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TRAFFORD
COUNCIL

AGENDA PAPERS FOR

ACCOUNTS AND AUDIT COMMITTEE

Date: Thursday, 24 November 2022

Time: 6.30 pm

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

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 28th October 2022.

5. **AUDIT COMMITTEE UPDATE - AUDIT PROGRESS REPORT - NOVEMBER UPDATE** — 7 - 18

To receive a report from the Council's External Auditor.

6.	**2021/22 ANNUAL GOVERNANCE STATEMENT** To receive a report of the Director of Legal and Governance and Monitoring Officer.	To Follow
7.	**TREASURY MANAGEMENT 2022/23 MID-YEAR PERFORMANCE REPORT** To receive a report of the Executive Member for Finance and Governance and the Director of Finance and Systems.	To Follow
8.	**BUDGET MONITORING REPORT 2022/23 - PERIOD 6** To consider a report of the Director of Finance and Systems.	19 - 76
9.	**AUDIT AND ASSURANCE REPORT FOR THE PERIOD JULY TO SEPTEMBER 2022** To note a report of the Audit and Assurance Manager.	77 - 92
10.	**STRATEGIC RISK REGISTER - 2022/23 - NOVEMBER UPDATE** To consider a report of the Audit and Assurance Manager.	93 - 126
11.	**FINANCIAL REPORTING COUNCIL FRC - NATIONAL REPORT ON MAJOR LOCAL AUDITS** To consider a report of the Audit and Assurance Manager.	127 - 174
12.	**ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2022/23** To consider a report of the Audit and Assurance Manager.	175 - 178

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

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

14. **EXCLUSION RESOLUTION**

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

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

PART II

15. **AQR FINAL REPORT - 30 SEPTEMBER 2022** Para. 3 179 - 188

To consider a report of the Audit and Assurance Manager.

SARA TODD
Chief Executive

Membership of the Committee

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

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

Stephanie Ferraioli, Governance Officer
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ACCOUNTS AND AUDIT COMMITTEE

28th September 2022

PRESENT

Councillor B. Brotherton (in the Chair).
Councillors G. Carter, S. Ennis, W. Hassan, D. Morgan; R. Thompson and M. Whetton; and Mrs. J. Platt.

In attendance

Director of Finance and Systems (Mr. G. Bentley),
Head of Financial Management (Mr. D. Muggeridge),
Audit and Assurance Manager (Mr. M. Foster),
Counter Fraud & Enforcement Manger (Mr. D. Wright)
Audit and Assurance Manager (Mr. M. Foster),
Audit Partner (Ms. K. Murray) (Mazars)
Governance Officer (Ms. S. Ferraioli).

1. **ATTENDANCES**

Apologies for absence were received from Councillor Lloyd.

2. QUESTIONS FROM MEMBERS OF THE PUBLIC

It was noted that no questions were received from members of the public.

3. DECLARATION OF INTEREST

It was noted that no declaration of interest was disclosed by Members.

4. MINUTES

RESOLVED - That the minutes of the meeting held on 20th July 2022 be approved as a correct record and signed by the Chair.

5. COUNTER FRAUD & ENFORCEMENT TEAM (CFT): 2021/22 ANNUAL REPORT

Members received the annual report from the Counter Fraud and Enforcement Manager who informed that the team have had a very busy and productive year and that they have also provided administrative support for business grants received in the year and have been heavily involved in the investigation of fraudulent applications made to the authority. They have also been busy investigating single tax payer claims that contradicted data that highlighted numerous individuals residing at the property where single tax payer discount was being claimed. The team have also been working with the Business Rates team which tidied in with the business grants work, as several businesses had been claiming small business rates when in fact they failed to disclose the ownership of several other premises either within the borough or outside.

The recovery work the team has been involved in amounted to the sum of £242,000 for 2021/2022 and it is expected that the same figure will be generated this year and possibly even a higher amount will be recovered by the team via their investigations. The Litigation side of team have also recovered a large sum of money owed to the authority which for the period of 2021/2022 amounted to just over £1,000.000.

Mr Wright highlighted a case study where a company upon investigation was found to own many premises in the borough but only claimed for one. He did not mentioned the company name but he has informed Members that it was a well known company and that it was only through the threat of litigation that they had been able to recover the amount owed in full, paid in two instalments. This amounted to £54,000.

Councillor Thompson enquired whether Mr Wright was aware of the percentage of fraudulent applications for business support grants and when did he expect the investigation to reach an end. Mr Wright informed that despite the figures looked really high it was actually a small percentage of applications that they have found to be fraudulent. He was hopeful that unless new schemes were introduced they should be able to reach the end of their investigation within this current year.

Councillor Carter thanked Mr Wright and team for the work that is being done and asked how the work compared with the cost of running the team and is the Council in a position to impose fines in order to recover funds in terms of fraudulent activity.

Mr Wright informed that there are indeed some authorities who have introduced fines of up to £75 for failure to disclose council tax discounts changes. At the time of setting the team up, they had explored the possibility of introducing similar fines but it was proved too expensive to collect and administer said fines and thus fines are not normally the rule. The team is made up of six members with the aim of generating more income than it costs to run, however in extreme cases they would explore the merit of prosecution and a couple of cases they are handling at present are going through potential legal action.

Councillor Whetton congratulated the team and said it was encouraging to hear of such progress. He stated that fraud was awful especially at a time of particular difficulty for the whole nation. He asked if the team were aware of the reason for the increase in fraudulent claims. Mr Wright replied that there could be a number of reason as to why the applications increased. However the reason for uncovering more fraudulent claims was indeed due to the work the team was undertaking otherwise there was a strong possibility that the tax payer would not have reported the changes as quickly as they should have or even at all.

Councillor Morgan also thanked the team for their great work. He stated that surely prevention was better than the recovery and therefore what were the key lessons that could have been passed on to the rest of the Finance team and the wider Trafford Council team in order to prevent these situation from arising. Mr Wright believed that the prevention work carried with the business grants as new schemes were introduced had gone a long way to prevent fraudulent applications as more background checks were introduced as well as requesting more information from businesses.

Councillor Hassan enquired if the amount recovered is the same amount that was issued and would it go back into the same budget. Mr Wright confirmed this was case.

The Chair thanked Mr Wright for the very interesting report and stated that he was hopeful the team not only recovered such successful amounts but also acted as a deterrent.

RESOLVED – That the report be noted.

6. EXTERNAL AUDIT PROGRESS REPORT – SEPTEMBER 2022

Ms Murray from the Audit firm Mazars confirmed receiving the accounts report from the Council's Finance team in July 2022 and that in order for the right staff to carry out their work in full this would be conducted during the period of October and November 2022; so the actual audit will commence in a couple of weeks and the team will report to the November Committee.

Ms Murray highlighted that the second part of the report submitted at this Committee was formed of a list of publications which is for Members' attention to help them fulfil the governance responsibility. However, she proceeded to draw Members attention to the second publication on the list which is the department's recent updated *Guidance on Capital Receipts* which reminds that there is some flexibility in the use of some capital receipts when disposing of assets.

Councillor Thompson enquired whether Ms Murray could provide examples of what the capital receipts could be spent on. The Director of Finance and Systems, Mr Bentley replied that they were fully aware of the flexible use of capital receipts but have not used this over the last few years due to the demand on the Council's supported capital requirements on fixed assets. This year it may be applied to a small degree, to help fund the small transformation team. He informed that this was an expenditure that allowed longer term benefits.

RESOLVED:

1) That Members read the updated Guidance on Capital Receipts publication.

2) That a full report be submitted in November 2022.

7. BUDGET MONITORING REPORT 2022/23 – PERIOD 4 (APRIL – JULY 2022)

The Director of Finance and Systems presented a report for Period 4 which is an update on the Council's position against the projected expenditure to year end, compared to the budget. He informed that it is not a good position at present but that most authorities across the country were in a similar financial situation.

The projected August spend presented a slight improvement as projected at Period 2 which was due to the benefit from the interest rate changes. The Council controllable net budget of £192,000.000 presented in table 1 of the report, shows an overspend of around £900,000 which affects mostly the Children Services, an area of continued concern for Trafford.

There are difficulties in maintaining the level of income due to service pressure within the budget position as seen in previous years which Mr Bentley already highlighted at previous meetings. Some contingencies measures put into the budget for 2022/23 can be released now as they were put in as a temporary measure to recover the perceived impact of covid. For instance the car parking income will return as will the planning income.

Mr Bentley stated that the impact of inflation is really the main factor that will affect more the budget in relation of pay for staff. They had budgeted for a 2% pay rise at the beginning of the year, however current negotiations if agreed will mean a 6% rise.

He also stated that the other volatile projection is the cost of energy, which remains a real concern despite they had budgeted for a significant increase in costs. They continue to liaise with the Council's energy provider and other authorities to secure best rates.

Given the expected pressures when they set out the budget at the beginning of the financial year, Mr Bentley informed that they had set aside a small Reserves budget of £3,000.000 to reduce the pressures. Some relief is also presented by the collection of business rates.

Councillor Whetton enquired whether the original forecast through the collection of council tax and business rates could be achieved. Mr Bentley stated that they will review the situation in February once the financial year has matured and they will work on this prior to Period 6, ideally they would be able to inform further before Christmas.

It is important to note that the debt that is being recovered now is from ten years ago and so the rate at which cash is being recovered will vary within the next two three years.

Councillor Thompson stated that inevitably we will see the real impact on people from next year when the council tax will rise.

Councillor Carter enquired about unachieved savings and Mr Bentley explained that they were investigating to see what efficiencies could be obtained via the implementing of digital services. They have identified a programme and are looking at how to utilise this across services. There was a slight delay in the programme which is why the figures are presented as unachieved savings. Work is continuing and will be presented as additional savings in future.

Councillor Carter also enquired about the possibility of receiving additional government funding to help cover some of the costs. Mr Bentley stated that there was little scope for expecting any relevant additional funding.

Councillor Ennis stated that he was aware the Council was in the process of developing a Warm Bank and enquired whether there was any budgeting issues in relation to that. Mr Bentley stated he was not aware of any issues and would report back at next meeting.

The Chair thanked Mr Bentley for the comprehensive report.

RESOLVED:

1) That the report be noted.

2) That any budget issues relating to the Council's Warm bank be presented at the next meeting in November.

8. INSURANCE PERFORMANCE REPORT 2021/22

Members received the annual Insurance Performance Report and were reminded that the Council is self insured as it were up to the sum of £250-275,000 in order to keep costs to a minimum and that should there be more than one claim amounting to £750,000 or above then the insurance provider would be needed to provide for said amount.

The revenue budget is set aside to cover the amount of historic claims yet to be paid and the insurance reserve of about £1,500,000 is set aside to cover the possibility of three large insurance claims be presented at the same time. A legacy of the insurance company set up by local government that wound up about ten years ago.

The insurance reserve was increased this year by £89,000 to cover for potential emerging claims which resulted from the year underspend.

The past year saw a reduction in claims possibly due to the lockdown during covid.

However a case for Vicarious Liability where the employer is responsible for the employee's actions, is currently underway which would potentially result in a future large claim.

Councillor Whetton enquired about personal injuries claims received three years after the incident and whether there were any concerns given that the way employees are working is changing with more home working. He then enquired whether any cost projection had been made in relation to the cost of filling potholes in the road as opposed to paying out damage to property claims. Mr Muggeridge stated that the Council is aware of the risks the current homeworking arrangements pose and they are now offering a full work environment assessment and will provide equipment as if the employee were working in the office to mitigate the risks of any future claims. This has been publicised on the website and the next step will be to ensure that the employees are fully trained and take the necessary breaks.

In terms of the potholes, Mr Muggeridge informed that it was a typical risk versus spend situation and where the pay-out for vehicle damage was relatively minor. Highways are assessing the cost of possibly millions of pounds to fill all the potholes versus the risk of paying out for vehicle damage which would be relatively small.

The Chair thanked Mr Muggeridge for his report.

RESOLVED – That the annual report be noted.

9. AUDIT AND ASSURANCE REPORT FOR THE PERIOD APRIL TO JUNE 2022

Mr Foster presented Members with a report as a way of a first update in terms of progress for the 2022/23 year and said that a more informed analysis will be available for the next Committee meeting in November.

He also informed Members that the team's work was progressing in line with the projected plan. In addition they will work with Mr David Wright and other partners around the national fraud initiatives to help submit data to the Cabinet Office for future data matching.

Councillor Whetton stated that Mr Foster and his team were the unsung heroes doing a lot of hard work behind the scene in these difficult times. The Chair also thanked Mr Foster and the team for their hard work.

RESOLVED:

1) That the report be noted.

2) That a more in depth analysis be provided at the next meeting in November.

10. ACCOUNTS AND AUDIT COMMITTEE – WORK PROGRAMME – 2022/23

RESOLVED – That Members note the programme set out for the Committee.

11) URGENT BUSINESS (IF ANY)

RESOLVED - That no urgent business to discuss was received.

12) EXCLUSION RESOLUTION (IF REQUIRED)

RESOLVED – That no exclusion was to be noted.

The meeting commenced at 6.30 p.m. and finished at 7.47 pm.

