendix 2 for opinion reports produced and planned.</p>	50	5	4
Anti-Fraud and Corruption	<p>Co-ordinate the Council's activity in respect of the National Fraud Initiative in accordance with Cabinet Office requirements.</p> <p>Contributing to investigations of referred cases of suspected theft, fraud or corruption.</p> <p>Other work to support the Anti-Fraud and Corruption Strategy, including working with other relevant services to review existing strategy, policies and guidance.</p> <p>See Section 6 regards National Fraud Initiative.</p>	80	5	6
Procurement /	Review of procurement / contract management	50	5	4

Contracts/ Value for money	<p>arrangements including systems in place and associated arrangements to secure value for money (Work will include liaison with the STAR Procurement Service and partner authority auditors).</p> <p>See Appendix 2 for reports planned plus Section 6 re review of contracts.</p>			
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 Appendix 2 for reports issued and planned.</p>	85	15	23
Schools	<p>Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.</p> <p>Audit reviews of schools: At least 10 school audit final reports to be issued during the year</p> <p>Follow-up of progress for audits completed in 2021/22.</p> <p>See Appendix 2 for audit opinion reports issued and planned.</p>	135	55	62
Assurance – Other Business Risks	<p>Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services, establishments and functions. Includes new audit reviews, follow up audits and gaining assurance from service updates.</p> <p>See Appendix 2 for audit opinion reports issued and planned.</p>	180	30	36
Grant claims checks / Data Quality	<p>Internal audit checks of grant claims / statutory returns and other checks as required. Grants included in the 2022/23 Plan were as follows:</p> <ul style="list-style-type: none"> - Contain Management Outbreak Fund (Q1) - Disabled Facilities Grant <p>Audit and Assurance to be advised through the year of other grant claims, review work and other returns to be checked/signed off.</p> <p>See Section 5 for grant checks completed to date.</p>	35	16	16
Service Advice / Project Support	<p>General advice and guidance, both corporately and across individual service areas.</p> <p>Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues.</p>	65	16	8

	Summary of work completed during the year to be set out in Annual Head of Internal Audit Report.			
TOTAL		870*	192	204

* Note there is a further contingency of 50 days within the 2022/23 Plan.

Audit Opinion Reports Issued and Planned 2022/23 (as at 30 June 2022)

<u>Category</u>	<u>Audit Opinion Reports</u>	<u>Status (where progressed by 30/6/22)</u>	<u>2022/23 IA Plan</u>
Financial Systems	<ul style="list-style-type: none"> - Payroll (Strategy and Resources) - Household Support Fund - Trafford Assist (Finance and Systems) - Adult Social Care Payments (Adults Services) - Adult Direct Payments (Adult Services) - Children's Social Care Payments (Children's Services) - Council Tax (Finance and Systems) - Treasury Management (Finance and Systems) - Accounts Payable (Finance and Systems) - Budgetary Control (Finance and Systems/Authority-wide) 	<ul style="list-style-type: none"> In progress Final report issued 13/6/22 Draft findings produced Draft findings produced - In progress - - - 	<ul style="list-style-type: none"> Draft report to be issued Q2 Completed Final report issued Sep. 22 Final report issued Aug.22 Timing to be agreed Draft report to be issued Q2 Planned to commence Q4 Timing to be agreed Timing to be agreed
Risk Management	<ul style="list-style-type: none"> - Business Continuity (Authority-wide) - Health and Safety (Strategy and Resources) 	<ul style="list-style-type: none"> Planning commenced - 	<ul style="list-style-type: none"> Planned to commence Q2 Timing to be agreed
Procurement /Contracts /Value for money	<ul style="list-style-type: none"> - In-Tend system / Contracts Register (Strategy and Resources) (Stockport – lead) - Waste Services (Place) <p>(Other reports to be confirmed through future updates)</p>	<ul style="list-style-type: none"> - - 	<ul style="list-style-type: none"> Planned to commence Q3 Planned to commence Q3
Information Governance / ICT Audit	<ul style="list-style-type: none"> - Cyber Security follow-up audit (Finance and Systems) - IT Governance and Security in Schools (Children's Services /Finance and Systems) - Data breaches follow-up (Legal and Governance) - Subject Access Requests (Legal and Governance) 	<ul style="list-style-type: none"> In progress In progress - - 	<ul style="list-style-type: none"> Final report issued July 2022 Final report to be issued Q3 Planned to commence Q4 Timing to be agreed
Schools	<p>(Children's Services)</p> <ul style="list-style-type: none"> - Stretford Grammar - St. Anne's CE Primary - Lostock High - Trafford Alternative Education - St. Mary's CE Primary, Sale - Victoria Park Junior - St. Michael's CE Primary, Sale - Cloverlea Primary - St. Monica's RC Primary - Brentwood School - Sale High - At least 3 other schools to be arranged to commence during 2022/23. 	<ul style="list-style-type: none"> Final report issued 3/5/22 Final report issued 29/6/22 - - Final report issued 20/5/22 Final report issued 29/6/22 Draft findings produced In progress In progress Planning commenced - 	<ul style="list-style-type: none"> Completed Completed Timing to be agreed Planned to commence Q2 Completed Completed Final report issued July 2022 Draft report to be issued Q2 Draft report to be issued Q2 Planned to commence Q2 Planned to commence Q3