External Audit Progress Report

Trafford Metropolitan Borough Council

Page 7

Accounts and Audit Committee

November 2022

Appendix 5

mazars

1. Audit progress
2. National publications

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

The 2021/22 audit is progressing as expected and a substantial number of areas are near completion. We are hoping to bring to the Committee our Audit Completion Report in the early part of the new calendar year, however, this is subject to resolution of the national technical issue in respect of accounting for infrastructure assets,.

CIPFA had highlighted that there were differences nationally in the way councils have been accounting for infrastructure asses in compliance with the requirements of the Code of Practice on Local Authority Accounting. The value of the Council's Infrastructure Assets is £174.2m which is material and it is likely therefore that the impact of any aspects of the Council's accounting that are not compliant with the Code as currently drafted, would be material.

CIPFA established a Task and Finish Group to consider this further and to identify a potential solution, potentially by a change to the Code. Consultation took place in the summer of 2022 but CIPFA was not able to agree its accounting solution under the Code. To unlock the situation, the Government is now consulting in November 2022 on an optional temporary Statutory Override to allow the Council to prepare accounts that are materially correct. The indicative date when this Statutory Instrument could take effect is 25 December 2022.

Once the statutory override is in place, we will work with management to understand the impact on the Council's accounts and to undertake the required audit work as soon as possible in the new calendar year.

2021/22 Value for Money work

We plan to complete and report our VFM arrangements work for 2021/22 shortly after providing our audit opinion on the 2021/22 Accounts (noting that the National Audit Office requires us to report our VFM work within three months of the audit report on the financial statements).

02

Section 02:

National publications

National publications

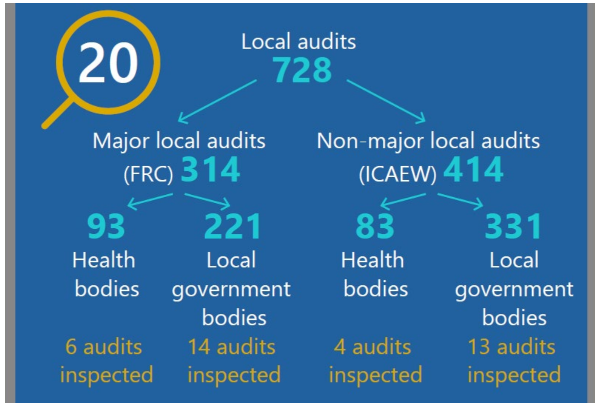
	Publication/update	Key points
Financial Reporting Council (FRC)		
1	Major Local Audits	Summary of Audit Quality Inspection report 2022
Chartered Institute of Public Finance and Accountability (CIPFA)		
2	CIPFA/LASAAC Code Of Practice On Local Authority Accounting In The United Kingdom 2022/23	Code of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

Financial Reporting Council's report on local audit quality

1. FRC Major Local Audit Inspection Report - October 2022

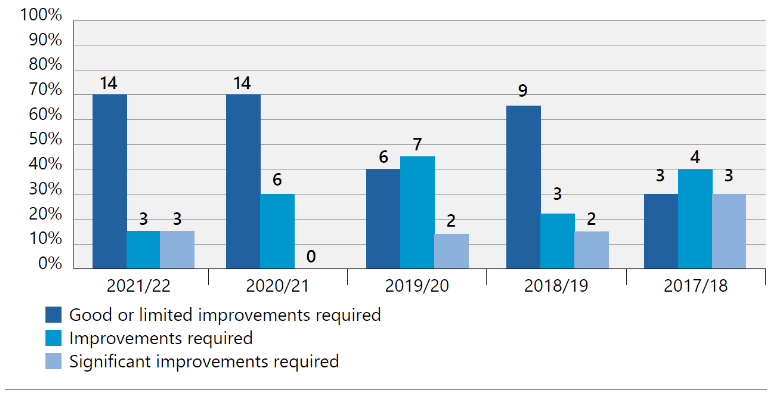
The FRC is responsible for monitoring the quality of the audits of the largest health and local government entities (called Major Local Audits or MLAs). They do this by annually inspecting a sample of MLAs from each of the audit firms who deliver this work. In their most recent publication, they reported on their review of 20 MLAs, three of which related to Mazars. The ICAEW also reviewed 17 non-MLAs (none from Mazars).

Audit firms undertaking local audits	Number of major local audits (within scope of AQR inspection)	Market share %	Reviewed by AQR in 2021/22
Grant Thornton UK LLP	125	39.8%	7
Ernst & Young LLP	72	22.9%	4
Mazars LLP	55	17.5%	3
KPMG LLP	24	7.7%	2
BDO LLP	21	6.7%	2
Deloitte LLP	17	5.4%	2
Total	**314**		**20**



Overall, the FRC found that the number of audits categorised as good or limited improvements required has remained consistent with the prior year. However, there was an increase in the number of audits assessed as requiring significant improvements and they deemed this as unacceptable.

All financial statement reviews – for the firms inspected



For Mazars, the FRC found that all 3 2021.22 files reviewed met the expected standards.

This was the second successive year of 100% compliance for Mazars.

Whilst the sample size is small and focused on the higher risk audits, these strong outcomes reflect the investment we have made in people, technical expertise, specialists (such as building an in-house valuation team) and strengthening our audit methodology. Maintaining and improving audit quality is a key objective of the firm and our investment will continue.

NATIONAL PUBLICATIONS
CIPFA

2. 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

3. 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

4. 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

5. 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

6. 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.psaa.co.uk/appointing-auditors-and-fees/list-of-auditor-appointments-and-scale-fees/2022-23-auditor-appointments-and-audit-fee-scale/

Contact

Mazars

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TRAFFORD COUNCIL

Report to: **Audit and Accounts Committee**
Date: **24th November 2022**
Report for: **Decision**
Report of: **The Executive Member for Finance and Governance and the Director of Finance and Systems**

Report Title:

Corporate Plan Performance and Budget Monitoring 2022/23 Period 6 (April to September 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.

This report also provides a summary of performance against the Council's Corporate Plan, the period 1 April to 30 September 2022.

Recommendation(s)

It is recommended that the Executive:

a) note the updated summary positions on the revenue budget, collection fund, capital programme and Prudential Indictors.
b) Approve a virement within the Capital Programme of £220k held under the hybrid working scheme within Place Directorate to the Office 365 programme within Finance and Systems.
c) Note that the Prudential Code now requires that the Council report and monitor Prudential Indicators on at least a quarterly basis during the financial year and will be reported in this bi-monthly monitoring report going forward.
d) Note the contents of the Corporate Plan Performance for Quarter 1 and 2.

Contact person for access to background papers and further information:

David Muggeridge, Head of Financial Management Extension: 4534
Dianne Geary/Sarah Haugeberg Extension: 1821

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money The Corporate Plan 2022/23 report summarises the Council’s performance in relation to the Council’s Corporate Priorities
Relationship to GM Policy or Strategy Framework	The Corporate Plan is aligned to the GM policy and strategy where required.
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:	Legal advice is provided in relation to the Corporate Plan 2022/23 as and when required
Equality/Diversity Implications	The Corporate Plan enables the Council to fully observe & promote equality of outcomes for service users and their families.
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	A risk management log has been developed as part of the overall governance for the Corporate Plan and this will be reviewed and updated on a regular basis.
Carbon Reduction	The Corporate Plan is a key driver to supporting carbon reduction, delivering the Council’s Carbon Neutral Action Plan and supporting the growth of the green economy
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

2.1* There *is a net estimated outturn pressure of £6.06m at Period 6, an improvement of £0.85m since Period 4. Note this position includes:-

- the current performance against the approved budget which is a projected overspend of £561k (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 £5.5m in 2022/23. This is an improvement of £0.5m since period 4 position and is now more reliable given that the 2022/23 pay award has been finalised and energy prices over the short term have been determined. 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 paragraphs 3 and 4 below)

2.2 This mid-year monitor of the financial year provides some certainty of the potential final outturn and has been used as a broad direction of travel for the current year as well as preparing the Draft Budget for 2023/24. However given the fragility and volatility in the wider economy, estimates could vary over the remaining six months of the year.

2.3 Although the estimated outturn is adverse, 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 contingency items within demand led services with £400k and £438k in Children's and Adults Services, £590k in the corporate budget contingency and in addition savings should result from management action, particularly surrounding the tightening of the vacancy management process.

2.4 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)	Percent-age
Children's Services	44,052	46,029	1,977	4.49%
Adult Services	56,922	56,931	9	0.00%
Public Health	12,887	12,886	(1)	(0.00)%
Place	30,993	33,202	2,209	7.13%
Strategy & Resources	8,842	8,446	(396)	(4.48)%
Finance & Systems	8,164	8,243	79	0.97%
Governance & Community Strategy	2,635	3,042	407	15.45%
Total Directorate Budgets (*)	**164,495**	**168,779**	**4,284**	2.60%
Council-wide budgets	28,077	24,354	(3,723)	(13.26)%
Net Service Expenditure variance	**192,572**	**193,133**	**561**	0.29%
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**	**561**	**561**	**0.29%**
Dedicated Schools Grant	**157,130**	**157,865**	**735**	**0.47%**

* 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 6:-

- **Children's placements** £460k overspend an adverse movement of £110k in the period largely due to new placements being made and the release of the contingency budget not sufficient to cover these costs. A contingency budget of £400k has been included for the remainder of the year.
- **Home to School Transport** pressures have increased in the period by £167k to £1.147m due to the continued increase in demand in passenger numbers, additional costs for fuel and complexity of cases. This area is being scrutinised through the Finance and Change Programme with support from the Business Intelligence and the Trafford Travel Co-ordination Units in order to reduce the overspend.
- **Adults placements** continues to largely breakeven (£41k underspend), however assumptions on demand remain uncertain; a contingency balance of £438k has been included for future demand.

- **Adults Hospital Discharge Programme** – In October 2022 the Government set out the government's 'Our Plan for Patients' to improve access to the NHS and social care, this winter and next. To help people get out of hospitals and into social care support, the government launched a £500 million Adult Social Care Discharge Fund. The full details of the scheme have yet to be announced, however it has the potential to benefit the in-year position.
- **Strategic Investment Programme** – The Strategic Investment Property Portfolio is expected to deliver a net benefit to the revenue budget in 2022/23 of £5.32m. This is £1.91m lower (£352k adverse movement from Period 4) than budget due to economic factors affecting some of the income particularly from the town centre investments. Work continues in identifying a positive pipeline of investment opportunities, although pressures in the wider financial climate have caused a delay in potential schemes. 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.
- **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 at this stage of the year, which cannot be managed within service budgets. ***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 £923k, a favourable movement of £162k since last reported. This is an area of significant underspend, largely due to difficulties in recruitment and the management controls introduced in the year. In order to manage the overall in-year budget pressure, the Council has recently amended the vacancy management process to add a recruitment pause of 4 weeks before a post is released to be advertised. This policy has also been extended into 2023/24 as part of our Draft Budget plans.
- Other net favourable movements of £647k across all service areas; a positive change of £833k 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 continues to have a positive impact of the level of investment income generated by the investment of surplus cash balances of £1.91m a positive movement of £1.12m since period 4.***
- **Schools DSG**
    - The overspend on the schools DSG budget is now £735k, an adverse movement of £10k since last period.
    - 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 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.

3. Inflation, Energy and Cost of Living Impact

3.1 The Consumer Price Index (CPI) rose by 10.1% in the 12 months to September 2022, up from 9.9% in August and returning to July's recent high which represented 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.

3.2 The assumptions on inflation are becoming firmer as the year progresses with the likes of the 2022/23 Local Government pay award having recently been agreed at an increase of £1,925 on all NJC pay points. This represents an average increase of approximately 6% across the payscale and a figure of £3.40m above our budget.

3.3 Pressures are also being felt in other contractual inflation and responses to alleviate pressures in care payments such as Foster Care allowances.

3.4 Energy contracts remain fluid due to fluctuations in world energy prices, however forecasts are becoming more reliable as the Council's purchasing consortium operate forward purchasing options. As at Period 6, increases in energy contracts are expected to cost £1.33m, compared with £1.13m at Period 4.

3.5 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. Significant additional resource to cover the on-going inflationary pressures from 2022/23 has been added to our 2023/24 Draft Budget as presented to the Executive on 24th October 2022.

3.6 Our **working** ***assumption on the impact of the various inflation pressures in 2022/23 suggests that a figure of £5.5m would be needed in the current year which is £0.5m below the assumption made at Period 4.***

4. Summary of Outturn and Management Action

Service Outturn

4.1 There is an adverse service-related outturn of £561k, a positive movement of £351k since Period 4. Pressures continue to increase in Children's Services, particularly in Home to School Transport and loss of income from the Strategic Investment Programme. Pressures have been offset by sizeable positive movements in Treasury Management budgets due to increased income from the rise in interest rates.
It is essential that action is taken to reduce this adverse outturn and the following actions should be noted

- A number of contingency items are included in the outturn which have yet to be released. These include £400k and £438k in Children's and Adults

services respectively for future potential increases in client demand and £590k in the corporate budget contingency.
- The management controls introduced in 2021/22 to approve all vacancies, coupled together with a further pause of 4 weeks before the post is advertised will continue for the foreseeable future.
- A freeze on all non-essential spend is introduced with immediate effect.
- There are a number of earmarked risk reserves, such as the Strategic Investment Risk Reserve and Business Rates Risk Reserve could be drawn upon, if income levels in these budgets deteriorate.
- As part of the Draft Budget 2023/24 an additional £1.5m has been added to address the impact of unavoidable recurrent demand pressures within Children's services and Home to School Transport.

Inflationary Pressures

4.2 In respect of inflation, which is now almost certain to add a £5.5m pressure in year. Representations have been made to the Government with regards to the impact, however given recent informal communication from the new Government leadership indicating a return to departmental savings plans suggests any further support is unlikely.

4.3 It is essential that any in year pressure is managed downwards to avoid any charge being made on the limited level of earmarked reserves the Council holds. Any significant use of reserves will impact on the resilience to support the Finance and Change programme in delivering a sustainable budget in future years.
Various measures to mitigate the impact of inflation are being undertaken; these include

- As reported in previous periods, the Council created a specific Inflation Risk Reserve of £3.0m during the 2021/22 closedown. The full amount of this reserve will be released as a one off measure.
- A figure of £1.0m will be released from the central contingency budget of £1.6m. Although this will leave no flexibility for other unknown pressures during the year.
- Clarity on the distribution of the additional resource identified by the Government to alleviate the pressures in hospital bed blocking should be clarified as soon as possible. This may allow the Council's base budget for the Hospital Discharge Programme to be utilised against the overwhelming inflationary pressures.
- As part of the work being undertaken by the Finance and Change Board, investigate whether opportunities exist to accelerate potential future savings proposals.
- The launch of an energy saving campaign, pre-purchasing materials to maintain supply and avoid increasing costs and an extension to the vacancy management process.
- Before the final budget for 2023/24 is agreed, a review of all earmarked reserves will be undertaken to challenge and identify potential uncommitted resource.

- 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 is supplemented by monthly updates on all demand led budgets and the savings programme to be considered by the Corporate Leadership Team.

5. Corporate Performance

5.1 The Corporate Plan continues to reflect our service operation and core values in the delivery of public services, in collaboration with our communities, businesses and partners. A summary of performance to date, against the Council's Corporate Plan and supporting management information for the refreshed priorities, for the period 1 April to 30 September 2022, Quarter 1 and 2 is outlined in Appendix 5.

5.2 A dashboard of the three corporate priorities measures can be accessed on the Trafford Data Lab website: https://trafforddatalab.shinyapps.io/corporate-plan/. The dashboard visualises a range of indicators relating to each of the three strategic priorities. These show trend data for Trafford compared to the average of other similar Local Authorities (in terms of statistical characteristics) and also, where possible, to England. The annual indicators are outlined in Appendix 6.

There are a total of 57 indicators that are monitored as follows:

Strategic Priority	Annual Indicators	Quarterly Indicators
Reducing Health Inequalities	10	-
Supporting People out of Poverty	2	11
Addressing our Climate Crisis	11	3
Council wide	-	20

5.3 For many of the key performance indicators, the data is only updated annually, often via nationally published data, so a full performance report is not possible for this period. For this report only the quarterly performance indicators are reported on in Appendix 5.

5.4 There are currently seven indicators with a red status, eight with amber status, 17 with green status and two with no RAG status.

5.5 Performance has continued to be a mix of having to deal with the continued effects of Covid-19. For some indicators benchmarking or comparisons with the previous year is difficult. For example, the percentage of primary school children achieving the expected standard in reading, writing and maths (Key Stage 2) has had a 10 point reduction. A drop in performance was expected to some degree due to restricted attendance at school during the pandemic.

5.6 Some Council Service metrics are also included in the report as although they are not included in the priorities they provide a performance update for a range of services the Council provides. Areas achieving 5% below target include: timeliness of FOI requests, number of new apprenticeships, Adult Social Care clients receiving direct payments, Education Health Care Plan (EHCP) timeliness and Proportion of Care Experienced Young People in touch with a social workers or aftercare worker within last 8 weeks. More information is available in Appendix 5.

SECTION 2 – COLLECTION FUND

6. Council Tax

6.1 As at Period 6, there is a favourable outturn on the Council Tax element of the Collection Fund of £528k, a favourable movement of £85k from Period 4, of which the Council's share is £429k. The table below summarises the outturn by theme as at Period 6.

Table 2: Summary of in year Council Tax movements	Council Tax Collection Fund (£000's)	Trafford Share (£000's)	Movement in Trafford share since P4 (£000's)
Shortfall in Tax Base	451	367	(7)
Local Council Tax Support Scheme	(360)	(293)	(28)
Reduction in Cash Collection current year	481	392	(36)
Increase in Cash Collection (prior year)	(1,200)	(977)	0
Other Movements (Backdated discounts etc.)	100	82	1
Total In Year Position (Surplus)/Deficit	**(528)**	**(429)**	**(70)**

As at period 6 the following points are worthy of note:

- There is a shortfall in the core Tax Base of £451k. 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 £360k. 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 £719k (£1,200k less £481k).
- Other adverse movements of £100k, related to the award of backdated banding revaluations.

6.2 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 2021/22 to smooth out any unforeseen pressures. This reserve would be used as a first call if the estimated outturn should deteriorate.

6.3 Whilst it was too early in the financial year in the previous reporting period to consider if there was a recurrent pattern, in either a shortfall in the Tax Base and in-year cash collection or a surplus in the Council Tax Support Scheme, the fact that a similar pattern remains at Period 6, is indicating a potential pressure which may need to be reflected in our final budget plans for 2023/24.

6.4 It is encouraging to see a positive improvement in historic collection rates, which has contributed to the in-year surplus of £429k; this will be distributed in 2023/24 and is a favourable movement to the estimated value of £250k assumed as part of our 2023/24 draft budget plans.

7. Business Rates

7.1 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.

7.2 Whilst the forecast outturn for business rates remains favourable and broadly in line with assumptions in supporting the 2023/24 draft budget plans, there has recently been a material reduction in Rateable Value in some premises at the Trafford Centre due to ongoing reconstruction work. Whilst the reduction is temporary in nature, it has resulted in a negative movement since Period 4 which may require the Business Rate Risk Reserve to be utilised to smooth the impact.

7.3 Discussions are ongoing with the Valuation Office Agency to understand the nature and longevity of the reduction in Rateable Value and thus the potential for the ongoing impact into next financial year.

SECTION 3 – SAVINGS AND INCOME PROGRAMME

8. MTFP Savings and Increased Income

8.1 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.

8.2 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 £1.285m 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)	(1,434)	145
Green	11	48%	(2,603)	(2,603)	0
Total	**23**	**100%**	**(5,322)**	**(4,037)**	**1,285**

The latest forecast shows that the programme is currently expected to deliver savings of £4.04m, which is £1.28m 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

9. Reserves

9.1 Details of the reserve balances brought forward and estimated movements in 2022/23 were recently reported in the Draft Revenue Budget Report 2023/24 to Executive on 24th October 2022. It was concluded that due to the low level of reserves there was little headroom for any further substantial release of resources to support the budget gap and at the same time provide sufficient robustness to absorb the major financial risks over the short term.

9.2 Any adverse outturn in the current year will be a further strain on the limited reserves and it therefore essential every effort is made that the forecast adverse variance is brought back in line with budget. Any deterioration in the level of reserves will need to be considered by the Director of Finance and Systems when presenting his opinion on the robustness of the future budget plans.

SECTION 5 – CAPITAL PROGRAMME AND ASSET INVESTMENT STRATEGY

10. Approved Budget

10.1 The revised value of the indicative capital programme for 2022/23 to 2024/25 as at Period 4 was £222.32m. Since then, there has been an increase in the general programme of £6.56m to a total £228.88m of which :-

- £1.40m relates to the updated business case for Altrincham Leisure Centre reported to Executive in July 2022 which is anticipated to be funded by grant from Sports England.
- £5.13m relates to the introduction of Public Sector Decarbonisation Scheme (PSDS) works at Altrincham and Urmston Leisure Centres funded by Salix grant.
- There is also the inclusion of a community group contribution towards works at Sale West Play Area of £26k.

10.2 The revised capital programme budget for this financial year is £68.59m which is net increase of £10.37m from the P4 position of £58.22m and mainly due to additional grant allocations and reprofiled expenditure from 2023/24. The following table details the movement since period 4.

Table 4 - Capital Programme 2022/23	**P4 Revised Approved Programme £m**	**Current Revised Programme £m**	**Period Movement £m**
Service Analysis:			
Children’s Services	16.75	15.76	(0.99)
Adult Social Care	3.82	3.82	-
Place	35.79	46.93	11.14
Governance & Community Strategy	0.05	0.05	-
Finance & Systems	1.81	2.03	0.22
General Programme Total	**58.22**	**68.59**	**10.37**

10.3 The current revised position of £68.59m (an increase of £10.37m) is a result of the period 6 monitoring exercise, with the following the areas of re-profiling as follows;

- <u>Children Services – Schools</u>
  - Basic Need – Firs Primary School (£390k), work on this scheme is well underway, but completion is now expected in April 2023, reprofiling the remaining costs by a month due to a minor delay.
  - Basic Need – Sale High School (£300k), the main element of works has now been completed with the remaining resources reprofiled to the next financial year for additional works that will need to be undertaken.
  - Capital Maintenance – Stretford Grammar (£300k) reprofiled to realign the programme with school holidays.

- <u>Place</u>
  - Carrington Rationalisation Works, £6.4m has been reprofiled to this financial year, which is funded from Homes England, with works on this element of the scheme is expected to start on site in November 2022 with completion by the external partner by March 2023.
  - Public Sector Decarbonisation Scheme at Altrincham and Urmston Leisure Centres (£5.13m) of Salix funding to deliver the main elements of work before March 2023.
  - Hybrid and Smarter Working (£220k), this budget has been reprioritised to assist with another element of hybrid working relating to the roll out of Office 365 across the councils ICT devices. This virement is recommended for approval by Executive.
  - Sale West Play Area (£26k) contribution has been received from a local community group for works.

- <u>Finance and Systems</u>
  - Office 365 implementation, £220k has been recommended for virement from the Place Directorate as above to cover additional implementation costs.

11. <u>Specific Issues</u>

- <u>Carrington Relief Road</u>
  Works undertaken to date of £1.6m to progress the scheme have been funded through £1m of Homes England grant and £470k of Evergreen funding and Section 106 monies all of which is unconditional and not at risk. An additional £675k conditional Growth Deal 3 funding from GMCA has been received taking available funding to £2.28m which is expected to be spent by January 2023. At this point further funding will be required to submit the planning application in 2023 (approx. £1m) and post planning fees (approx.£1.5m) with associated cost subject to inflation and risk. All of

this planned expenditure is fundable by Growth Deal 3 (total of £6m available conditionally approved in 2019). Growth Deal 3 funding is conditional on the scheme achieving Full Business Case (FBC), including planning approval, and this is a potential risk for the Council. However it is currently anticipated that this risk is relatively low, and work has been undertaken to mitigate this as follows;

  - The most significant risk is in achieving planning consent; once received this would represent a much stronger proposition to attract other funding streams and reduce the overall risk of not achieving FBC approval.
  - Dialogue with TfGM has continued in order to resolve outstanding issues governing the scheme design and justification, including planning (partly towards achieving full CRSTS funding allocation).
  - A Director-level Governing Board has been identified as an essential requirement to monitor and manage project risk and delivery obstacles, and to orchestrate partner actions.
  - Regular reports have been provided to the Executive and Scrutiny Committees at key milestone point in the scheme, and a public engagement and consultation strategy is being implemented to minimise the risk of objections to the eventual planning application.

- <u>Public Sector Decarbonisation Scheme at Altrincham and Urmston Leisure Centre</u>
  - The Council has been awarded £5.13m of PSDS funds to undertake decarbonisation works at Altrincham and Urmston leisure centres. The total cost of the works is estimated to cost £6.29m and includes a match funding requirement from the Council of £1.16m. The original assumption was £344k of match funding and the increase reflects the need for additional enabling works and inflationary impacts affecting construction material and supply chains. The additional costs will be contained within the overall budget agreed by Executive for the Leisure investment. The grant agreement requirements all works to be completed by March 2023.
  - There are a number of risks associated with the delivery of works within the timeframe of the grant, planning approvals, procurement and any further cost pressures. Measures are already in place to mitigate these risks, however if the full grant is not spent by the deadline of March 2023, this has the potential to increase the Council's contribution and borrowing costs. Any additional costs would need to be met from the existing revenue budget to support Trafford Leisure CIC and therefore would have the potential to affect the affordability of future leisure centre investment works.
  - The works will generate significant energy savings such that the shortfall in funding will be paid back between two and four years plus deliver on the Council's decarbonisation priority.