Assurance – Other Business Risks	<ul style="list-style-type: none"> - Licensing follow-up (Place) - Home to School Transport (Children’s Services) - Aids and Adaptations (Adults’ Services) - SEND (Children’ Services) - Supporting Families (Children’s Services) - Building Control (Place) - Safety at Sports Grounds (Place) - Cleaning Services (Strategy and Resources) - Registration Service (Legal and Governance) Reviews to commence by Q4 2022/23 with final reports due in 2023/24: - Outdoor Advertising (Place) - Let Estates (Place) - Recruitment Services (Strategy and Resources) - Bereavement Services (Strategy and Resources) - Schools’ Catering (Strategy and Resources) - Sale Waterside Arts Centre (Strategy and Resources) 	<p>Final report issued 4/5/22 Draft findings produced</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p>	<p>Completed Final report to be issued Q2/3</p> <p>Planned to commence Q2</p> <p>Timing to be agreed Planned to commence Q4</p> <p>Planned to commence Q4</p> <p>Planned to commence Q3</p> <p>Planned to commence Q4</p> <p>Planned to commence Q3</p> <p>Timing to be agreed Planned to commence Q4</p> <p>Timing to be agreed</p> <p>Planned to commence Q4</p> <p>Planned to commence Q4</p> <p>Planned to commence Q3</p>
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APPENDIX 3

POINTS OF INFORMATION TO SUPPORT THE REPORT:

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

Substantial Assurance

Green

Reasonable Assurance

Green

Limited Assurance

Amber

Low or No Assurance

Red

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

Report Status:

Draft reports:

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

Final reports:

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

Breadth of coverage of review (Levels 1 to 4)

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

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

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 28 September 2022
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Accounts and Audit Committee – Work Programme – 2022/23

Summary

This report sets out the work plan 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 is flexible and can have items added or rescheduled if this ensures that the Committee best meets its responsibilities.

Recommendation

The Accounts and Audit Committee is asked to note the 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					
Page 92	- 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
	- Internal Audit Monitoring Report (Q1 2022/23)	- 2021/22 Audit Progress Report	(See Financial Management – Insurance Performance 2021/22)		- Counter Fraud and Enforcement Team Update Report	- 2022/23 Budget Monitoring and Prudential Indicator Reports (Period 4) - Insurance Performance Report 2021/22
28 September 2022						

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	Training workshop to be arranged outside of the meeting on the 2021/22 Financial Outturn and Statement of Accounts					
	- 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. - Strategic risk update – Information Governance	- 2021/22 Annual Governance Statement		- 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)
15 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 - Financial Management Code update - 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