12. Resources

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

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	**68.59**	**114.87**	**45.42**	**228.88**
Grants	49.89	70.83	9.84	130.56
External Contributions	3.02	4.80	1.40	9.22
Revenue and reserves	2.30	1.29	0.00	3.59
Prudential Borrowing	8.74	29.73	27.68	66.15
Forecast Capital Receipts	2.25	5.44	8.29	15.98
Total Funding	**66.20**	**112.09**	**47.21**	**225.50**
Surplus / (Deficit)	**(2.39)**	**(2.78)**	**1.79**	**(3.38)**

There are a number of options that will be considered to address the forecast deficit for the current year of £2.39m 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 cost that will need to be identified. This also carries a risk that if receipts are not realised within predicted time scales, or at all, the borrowing will then need to be paid for on a longer or more permanent basis for which there are no resources currently identified.

12.2 The Council will continue to undertake an annual bidding process in order to progress new schemes or revise existing schemes into the programme with the aim to reflect emerging and changing priorities over time and the availability of resources. Requests for new or revised bids have now been submitted, these are now being considered in line with capital programme priorities and will then be considered as part of the annual budget setting process in February 2023.

13. 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 £342.41m, of which £236.77m has currently been expended.
- Since the last report, the debt facility at Castle Irwell Phase 1 has been fully repaid, and a new investment has been made in Broadheath, Altrincham. This new investment is a loan of £23.25m to Network Space Developments, which will be used to facilitate the construction of the Broadheath Networkcentre, 205,000 sq ft of modern industrial accommodation.
- The balance of the approved £500m which is available for further investment is £157.59 (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	-	0.09	0.64	6.05
Brown Street, Hale	9.01	(3.34)	0.11	-	5.78
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	-	0.08	0.52	2.91
Tamworth	0.13	-	-	0.26	0.39
Various Development Sites	0.33	-	0.07	-	0.40
Sub Total	**18.00**	**(3.34)**	**0.35**	**2.06**	**17.07**
Equity:					
Stretford Mall, Equity	8.82	-	-	-	8.82
Stamford Quarter, Equity	16.97	-	1.09	6.63	24.69
K Site, Stretford Equity	11.21	-	0.03	1.15	12.39
Sub Total	**37.00**	**-**	**1.12**	**7.78**	**45.90**
Development Debt:					
Bruntwood; K site	11.11	-	0.03	1.25	12.39
Bruntwood; Stamford Qtr/Stretford Mall	25.82	-	1.09	6.66	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	(19.55)	0.85	-	-
Castle Irwell, Salford – Phase 2	3.74	-	6.00	2.26	12.00
Hale Library	1.29	-	1.74	1.57	4.60
Network Space, Broadheath	0	-	6.69	16.56	23.25
Sub Total	**183.11**	**(107.80)**	**16.40**	**95.80**	**187.51**
Total Capital Investment	**318.03**	**(111.14)**	**17.87**	**105.64**	**330.40**
Albert Estate Investment	17.62	(5.61)		-	12.01
Total Investment	**335.65**	**(116.75)**	**17.87**	**105.64**	**342.41**
Balance available					**157.59**

These investments are forecast to generate a net benefit to the revenue budget in 2022/23 of £5.322m, a deficit of £1.91m 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. At period 4, it was reported that four new debt investments had been identified. Of these one, Network Space, has been agreed by IMB and included in the outturn forecast. Of the remaining three, two have been removed from the 2022/23 forecast due to a possible delay of proceeding linked to the current national outlook of financial uncertainty. 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 £1.26m 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 late 2022, which has caused a pressure in 2022/23 of £0.67m.

- 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 £0.20m on debt facilities which are linked to variable interest rates.

- 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	**6,309**
Shopping Centre Support	(845)
Budgeted Contribution	778
Reduced Contribution	(778)
Risk Reserve C/F	**5,464**

14. Prudential Indicators

14.1 The Prudential Code requires authorities to look at capital expenditure and investment plans in light of the overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long term financing implications and potential risks to the authority.

14.2 Revision to the Prudential Code in 2021 added further requirements for Local Authorities to monitor and report against all forward looking prudential indicators on at least a quarterly basis. In addition a new indicator has been made a requirement for Local Authorities to review net income from commercial and service investments as a percentage of the Authority's net revenue stream.

14.3 The Prudential Indicators will now be included as part of this bi-monthly monitoring report and are shown in Appendix 4. The indicators are grouped into three categories and the following observations can be made :-

Capital Expenditure Indicators
The overall level of general capital programme over the three year period has increased by £41.65m from the original approved position of £187.23 to £228.88m. This increase has been previously reported through the monitoring process and is as result of:

- Re-profiling from 2021/22 reported to Executive as part of the P10 and Capital Outturn reports for 2021/22 - £13.15m
- Increases in education grant funding - £17.62m
- Net increase in highways related grant funding - £4.19m
- New funding to support leisure centre and public sector decarbonisation schemes of - £6.56m
- Small increase in funding across other areas - £0.13m

The level of Capital Financing Requirement (CFR) has increased over three year period by £1.01m, this is as a result of reprofiling of capital expenditure funded from borrowing from 2021/22.

External Debt Indicators
External debts levels are forecast not to exceed those approved for 2022/25.

Affordability Indicators
The is a slight reduction the "financing to net revenue stream" than original approved from 2022/23 due to lower assumed in year borrowing and is expected to remain below the approved level for the three year programme.

In terms of "Net Income for commercial and service investments to net revenue stream" it is expected that this will be slightly higher than approved as a result of better returns on investments.

15. 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.

16. Recommendations

It is recommended that the Executive:

- note the updated positions on the revenue budget, collection fund, capital programme and Prudential Indicators.
- Approve a virement within the Capital Programme of £220k held under the hybrid working scheme within Place Directorate to the Office 365 programme within Finance and Systems.
- Note that the Prudential Code now requires that the Council report and monitor Prudential Indicators on at least a quarterly basis during the financial year and will be reported in this bi-monthly monitoring report going forward.
- Note the contents of the Corporate Plan Performance for Quarter 1 and 2.

Other Options

No Applicable.

Consultation

Not Applicable

Reasons for Recommendation

Not applicable

Finance Officer Clearance *……DM…………*
Legal Officer Clearance *………………DG…*

DIRECTOR'S SIGNATURE ………GB…

Appendix 1

Service Review/Virements	Children's (£000's)	Adults (£000's)	Place (£000's)	Strategy & Resources (£000's)	Finance & Systems (£000's)	Legal & Governance (£000's)	Council -wide (£000's)	Total (£000's)
Period 4 Outturn Report	**44,057**	**69,814**	**30,998**	**5,137**	**8,169**	**6,310**	**28,087**	**192,572**
Virements:								
Trafford Town Hall Receptionist	(5)	(5)	(5)	20	(5)			0
Remembrance Sunday events budget				10			(10)	0
Restructure - Access Trafford, School Crossing Patrol and Arts & Culture services moved to Strategy & Resources				3,675		(3,675)		0
Total movements	**(5)**	**(5)**	**(5)**	**3,705**	**(5)**	**(3,675)**	**(10)**	**0**
Period 6 Outturn Report	**44,052**	**69,809**	**30,993**	**8,842**	**8,164**	**2,635**	**28,077**	**192,572**

Appendix 2

Main variances, changes to budget assumptions and key risks

The main variances contributing to the projected overspend of £561k, any changes to budget assumptions and associated key risks are highlighted below:

Table : Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	1,977	**Projected outturn variance £1.977m adverse, adverse movement of £379k.** Below is the projected position on children's placements and other budget areas. • £462 over budget on Children's placements, adverse movement of £112k (note 1); • £273k under budget on staffing, favourable movement of £4k (note 2); • £1.147m over budget on home to school transport, adverse movement of £167k (note 3). • £643k over budget on other running costs and income across the service, adverse movement of £106k (note 4); **<u>Note 1</u>** Children's placements currently projects an overspend of £462k, adverse movement of £112k. At the time of setting the budget for 22/23 and based on placements in December 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). In reviewing this position based on the placements as at the 1st April 22/23 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. Within the overall position there is also another £196k of planned reductions still to take place, a favourable movement of £201k from period 4. Contingency of £294k was utilised between Period 4 and 6 and although not sufficient to cover the overall net increase in new placement costs of £421k, 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 £400k included in the above projections to cover any further demand, cost

		increases and potential timeline changes to the anticipated planned reductions mentioned above. 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. The numbers of children as at the end of September compared to those at the end of July are as follows:- • children in care 342, no change • child protection 199, a reduction of 17 • children in need 766, a reduction of 20 Although children in care numbers have remained the same 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. **<u>Note 2</u>** The favourable variance in staffing of £273k, favourable movement of £4k 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. 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. **<u>Note 3</u>** The projected overspend in Home to School Transport of £1.147m, an adverse movement of £167k is due to: • the service continues to see an increase in demand with further applications being received; • an increase in the complexity of cases, of which a number require transport to out of borough settings;

		• the price increases on contracts being incurred due to the increase in fuel costs;
		
		This area is being scrutinised through the finance and change process.
		
		<u>Note 4</u>
		
		The adverse variance in running costs and income across the service is £643k, an adverse movement of £106k as outlined below: -
		
		• £71k adverse variance on Partington & Sanyu nurseries, adverse variance of £10k. The overall variance is due to a shortfall in income.
		
		• £454k adverse variance in running costs, adverse movement of £66k. The variance is due to: -
		    o one off costs to support a young person in hospital £190k adverse, no movement,
		    o S17 costs £295k adverse, adverse movement of £77k. 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.
		    o Other costs £31k favourable, favourable movement of £11k
		
		• £118k adverse variance on minor variances across the service, £25k adverse movement.

Adult Services	9	**Projected variance £9k adverse an adverse movement of £123k from P4.** 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. The areas of favourable variance and pressures are outlined below: • £15k adverse variance on adult clients (Note 1), £15k adverse movement from period 4. • £6k favourable position on staffing and running costs an adverse movement of £108k. (Note 2) **<u>Note 1</u>** Adult Clients is projecting a £15k adverse variance as at period 6.

This budget remains high in complexity and volatility as a result of COVID-19 due to the following:-

- 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

Packages of Care – The P6 position is projecting a £41k favourable variance a favourable movement favourable movement of £10k from P4. Within the forecast is a contingency of £438k to mitigate new demand and increases to existing client costs that may present throughout the financial year.

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.

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.

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.

Savings – The savings target for 22/23 is £219k and £40k savings have been achieved to date. The forecast assumes that the target will be under achieved by £56k an adverse movement of £25k from P4. 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.

Note 2

The forecast projected outturn position for staffing and running costs is a favourable variance of £6k an adverse movement of £108k from P4 as outlined below: -

- £4k adverse variance on staffing an adverse movement of £4k.

		• £110k favourable variance on client equipment due to lower than anticipated activity an adverse movement of £4k from P4. • The savings target on Liberty Protection Safeguards of £100k is not expected to be achieved in this financial year due to the date of implementation which is set by central government being deferred. This is an adverse movement of £100k from period 4.
Public Health	(1)	**Projected Outturn variance £1k favourable an adverse movement of £18k from P4.** This favourable position is due to minor variations. There is further scope for the underspend to increase due to the likelihood that projections on activity-based budgets will decrease as the year progresses. A full review will take place and revised projections will be included in the P8 report.
Place	2,209	**Total projected outturn variance £2.209m adverse, an adverse movement of £335k.** **Place Revenue Budget £300k adverse, a favourable movement of £17k:** • Pressures include £148k relating to property costs (reduced by £9k), 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 £114k (increased by £42k), which is offset by a related underspend in staffing from vacancies. Projected parking income is also £105k below budgeted target (£50k 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 £4k (£1k increase). • Other net minor movements across all services are £22k adverse (reduction of £3k). • There is an estimated overall staffing underspend of £270k relating to vacancies forecast across the year (excluding the ringfenced Planning account) (increase of £42k), which is approximately 3.6% of the staffing budget. This is offset by a Directorate-wide efficiency saving of £105k.

		• The Planning service is a ringfenced account and is projecting a shortfall in income of £299k (increased by £12k) which is offset by an underspend of £344k in staffing, running costs and reserve contributions (increased by £69k). This is a net underspend of £45k for the year (£57k net favourable movement). **Strategic Investment Programme £1.909m adverse, an adverse movement of £352k:** The Strategic Investment Property Portfolio is expected to deliver a net benefit to the revenue budget in 2022/23 of £5.322m. This is £1.909m lower than budgeted due to economic factors affecting some of the income particularly from the town centre investments (£352k adverse movement).
Strategy & Resources	(396)	**Projected outturn variance £396k favourable, a favourable movement of £176k.** • Staff costs are estimated to be £357k less than budget across the Directorate based on actual and forecast vacancies across the whole year, which is 3.8% of the total staffing budget and £171k higher than last reported; • Running costs are forecast to be £32k underspent. This has reduced by £69k including £24k relating to libraries, £18k in Communications, £14k Partnerships and £7k Bereavement Services; • Other Income is projected to be £238k above budget. This includes £123k from the traded Music Service (increased by £20k), £85k from Catering and Cleaning (increased by £61k), £74k from Bereavement Services (increased by £35k) and £11k from staff parking (reduced by £33k), offset by a £30k shortfall in income from libraries (reduced by £3k) and other income £25k (increased by £7k). Overall projected income is £79k higher than last reported. These are offset by the budgeted Directorate-wide efficiency saving target of £231k (increased by £5k), which is expected to be achieved in full.

Finance & Systems	79	**Projected outturn variance £79k adverse, a favourable movement of £8k.** • Staff costs are estimated to be £205k less than budget across the Directorate based on actual and forecast vacancies for the whole year, which is 2.3% of the total staffing budget and £13k higher than last reported; • Running costs are forecast to be overspent by £27k (increase of £10k); • Income is projected to be £66k below budget (reduced by £10k), which relates to reduced ICT trading income from schools. These are offset by the budgeted Directorate-wide efficiency saving target of £191k (increased by £5k).
Legal and Governance	407	**Projected outturn variance £407k adverse, an adverse movement of £100k.** • Staff costs are estimated to be £178k above budget and includes for agency costs covering vacancies and service demand. This has increased by £102k since last reported as a number of interim arrangements have needed to be further extended due to ongoing difficulties in filling vacancies and continued increased demand; • Running costs are projected to be overspent by £101k (increased by £35k) and mainly relates to legal fees associated with workload demand; • There is a projected shortfall in income of £38k compared to budget (reduced by £37k. This overall shortfall includes £28k in capital fee income which is related to staff vacancies, £26k shortfall in traded services and £43k reduced grant income in electoral registration service. Registrars income is forecast to be £55k above budget and land charges £4k. The above is offset by the budgeted Directorate-wide efficiency saving target of £90k.

<table>
<tr>
<td>Council-wide</td>
<td>(3,723)</td>
<td>Projected Outturn variance, £2.601m favourable, a favourable movement of £1.122m since Period 4

Treasury Management

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 (Bank of England currently 2.25%), which is expected to generate additional investment interest of £1.977m, an increase of £1.122m since period 4.

Other net adverse variances against budget of £65k.

Housing Benefit

The Housing Benefit budget is notoriously difficult to predict. At period 6 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. No change since period 4.

COVID-19 Contingency

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.

GMCA Transport Levy

The final GMCA Transport levy set is lower than the budget agreed in February by £154k.</td>
</tr>
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Dedicated Schools Budget	735	**Schools Block** - £361k underspend relates to the Growth Fund. **Central Schools Block** - £22k underspend is in Primary Targeted **High Needs Block** - £1.120m overspend is due to a £223k overspend on the budget set and that the budget set is £898k more than the latest grant allocation received. The £223k over spend 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 being funded at The Orchards, Brentwood and Delamere have resulted in a £333k over spend on the special schools budget but this has been offset by a corresponding under spend of £275k on the out of borough budget. The balance of the overspend relates to minor variances. There is a negative high needs block reserve of £1.992m, leaving an overall deficit of £3.112m. 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 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. **Early Years Block** - £2k minor underspend

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
Liberty Protection Safeguards (LPS)/Portal – Reshaping.	Adults	(100)	0	100	The implementation of the LPS scheme and a whole system portal which will drive through efficiencies and costs savings.	AMBER	This saving is dependent upon changes in legislation and it is not yet clear when this will be enacted.
Learning Disabilities - supported accommodation	Adults	(113)	(88)	25	Working with providers to identify efficiencies that can be achieved in the learning disability supported living accommodation contracts.	AMBER	Work is underway with providers
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		**(1,453)**	**(168)**	**1,285**			

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Prudential Indicators – 2022/23 **Appendix 4**

The Prudential Code for Capital Finance in Local Authority was 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 a 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 6 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	68.59	(10.97)	68.60	114.87	46.27	39.07	45.42	6.35
Capital expenditure - Investment Strategy	30.90	130.15	104.62	(25.53)	75.00	129.51	54.51	25.00	28.46	3.46
Capital expenditure - Total	57.97	209.71	173.21	(36.40)	143.60	244.38	100.78	64.07	73.88	9.81
Capital Financing Requirement (CFR)	376.35	538.44	481.02	(57.42)	624.81	630.86	6.05	624.28	676.66	52.38

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 6 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's reliance on that income and its proportionality.

Prudential Indicators - Period 6 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%	6.7%	-0.1%	6.6%	6.7%	0.1%
Net Income for commercial and service investments to net revenue stream	9.4%	7.5%	8.0%	0.5%	6.0%	8.0%	2.0%	5.4%	7.5%	2.1%

A red-amber-green (RAG) direction of travel rating is provided to give an indication of whether performance is improving or declining based on the target. Indicators with arrows highlighted green: improved on the previous value or on an expected target. Indicators with arrows highlighted amber: within 5% of the target (slight decline). Indicators with arrows highlighted red: declined by more than 5% on the target. Some indicators do not have a target (for example, due to being a new indicator) and will therefore have no target RAG rating. Similarly, some of our indicators are new and we do not have any previous data to compare our performance to or it is not appropriate to compare to previous data; these will have no direction of travel RAG rating in the summary pages.

Some Council Service metrics are also included in the report as although they are not included in the priorities, they provide a performance update for a range of services the Council provides.

Supporting people out of poverty	Definition	18/19	19/20	20/21	21/22	Target for 22/23	Q1 22/23	Q2 22/23	Direction of travel	Comments
	Percentage receiving Universal Credit (UC) and the Claimant Count (CC)	2.3% (CC) 5.1% (UC)	2.5% (CC) 6.4% (UC)	5.3% (CC) 11.8% (UC)	3.4% (CC) 10.3% (UC)	TBD	3.1% (CC) 10.6% (UC)	3.1% (CC) 11% (UC)	NA	It should be noted that a target cannot be set easily for this indicator as in some instances an increase could represent less people experiencing poverty as they are being supported to access the right benefits.
	Number of people prevented from becoming homeless	416	444	303	310	344 (based on last year +10%)	90	69	NA	The number of people prevented from becoming homeless this quarter is below target as most people who approached HOST for assistance had already left their property and as such HOST were unable to prevent and the applicant was placed straight into Relief Duty.

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Improve the number of affordable housing completions	82	69	79	100	300 (based on forecast units in 22/23)	14	149		A successful quarter of affordable housing completions which has excepted the target. Affordable completions this quarter include: • 75 units as part of the Sale West • 31 apts at 50-78 Higher Road, Urmston • 15 apts at Chapel House, 14 New Street, Altrincham • 16 houses Oak Road, Partington development • 6 affordable units at Heath Farm development 6 affordable units at Lock Lane development
Improve overall employment rate (aged 16-64) (%)	77%	79.8%	76.5%	76%	76.2%	73.5%	Not yet published		Trafford fell 2.2% below England rate and 4.8% below the average of similar local authorities at 73.5%.
Improve number of housing completions	953	788	1301	546	1,300 (based on forecast units in 22/23)	146	528		A successful quarter of housing completions which has excepted the target. Large completions this quarter include: -246 flat and 28 houses at the Land bound by Bridgewater way, Chester Road, Virgil Street and Princess Way, Old Trafford site. -70 units for Regents Road Car Park – Altrincham

Supporting people out of poverty

Definition	18/19	19/20	20/21	21/22	Target for 22/23	Q1 22/23 Actual	Q2 22/23 Actual	Direction of travel	Comments
Improve the number of people being re-housed (from Trafford's housing waiting list)	229	301	119	446	360 (based on last year +10%)	95	69	↓	The number of people re-housed is reliant on the number of available properties the Housing Associations have available to advertise. This quarter has seen a reduction in the available properties which has reduced the number of people able to be re-housed. As Trafford is a non-stock holding authority, we reliable solely on the Housing Associations to enable people to be re-housed from our Register.
Maintain the low level of 16–17-year-olds who are not in education training or employment (NEET)	2.3% (Dec-Feb average)	1.8% (Dec-Feb average	2.3% (Dec-Feb average)	1.78%	1.96%	1.88%	1.89% (last reported figure from Aug)	↑	The very positive figures are the result of improved tracking of this cohort of young people by using the Youth Engagement Service. We have gained funding via the latest Education and Skills Fund for NEET contracts which will help continue to offer an enhanced level of support to NEET and 'at risk of' NEET young people in Trafford.

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Improve the percentage of primary school children achieving the expected standard in reading, writing and maths. (KS2)	77%	Not available- no testing due to Covid	Not available – no testing due to Covid		77%	Not available	66.9%		This figure comes from DfE following the second data checking exercise. It was expected that attainment levels would drop this year due to restricted attendance at schools during the pandemic, but a 10 point reduction is probably more than expected. At this point, DfE have not published any data, but data that we have access to (from 101 LAs) shows a 6.5 point drop nationally, to 58.6%. This being the case, Trafford will remain amongst the higher levels of attainment in the country. The current level is above that achieved nationally pre-pandemic.
Percentage take-up of funded childcare and early education places for two-year-olds	90%	100%	88%	106%	TBC	108% (Spring term)	108%		This ranks Trafford 1st nationally and 1st in relation to statistical neighbours.

Increase the percentage take up of funded childcare and early education places for 2-year-olds in North Trafford	NA	NA	68% (Rolling 3 term average in 2021)	69% 30 ppts gap	To reduce the gap between take up in North Trafford and the rest of the Borough by 15ppts	79% (3 term rolling average)	83.6% (3 term rolling average)	↑	This is another significant increase improvement with an increase of over 4ppts. This decreases the % gap between take up of the 2 year offer in the North compared to the rest of Trafford to 16% where it had previously been an 18% gap for Spring and a 25% gap for Autumn. The gap continues to narrow with take up in all areas above national.
Increase the percentage of children at or above the expected level of development at 2 - 2.5 Years	NA	NA	NA	86%	88%	86.9%	89.4%	↓	2.5% increase in the number of children at or above expected level this quarter. Trafford remains higher than the national average (83%). Also worth noting there was an increase (+17%) in the number of children who received the developmental review in Q2 compared to Q1.

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Addressing our Climate Crisis	Definition	18/19	19/20	20/21	21/22	Target for 22/23	Q1 22/23 Actual	Q2 22/23 Actual	Direction of travel	Comments
	Percentage of household waste which is collected for recycling	57.3%	56.9%	53.3%	55.5%	56.8%	61.1%	60.5%	⬇	Recycling rate has dropped slightly, but still well above target. It is expected that the rate will drop slightly again in Q3, as garden waste collected decreases through autumn.
	Household waste collected not sent for recycling (Tonnes)	25,525	26,399	31,109	29,523 (-5%)	27,506	7,086	14,000	⬆	Residual waste collected remains outside the target set in the LAMA submission to GMCA, but performance has improved in Q2, from 2.4% above the tonnage target at the end of Q1, to 1.5% above target in Q2
	Increase number of electric charging points per 100,000 population	NA	21.6	19	24.4	48	32	Data not yet published	⬆	The data reflects devices which report as operational at the end of each quarter. Between July 2021 and January 2022 Trafford's rate, although much lower, was increasing at a faster rate than its comparators. However the rate devices per 100K compared with 44.6 for the average of similar LAs and 48.8 for England

Council Service Performance Table:

	Definition	18/19	19/20	20/21	21/22	Target for 22/23	Q1 22/23 Actual	Q2 22/23 Actual	Direction of travel	Comments
Council Services	Libraries loans (physical)	522,977	518,820	104,389	353,073	400,000	109,784	127,027	↑	Loans have increased again in Q2, however still only about 80% of pre-pandemic levels
	Libraries loans (digital)	80,219	160,718	311,710	272,360	250,000	72,566	77,723	↑	Digital loans continue to increase despite physical loans also increasing.
	Shifting enquiries to online self-service (reduce call volume)	22,686	36,406	45,922	61,199	65,000 (80%)	18,632 (78%)	18,814 (79%)	↑	Increase from Q1(78%)
	Timeliness of FOI requests	84%	83.40%	67.10%	63%	95% (as set by the ICO)	78%	67%	↓	The performance over the last quarter is not an accurate snapshot as for many FOIs received in September, especially late September, the 20 day deadline has not been reached. A more realistic figure of the previous quarter (July, Aug, Sept) will be available only end of October.

	Definition	18/19	19/20	20/21	21/22	Target 22/23	Q1 22/23 Actual	Q2 22/23 Actual	Direction of travel	Comments
Council Services	Percentage of council tax collected	98.10%	97.80%	97.20%	97.5	97.2%	29.3%	57.08%	↑	We continue to recover high levels of council tax will be looking to return to pre-Covid collection rates.
	Percentage of major planning applications processed within timescales	100%	100%	100%	100%	100%	100%	100%	↔	Performance continues to remain exceptional. Total number decided within the year 35 and 13 within the quarter.
	More adopted streets and paths scored at grade B or higher (road cleanliness)	83.3%	88%	93.80%	96.6%	88%	92.1%	93.2%	↑	Street cleanliness continues to be well above target. The One Trafford Partnership has just taken delivery of 4 new small mechanical sweepers, which should ensure that less time is lost due to breakdowns.
	Maintain Percentage of Highway defects rectified in accordance with the 'Reactive Maintenance Procedure' timescales	93.5%	92.9%	98.7%	97.9%	95%	98.1%	98%	↑	Performance is significantly above the annual target, and has remained at a similar level for each of the last three quarters.

Improve the number of apprenticeships across the Council's directorates and to maximise the levy spend		274	71	60	36	3 starts (April to June)	13		A cohort of level 5 learners is planned for recruitment for a Jan 2023 start. The quarterly figure is the number of apprenticeship starts from the beginning of the financial year to the end of the relevant quarter. School's apprenticeships are now separated out and not included in the KPIs.

Council Services

Definition	18/19	19/20	20/21	21/22	Target for 22/23	Q1 22/23 Actual	Q2 22/23 Actual	Direction of travel	Comments
Reduce sickness absence from previous year	10.07 FTE days lost	10.05 FTE days lost	9.29 FTE days lost	12.95 FTE days lost	10 FTE days lost	10.72 FTE days lost	10.39 FTE days lost		Sickness this quarter has reduced by 0.33FTE days as compared to the Q1. However, it is higher than the target.
Maintain rate of admissions to permanent residential nursing in over 65+	539.5	684.8	543	614.3	550	133.6	279.2		This is a similar level to this time last year which was 291.4. If we continue on this trajectory, we will be on course to achieve our year-end target. As a system we continue to work across all areas to ensure that timely assessment is undertaken either within hospital or within a Discharge to Assess (D2A) bed.

	Maintain older people still at home 91 days after discharge from hospital into reablement services	93%	91.6%	88.9%	93.3%	91%	89.1%	88.7%		We are reporting a steady position at the end of Q2 22/23. We continue to be around 8% ahead of the regional and national out-turns for this indicator. Our new suite of service responses, to enable people to be discharged home with enhanced levels of support, is having an impact on this service area.
	Improve the proportion of clients receiving commun ity-based services with direct payments	26.8%	28%	24.9%	22.6%	25%	16.3%	16.7%		We still have a lower rate of Direct Payments than previous years and compared with regional comparators.
	Improve the success of short-term services in Adult Social Care (ST Max)	45.1%	44.1%	46.5%	56.6%	59%	45%	56%		We are on track to meet our year-end target for this indicator and will aim to continue our trend in improvement

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Council Services

Definition	18/19	19/20	20/21	21/22	Target 22/23	Q1 22/23 Actual	Q2 22/23 Actual	Direction of travel	Comments
Children in Need cases open over 12 months (all open referrals)	903	804	732	716	750	754	777 (52%)	↑	This data represents all children open to Childrens Social Care and includes all Child in Need, Child Protection and Cared for Children. 63% of the overall children open to a service for more than 12 months are Cared For Children or Care Experienced. Whilst demand is fluctuating detailed analysis is ongoing to understand whether this relates to changes to specific case status or is a reflection of demand reduction strategies.
Proportion of referrals that were re-referrals to Children's Social Care Services (within last 12 months)	26.9%	31.8%	17.2%	21.4%	22%	25.7%	16.2%	↓	The figure of 16.2% for the Quarter is excellent, especially when prior to the period the measure had seen a slow, long-term upward trend with monthly figures over 25%. It is currently at 20.2% for the year, below last published comparator figures.
Early Help Assessments completed	**NA**	**NA**	170	170	180	89	86	↓	Whilst we are on track to achieve this target, it should be noted that the target is comparatively small compared to other LA's. The majority of the EHA's should be completed

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										by partner agencies not council services. Work in this regard is ongoing across the partnership
	Proportion of Care Experienced Young People in touch with a social workers or care worker within last 8 weeks (17–21-year-olds)	19%	38%	83%	83%	90%	78.4%	74.7%	⬇	The national standards for keeping in touch is activity must take place within the timeframe of 3 months before and 1 month after the Care Leavers birthday (within a 4 month period around birthdays). Our local indicator is keeping in touch within an 8 week period. The target set for this measure is 90%. In the first 2 quarters of this reporting year the performance has not met the target. Whilst the performance hasn't met the target, there are improvements on previous years reporting. The aim is to consistently achieve 90%.
Council Services	**Definition**	**18/19**	**19/20**	**20/21**	**21/22**	**Target 22/23**	**Q1 22/23 Actual**	**Q2 22/23 Actual**	**Direction of travel**	**Comments**
	Improve Education Health Care Plan (EHCP) timeliness (% of EHCPs issued within 20 weeks requests agreed)	61.8%	81.8%	78.3%	56.4%	60%	31%	42.3%	⬆	Figures for the last 3 Quarters have been poor, with the outturn for 21/22 of 56.4% being below the percentages recorded in previous years. Alongside this Q1 saw a very high number of both requests for and EHCPs issued. Given the high numbers of requests coming in and

										backlogs in the system, these figures are unlikely to improve in the short term. Year-to-date, 36.4% of EHCPs have been issued within 20 weeks.
	Maintain percentage of schools that provide good or outstanding levels of education		93.5%	93.5%	93.4%	93.4%	94%	93.4%	⇔	There are currently 6 schools judged to be below ‘Good’. One of these has moved from Inadequate to Requires Improvement following a recent inspection. Whilst previously ‘Good’ schools are tending to maintain their judgements following inspection under the new framework, outcomes are more mixed for those previously ‘Outstanding’.

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Corporate Plan Performance - Key Performance Indicators **Annually or biennially** **Appendix 6**

	Definition	Frequency	18/19	19/20	20/21	21/22	Target for 22/23	Direction of travel	Comments
Reducing Health Inequalities	Narrow the deprivation gap for adults who are classified as overweight or obese	Annual	60.0	59.3	60.7	Data not yet available	Maintain direction of travel (reduction). Percentage reduction for 21/22 to be greater than 3% (7.3% from 18/19 to 19/20)	⬆	Trafford is already lowest of its statistical neighbours. This data is not available at Ward level. Maintain lower percentage compared to England average. The percentage of adults classified as overweight or obese has increased by 1.4 percent from 19/20 to 20/21
	Increase the percentage of adults who are active	Annual	69	68.1	68.2	Data not yet available	Maintain the gap between deciles 1 and 10 by Nov 2021	⬆	New data for 20/21 now released in Q4. The percentage of adults who are active during 20/21 has being maintained from 19/20 To move into the top 2 of our statistical neighbours (we are currently 5th highest). This is deteriorating and we are waiting for the next published data to see the impact of Covid on adults who are active. This is reflected in the National picture too.

	Improve the % of children who are active	Annual	47.5	37.7	43.1	Data not yet available	To maintain our position in comparison with our statistical neighbours	↑	To maintain our position in comparison with our statistical neighbours (we are currently 7th highest)

Reducing Health Inequalities

Definition	Frequency	18/19	19/20	20/21	2021/22	Target for 22/23	Direction of travel	Comments
Reduce the under 75 mortality rate from causes considered preventable (per 100,000 population)	Annual	133.9 (2018)	144.2 (2019)	131.0 (2020)	Data not yet available	To maintain our position in comparison with our statistical neighbours	↓	Target to maintain our position in comparison with our statistical neighbours is due to the ongoing impact of covid also seen at a national level.
Improve the healthy life expectancy at birth (by deprivation and gender)	Annual	(2016 – 18) Female 66.0 Male 66.0	(2017 – 19) Female 65 Male 65.6	(2018 – 20) Female 66.9 Male 66.3	Data not yet available	To move into the top 2 of our statistical neighbours for males and top 3 for females	Female ↑ Male ↑	New data for 2020/21 now released in Q4. The healthy life expectancy has increased by almost two years for females and 0.7 years for males from 2017 – 19 to 2018 – 2020 Target is to move into the top 2 of our statistical neighbours for males and top 3 for females.
Improve the inequality in life expectancy at birth. (The slope index of inequality)	Annual	(2016 – 18) Female 7.4 Male 9.3	(2017 – 19) Female 7.9 Male 8.8	(2018 – 20) Female 7.4 Male 8.5	Data not yet available	To maintain our position in comparison with our statistical neighbours	Female ↓ Male ↓	We are currently 8th highest for females and 9th highest for males

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Reducing Health Inequalities

Definition	Frequency	18/19	19/20	20/21	21/22	Target for 22/23	Direction of travel	Comments
Reduce the proportion of five-year-old children with experience of visually obvious dental decay	Bi-Annual	26.0		Last updated in Nov 2020; expect 20/21 update in Winter 2022.	Data not yet available	To join the lowest three of our statistical neighbours	n/a	This data is not available at Ward level. There is clear and consistent evidence for a social gradient in the prevalence of dental decay in England. To become the lowest of our statistical neighbours (we are currently 5th lowest)
Reduce the depression (recorded prevalence age 18+)	Annual	13.9	14.8	15.4	Data not yet available	To halt the increase in depression prevalence	↑	To move into the bottom half of our statistical neighbours (we are currently 3rd highest)
Reduce smoking in routine/manual (R&M) workers vs general population (inequality in smoking rates)	Annual	R&M 26.4% (2018)	R&M 17.4% (2019) Gen. pop. 13.4%	R&M 20.3% (2020) Gen. pop. 12.9%	Data not yet available	5% reduction in the difference between routine/manual worker smoking rates and general population smoking rates	↑	A change in data collection affects the data for 2020 meaning the confidence limits will be wider for the 2020 figure. Target for a 5% reduction in the difference between routine/manual worker smoking rates and general population smoking rates

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	Definition	Frequency	18/19	19/20	20/21	21/22	Target for 22/23	Direction of travel	Comments
Reducing Health Inequalities	Narrow the gap in the % of children who are classified as obese (including severely obese) in Reception and Year 6 between the most and least deprived quintiles.	Annual	(2014/15 - 2018/19) Reception Most deprived quintile 12.0 Second most deprived quintile 9.6 Year 6 Most deprived quintile 23.8 Second most deprived quintile 21.5	(2015/16 2019/20) Reception Most deprived quintile 11.6 Second most deprived quintile 8.8 Year 6 Most deprived quintile 24.6 Second most deprived quintile 21.9	Data not yet available. Last updated in June 2021; expect 20/21 update in summer 2022.	Data not yet available	Maintain lower percentage compared to England average. Maintain our position in comparison with statistical neighbours	Reception Most deprived quintile Second most deprived quintile Year 6 Most deprived quintile Second most deprived quintile	Data is available by quintiles – target to reduce the gap between the most deprived quintile and least deprived quintile by 20% per year (whilst ensuring there is not an overall increase). Target to apply to both Reception and Year 6. Given the impact of the pandemic, we hope to have maintained our position compared to our statistical neighbours, though we are in the top 20 highest cumulative Covid areas.

Addressing our climate crisis

Definition	18/19	19/20	20/21	21/22	Target for 22/23	Direction of travel	Comments
Reduce borough wide CO_2 emissions (Kilo tonnes)	1,507.0 (2018)	1,467.6 (2019)	Not yet published	Not yet published	1,271.0	TBC	No data has been published since 2019. Awaiting next publication of data.
Corporate CO2 emissions (tonnes)	17,433	17,134	15,205	Not yet published	11,087	TBC	New data for 20/21. This figure includes emissions reported under scope 1 (direct emissions- fossil fuels burned directly by the Council), scope 2 (indirect emissions- imported electricity), and scope 3 (other indirect emissions from products and services).

Addressing our climate crisis

Definition	18/19	19/20	20/21	21/22	Target for 22/23	Direction of travel	Comments
Reduction in annual mean concentration of particulate matter (PM_{10}) µg/m^3 (MP = Moss Park, A56 = A56 Chester Road)	MP:14.5 A56:16.8 (2019)	MP:13.1 A56:14.1 (2020)	MP:13.2 A56:14.4 (2021)	MP: 21.5 A56: 20.1	MP: 13.1 A56:14.1		The annual mean is reported from 01 January to 31 December. The Q4 figure is the quarterly mean from 01 January to 31 March. After a reduction in 2020 there has been a slight increase in 2021. The Q4 figures indicate a further sizable increase for 2022.
Reduction in annual mean concentration of nitrogen dioxide (NO_2) µg/m^3 (MP = Moss Park, A56 = A56 Chester Road, WA = Wellacre)	MP:19 A56:30 WA:15.5 (2019)	MP:14 A56:21 WA:11.4 (2020)	MP:15 A56:23.1 WA:13.3 (2021)	MP: 18.5 A56: 22.5 WA: 14.7	MP: 14 A56: 21 WA: 11.4		The annual mean is reported from 01 January to 31 December. The Q4 figure is the quarterly mean from 01 January to 31 March. After a reduction in 2020 there has been an increase in 2021 but still below pre-Covid levels. However, the Q4 data is indicating a return to 2019 levels with the exception of the A56 readings.

	Increase proportion of adults who do any walking or cycling, for any purpose, five times per week	33.5	34.5	30	Not yet published	36.1	⬇	Trafford has seen a decrese in the rate from 34.5 to 30. Perforamnce has dropped below similar to statistical neighbour's average of 32.5%.
	Increase of the number of school streets in the borough	0	0	0	0	5	NA	5 school streets have agreed funding from TfGM and 3 are in process of being established using local resources.
	Improve number of staff trained in carbon literacy	NA	NA	20	86	TBC	⬇	For generic staff training, a focus will continue to on rolling out training across the organisation in 2022-23

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Addressing our climate crisis	Definition	18/19	19/20	20/21	21/22	Target for 22/23	Direction of travel	Comments
	Improve proportion of Energy Performance Certificates (EPC) registered to Trafford addresses that are A, B or C	31.2% (2010-2019)	32.0% (2011-2020)	33.4% (2012-2021)	36.2%	TBC	⬆	The Committee on Climate Crisis states that all homes will need to be EPC C or above to reach Net Zero.
	Reduce vehicle miles travelled on roads in Trafford (millions)	1,034.4 (2018)	1,084.7 (2019)	886.6 (2020)	846 (2021)	939	⬇	Decrease largely due to the impact of covid, lockdowns and remote working.
	Reduce number of licenced vehicles with Trafford addresses	130,076 (2018)	131,133 (2019)	129,116 (2020)	130,387 (June 2022)	130,212	⬆	This is less compared to similar statistical neighbours (202,502)
	Increase percentage of licenced Ultra Low Emission Vehicles with Trafford addresses [Number registered at year end]	0.37% [476] (2018)	0.52% [684] (2019)	0.81% [1,042] (2020)	1.76% (June 22)	3.73%	⬆	Targets for *Proportion of licenced Ultra Low Emission Vehicles* and *Proportion of Energy Performance Certificates* are based on a linear reduction rate from current levels to 100% by 2038. To reach Net Zero, all vehicles – including

								heavy-goods vehicles (HGVs) – must be fossil fuel free.

Supporting people out of poverty	Definition	18/19	19/20	20/21	21/22	Target for 22/23	Direction of travel	Comments
	Reduce % of households fuel poverty levels	10.4% (2018)	12.8% (2019)	12.3% (2020)	Data not available	12.1%	⬇	***New data for 2020 just released in Q4-** In 2020, 12.3% of households in Trafford were fuel poor. This masks considerable variation between small areas within Trafford. In Clifford ward, some 19.2% of households were living in fuel poverty. 2019 and 2020 fuel poverty statistics are based on the new Low Income Low Energy Efficiency (LILEE) metric as opposed to the Low Income High Costs (LIHC) metric. Additional fuel poor households were identified by the LILEE metric.
	Improve employees paid at/above the real living wage	77.4%	77.1%	80.7%	No quarterly data	83%	NA	We are progressing towards RLW Accreditation as a Council and engaging with our suppliers alongside considering the financial impact of this ambition. Though the increase is positive, Trafford is still 3.2% below the mean of statistical neighbours.

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 24 November 2022
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period July to September 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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Audit and Assurance Service Report July to September 2022

Date: **November 2022**

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between July 2022 and September 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 – July to September 2022

Work in the quarter included finalising audit reports covering cyber security, adult social care payments and schools. There was also work completed to finalise the sign off of grant claims where Internal Audit input was a requirement. A number of other audit reviews were progressed which will be reported when finalised as part of the Quarter 3 update. 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 July to September 2022

There were 7 internal audit reports produced in the period (5 final reports and 2 draft reports). In addition, Audit completed checks in relation to 3 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 4 final reports issued where updated opinions levels were given, "Substantial" or "Reasonable" Assurance was provided for all these audits. Where any new recommendations have been made, agreed action plans are in place to implement these.

5. Summary of Audit & Assurance Opinions Issued – July to September 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/A/G -Date Issued	COMMENTS
FINAL REPORTS ISSUED		
Level 4 Reports:		
Cyber Security follow-up audit (Finance and Systems) / (Finance and Governance)	**Reasonable** * (GREEN) 25/7/22	A report was issued in November 2020, providing assurance that whilst most key risks are being managed, there was further scope for improvement in controls across a number of aspects of cyber security. A follow up review was undertaken concluding that of the 24 recommendations previously made, 11 have been implemented and 13 are in progress. A number of developments are being made as part of wider delivery programmes including the current Microsoft M365 migration programme; the FreshService programme covering developments in IT service management tools and the Business Continuity programme. Funding for a Cyber Security Officer had previously been agreed and this post was filled in September 2022. Developments in managing cyber security risks continue to be monitored as part of the strategic risk register.
Level 3 Reports:		
Adult Social Care Payments System (Adults' Services) / (Adult Social Care)	**N/A** * (GREEN) 5/9/22	A previous audit was reported in August 2020 ("Medium" Level of Assurance) and a follow up review has been undertaken to provide a position statement on progress made to date. It was reported that progress has been made with each recommendation. Of the 17 previous audit recommendations, 5 have been fully implemented, and 12 of these are met in part or in progress. Further improvements were identified to be made in some areas such as in setting up contract details and payment arrangements promptly on the ContrOCC system. It is acknowledged that progress has been impacted over the last 2 years given the pandemic. Adult Social Care also faces challenges with the implementation of social care charging reforms, currently, due to go live due in Oct 2023. Audit will continue to work with Adults' Services in reviewing the ongoing development of processes for the effective monitoring of payments and consider an updated audit opinion further to developments being made.
Adults Direct Payments (Adults' Services) / (Adult Social Care)	**Reasonable** * (GREEN) 8/8/22	A previous audit was reported in August 2020 and a follow up review was undertaken. Audit acknowledged the impact of the Covid-19 pandemic on the service delivery, in terms of capacity, disruption and emerging risks. There was evidence of progress being made with each previous recommendation. Of the 19 audit recommendations made in the previous audit, 4 have been fully implemented, 15 are in progress or met in part. Further developments to be made include completion and approval of the Direct Payments Policy and further development of performance management arrangements.
Level 1 Reports:		
St. Monica's RC Primary School (Children's Services) / (Children's Services-	**Substantial** (GREEN) 14/9/22	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.

Education)		Relevant school policies are reviewed on a regular basis. Only one recommendation was made in relation to the school fund accounts which was agreed to be implemented shortly.
St. Michael's CE Primary School (Children's Services) / Children's Services-Education)	Substantial (GREEN) 20/7/22	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. Areas for improvement included in relation to obtaining and publishing details of financial and business interests of all governors in line with DfE guidance.
DRAFT REPORTS		
Level 4 Reports:		
Payroll (Strategy and Resources) / (Finance and Governance)		By the end of September, initial draft findings had been produced. A final report is to be issued and outcomes will be reported in the October to December 2022 Audit and Assurance update.
Level 1 Reports:		
Cloverlea Primary School (Children's Services) / (Children's Services)		By the end of September, initial draft findings had been produced. A final report has since been issued and will be reported in the October to December 2022 update.
**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.*		
GRANT CERTIFICATION	**DATE COMPLETED**	**DESCRIPTION / COMMENTS**
Local Transport Capital Block Funding (Pothole Fund) Grant (2021/22) (Place) / (Environmental Services)	15/9/22	Greater Manchester Combined Authority (GMCA) is the accountable body for funding through a government allocation of £15.5m for this grant for 2021/22. There is a requirement for the GMCA to certify to the Department for Transport (DfT) that funds have been spent in compliance with grant conditions and requested each of the GM authorities to provide assurance. For Trafford Council the allocation amounted to £1.29m. Audit confirmed that based on work undertaken, the opinion given was that in all significant respects, the conditions stated in the grant award letter in relation to Local Transport Capital Block Funding (Pothole Fund) have been complied with.
Local Authority Test and Trace Support Scheme Funding (Finance and Systems) / (Finance and Governance)	30/9/22	The purpose of the grant was to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred in relation to the delivery of the Test and Trace Support Payment scheme. The scheme aimed to support people on low incomes who were told to self-isolate who were unable to work from home and would lose income as a result. Audit confirmed having carried out appropriate checks, in all significant respects, the conditions attached to the grant had been complied with.
Universal Drug Treatment Grant 2021/22 (Adults' Services) / (Health and Wellbeing and Equalities)	8/7/22	Trafford Council was allocated a grant of £201k. An agreement was made with Greater Manchester Mental Health NHS Trust to support improvement in interventions to reduce drug related offending and deaths. Audit signed off a "Statement of Grant Usage" to confirm based on checks undertaken that there is reasonable assurance that the eligible expenditure incurred is in accordance with the definition and conditions of the grant.

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. An update report was presented to the Accounts and Audit Committee in July 2022.
- Commencing work to support the 2022/23 National Fraud Initiative, preparing for the submission of data through liaison with all services that are required to provide information. (Update on work completed to be included in the October to December 2022 Audit and Assurance update).
- Continuing to liaise with Legal and Governance to provide advice and input regards the process of compiling the 2021/22 Draft Annual Governance Statement which was presented by Legal and Governance to the Accounts and Audit Committee in July 2022.

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

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

Acceptance of Recommendations

From the final audit opinion reports produced and issued by the Audit and Assurance Service during the year to date, all of the 24 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

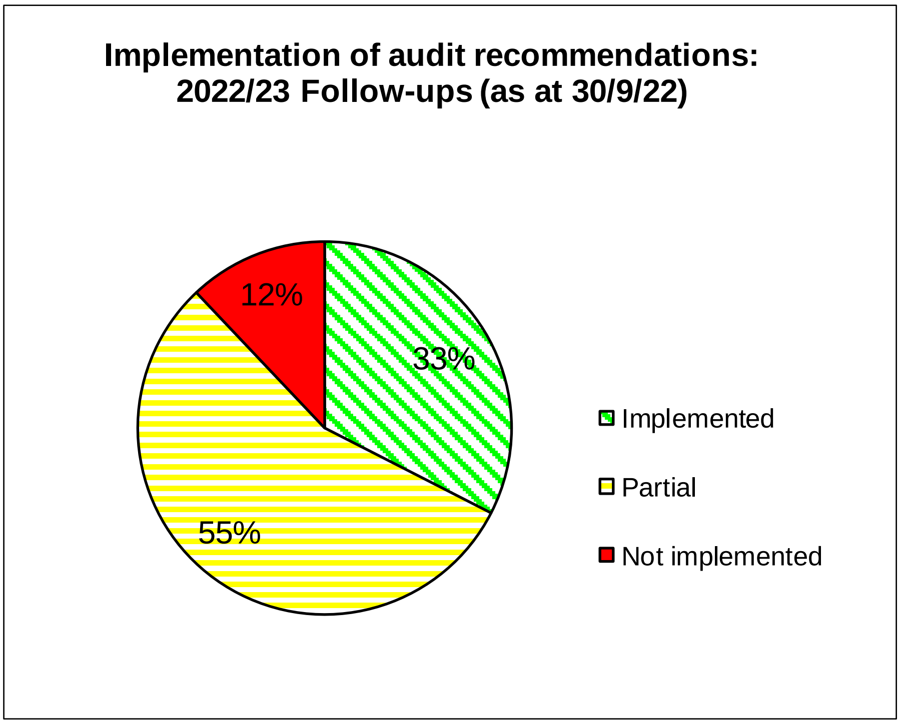
Final audit reports are followed up to assess progress in implementing improvement actions identified through audit recommendations.

As shown under final reports issued in Section 5, follow up audits were completed in relation to audits of Cyber Security, Adult Social Care Payments and Adults' Direct Payments.

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

- Davyhulme Primary School (Children's Services – Education) – Of the 5 recommendations agreed to be implemented, 4 had either been implemented or were no longer applicable with the remaining recommendation in progress.

An overall analysis of audit recommendations followed up in 2022/23 to date is shown on the following chart. This is based on follow ups of 5 previous audit reviews covering a total of 83 recommendations. As reported in Section 5 in respect of follow up audits, a number of recommendations have been partially implemented/are in progress. Where applicable, follow-up audit work will be included in the 2023/24 Internal Audit Plan to further assess developments where recommendations are in progress.



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 September 2022, 390 audit days were spent against 392 allocated days (See Appendix 1). A further 50 contingency days were in the 2022/23 Internal Audit Plan. It is expected these will be used to cover any loss of days through a vacant post.

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 2nd quarter of the year, 19 assignments had been produced to final or draft stage (14 opinion reports and 5 grant certifications).

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 3, to be shared with CLT and the Accounts and Audit Committee in February 2023.

Client Feedback

Managers are invited to complete a client questionnaire following the completion of each audit report to obtain feedback on the audit process. The questionnaire covers the audit approach; audit report issued and usefulness of the audit as an aid to management. As at 30/9/2022, 8 responses had been received which all provided ratings or “Very Good” or “Good” against the various aspects of the audit process (Based on 4 possible levels - Very Good / Good / Satisfactory/ Inadequate). A more detailed analysis of all responses received for 2022/23 will be included in the 2022/23 Annual Head of Internal Audit Report.

9. Planned Work for October to December 2022

Areas of focus include :

- Issue of a number of final reports including audits of Payroll, Council Tax and Home to School Transport.
- Complete grant certification work in respect of the Disabled Facilities Grant.
- Progression of other internal audit reviews as listed in Appendix 2.

- Provide comment on the current strategic risk register for consideration, including through benchmarking with reference to reviewing risks monitored by other Greater Manchester Authorities. Through liaison with CLT, provide a strategic risk register update report to the Accounts and Audit Committee in November 2022.
- Liaison with Legal and Governance to provide any final feedback from Audit on the Draft Annual Governance Statement to be considered when finalising the AGS in November 2022.
- Submission of data to the Cabinet Office by November 2022 as required as part of deadlines set for the National Fraud Initiative.

APPENDIX 1

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

Category	Details	Planned Allocated Days 2022/23	Planned Days (up to 30/9/22)	Actual Days (as at 30/9/22)
Financial Systems	**Completion of fundamental financial systems audit reviews** See Appendix 2 for opinion reports issued and planned.	165	90	106
Governance	**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.** **Advice / assurance in respect of governance issues and ongoing liaison with services to consider further audit reviews.** Work to date has included liaising with Legal and Governance regards the production of the Draft AGS in July 2022.	25	10	5
Corporate Risk Management	**Facilitating the updating of the Council's strategic risk register.** **Actions to support the Council's Risk Management Strategy including provision of guidance, independent review of existing risk management arrangements and, where applicable, recommend areas for development.** Work to date focussed on reviewing updates from CLT and collating the Strategic Risk update report, shared with the Accounts and Audit Committee in July 2022 plus preparing a further update (to be presented in November 2022). Also See Appendix 2 for opinion reports produced and planned.	50	15	20
Anti-Fraud and Corruption	**Co-ordinate the Council's activity in respect of the National Fraud Initiative in accordance with Cabinet Office requirements.** **Contributing to investigations of referred cases of suspected theft, fraud or corruption.** **Other work to support the Anti-Fraud and Corruption Strategy, including working with other relevant services to review existing strategy, policies and guidance.**	80	25	18

	See Section 6 regards National Fraud Initiative. Summary of work completed during the year to be set out in Annual Head of Internal Audit Report.			
Procurement / Contracts/ Value for money	**Review of procurement / contract management arrangements including systems in place and associated arrangements to secure value for money (Work will include liaison with the STAR Procurement Service and partner authority auditors).** See Appendix 2 for reports in progress and planned plus Q1 Audit and Assurance Report for other work undertaken.	50	10	6
Information Governance / Information, Communications and Technology	**ICT Audit reviews and advice, including reviews conducted by Salford Internal Audit Services.** **Information Governance audit reviews** See Appendix 2 for reports issued and planned.	85	35	36
Schools	**Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.** **Audit reviews of schools: At least 10 school audit final reports to be issued during the year** **Follow-up of progress for audits completed in 2021/22.** See Appendix 2 for audit opinion reports issued and planned plus Section 7 regards follow-ups.	135	90	90
Assurance – Other Business Risks	**Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services, establishments and functions. Includes new audit reviews, follow up audits and gaining assurance from service updates.** See Appendix 2 for audit opinion reports issued and planned.	180	60	67
Grant claims checks / Data Quality	**Internal audit checks of grant claims / statutory returns and other checks as required. Grants included in the 2022/23 Plan were as follows:** **- Contain Management Outbreak Fund (Q1)** **- Disabled Facilities Grant (Q3)** **Audit and Assurance to be advised through the year of other grant claims, review work and other returns to be checked/signed off.** To date, grant certification completed for the following: -Public Sector Decarbonisation Scheme	35	25	26

	-COVID-19 Contain Management Outbreak Fund -Local Transport Capital Block Funding -Local Authority Test and Trace Support Scheme -Universal Drug Treatment Grant			
Service Advice / Project Support	**General advice and guidance, both corporately and across individual service areas.** **Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues.** Summary of work completed during the year to be set out in Annual Head of Internal Audit Report.	65	32	16
TOTAL		**870***	**392**	**390**

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

APPENDIX 2

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

Category	Audit Opinion Reports	Status (where progressed by 30/9/22)	2022/23 IA Plan
Financial Systems	- Payroll (Strategy and Resources) - Household Support Fund - Trafford Assist (Finance and Systems) - Adult Social Care Payments (Adults' Services) - Adults' 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)	Draft findings produced Final report issued 13/6/22 Final report issued 5/9/22 Final report issued 8/8/22 - In progress - - -	Final report to be issued Q3 Completed Completed Completed Planned work / timing to be confirmed Final report to be issued Q3 Planned to commence Q4 Planned work / timing to be confirmed Planned work / timing to be confirmed
Risk Management	- Business Continuity (Authority-wide) - Health and Safety (Strategy and Resources)	In progress Planning commenced	Draft report to be issued Q3 Planned to commence Q3
Procurement /Contracts /Value for money	- In-Tend system / Contracts Register (Strategy and Resources) (Stockport – lead) - Waste Services (Place) (Other reports to be confirmed through future updates)	In progress Planning commenced	Draft report to be issued Q4 Planned to commence Q3
Information Governance / ICT Audit	- 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)	Final report issued 25/7/22 In progress - -	Completed Final report to be issued Q3 Planned to commence Q4 Timing to be agreed
Schools	At least 10 school audit reviews (Children's Services): - Stretford Grammar - St. Anne's CE Primary - Trafford Alternative Education - St. Mary's CE Primary, Sale - Victoria Park Junior - St. Michael's CE Primary - Cloverlea Primary - St. Monica's RC Primary - Sale High - Well Green (Other schools to be arranged to	 Final report issued 3/5/22 Final report issued 29/6/22 In progress Final report issued 20/5/22 Final report issued 29/6/22 Final report issued 20/7/22 Draft findings produced Final report issued 14/9/22 Planning commenced -	 Completed Completed Final report to be issued Q3 Completed Completed Completed Final report issued Q3 Completed Final report to be issued Q3 Planned to commence Q3

	commence by the end of Q4 2022/23 include: - Lostock High - Brentwood - Broadheath Primary)		
Assurance – Other Business Risks	- 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)	Final report issued 4/5/22 Draft report issued In progress - - - Planning commenced - Planning commenced - - - - - Planning commenced	Completed Final report issued Q3 Draft report to be issued Q3 Planned work/timing to be confirmed Planned to commence Q4 Planned to commence Q4 Planned to commence Q3 Planned to commence Q4 Planned to commence Q3 Planned work/timing to be confirmed Planned to commence Q4 Planned work/timing to be confirmed Planned to commence Q4 Planned to commence Q4 Planned to commence Q3

APPENDIX 3

POINTS OF INFORMATION TO SUPPORT THE REPORT:

Audit Opinion Levels (RAG reporting) :

<u>Opinion – General Audits</u>

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:

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

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

<u>Breadth of coverage of review (Levels 1 to 4)</u>

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

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

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 24th November 2022
Report for: Discussion
Report of: Audit and Assurance Manager

Report Title

Strategic Risk Register 2022/23 (November 2022 update)

Summary

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

Recommendation

The Accounts and Audit Committee notes the report.

Contact person for access to background papers and further information:

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

Background Papers:
None

1. INTRODUCTION

1.1 The Council's Strategic Risk Register (SRR) contains the strategic risks the Council is likely to face in achieving its high level corporate objectives.

1.2 In accordance with the Council's Risk Management Policy, the Corporate Leadership Team (CLT) provides regular periodic updates on the strategic risk environment and in particular performance in managing the specific risks incorporated within the SRR.

1.3 This report is based on information provided by risk owners in October/early November 2022 for each risk unless otherwise stated.

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

2.1 The Audit & Assurance Service liaises with CLT and senior managers to agree the risks to be included in the strategic risk register and provide updates on risks under their remit.

2.2 This report contains an update on each of the strategic risks, including recent developments relating to the risks and progress made in managing each risk.

2.3 Since the last risk update, a new risk has been added to the Strategic Risk Register. This is shown under Risk 7 in Section 3 – "Impact of Statutory Changes". This is in relation to the impact of a number of expected national reforms relating to care and education. Also Risk 8 has been renamed 'Economic Uncertainty' (formerly Economic Impact of Brexit and COVID-19) to reflect the economic climate with the rising cost of living.

2.4 There has been a decrease in the score for one of the risks since the previous strategic risk update report in July 2022 i.e. Risk 16 (Business Continuity Planning) which shows a decrease from a risk score of 15 (Medium) to 6 (Low) reflecting progress made to date.

2.5 The risk charts in section 2.8 show an analysis of the current strategic risks. The charts analyse the levels of risk exposure in terms of impact and likelihood. The number of strategic risks for each risk level is shown. There are now 16 strategic risks which are set out in Section 3.

2.6 A number of the areas of risk highlighted are reflected in the Internal Audit Plan for the current year. As part of Internal Audit Planning for 2023/24, Audit will liaise with relevant Directorates to consider further coverage.

2.7 As part of the Accounts and Audit Committee work programme, in addition to strategic risk register updates through the year, further updates on specific risks within the strategic risk register will be considered as part of planning future agenda items for the Accounts and Audit Committee work programme.

2.8 **<u>Comparison of Risk Levels July and November 2022</u>**

Risk Levels – July 2022

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

LIKELIHOOD

Risk Levels – November 2022

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

LIKELIHOOD

High Risk
Medium Risk
Low Risk

3. Strategic Risks (November 2022)

Red	Amber	Green

Risk	*Strategic Risk Title / (Directorate / Portfolio)*	*Likeli-hood (1-5) (A)*	*Impact (1-5) (B)*	*Risk Score (A x B)*	**Change in Risk Score**	**Management of Risk / Further Actions Planned**
1	Continuing uncertainty regarding the Council's medium term financial position given the reliance that exists on support from Central Government, cost pressures within the existing budget and major changes that are planned concerning the reform of local government funding (Fair Funding) and the review of the business rate retention system with a planned full reset of business rate baselines originally expected from April 2021 now delayed until possibly 2024/25 (Finance & Systems /	**5**	**5**	**25 High**	⬅➡ No change	**2022/23 Period 6 Monitoring** Details can be found in the P6 budget monitoring report, however in summary there is an estimated outturn pressure of £6.06m as at period 6 of which £5.5m relates to inflationary pressures. The escalating levels of inflation are a significant risk both in the current financial year and when planning our MTFS for 2023/25. **Risk Mitigation 2022/23** It is essential that any in year pressure is managed downwards to avoid any charge being made on the limited level of earmarked reserves the Council holds. Risk mitigations have been identified to manage down the estimate adverse outturn. These include the drawdown of an inflation risk reserve of £3.0m established during closedown 21/22, clarification of additional resources proposed by the Government for Hospital Discharge, bringing forward savings proposals for 23/24 and an extension to the vacancy management process. **MTFS 2023/2026 and Draft Budget 2023/24** The MTFS 2023/2026 and Draft Budget 2023/24 was presented to Executive on 24th October 2022. A significant gap remains of £8.52m in 2023/24 after £3.41m additional funding from Council Tax and £11.39m of efficiency savings. There are a large number of material assumptions made within the draft budget which are outside of the Council's control and will be updated once Government spending review announcements are made later in the year. The Council's S151 Officer concluded in the February 2022 budget report that across local government and Trafford is no exception, that there were serious concerns in achieving a sustainable position in future years. The impacts and uncertainty being felt presently, caused largely by the effect of inflation, further compound the reality of this position and make the risk of more S114 notices even more real.

Risk	*Strategic Risk Title / (Directorate / Portfolio)*	*Likeli-hood (1-5) (A)*	*Impact (1-5) (B)*	*Risk Score (A x B)*	**Change in Risk Score**	**Management of Risk / Further Actions Planned**
	Finance and Governance).					Risk Mitigation The key activities below provide a further level of risk mitigation and are covered in more details in the draft budget report. Key themes are • The work of the Finance and Change Programme has been positive and significant progress has made to identify permanent base budget savings. Therefore further work will continue at pace and are covered in detail in the draft budget report, some of the main areas are :- • The continuation of scoping and business case development for a number of areas of potential savings that are already identified. Most notably this includes an external review of the Council's learning disability service; • A system wide review of the provision of discharge to assess bed provision to ensure the most optimum and cost efficient service; • A review of vacancy management protocols which will involve temporary freezes on vacancies in all back-office service areas. • Consideration to other changes to staff terms and conditions; • A review of activity across a number of areas including commissioning, business support and remaining discretionary services; Existing Risk Mitigation already in place and reported in previous monitoring reports will continue and include • Continued engagement with DLUHC and support from the LGA to highlight the significant and growing risks and future uncertainty in financial sustainability and in particular the low level of resourcing available to the Council when compared with peers Continuation of more streamlined and focussed budget monitoring to the Executive on a bi-monthly basis. High risk areas of the budget continue to be monitored on a monthly basis.

Risk	*Strategic Risk Title / (Directorate / Portfolio)*	*Likeli-hood (1-5) (A)*	*Impact (1-5) (B)*	*Risk Score (A x B)*	**Change in Risk Score**	**Management of Risk / Further Actions Planned**
2	Climate Change Emergency (Place / Sustainability and Climate Change)	**5**	**4**	**20 High**	⬅➡ No change	This is considered to have a very high likelihood, in that all available indicators suggest that climate change is already occurring and will, if anything, become more prominent. The Impact is considered to be High as a minimum (very high without mitigation) as the consequence of climate change give rise to unpredictable and severe weather events – and events that occur with increasing regularity. These will in turn have significant impacts on our environment, economy and society. Examples could range from changing patterns of food production through to the financial to households and businesses. In short, the impacts are wide ranging and cross cutting in character Climate Change can be addressed firstly through adaption (as it is already occurring) - actions designed to promote greater resilience to more extreme weather events. Secondly it can be addressed through mitigation – actions that are intended to slow or avoid the more severe climatic impacts. These are primarily focussed on reductions in local Carbon Emissions. To progress these matters the Council has prepared a draft Carbon Neutral Action Plan as a means of establishing actions to reduce emissions in Trafford. These will contribute to wider Low Carbon targets across Greater Manchester – and ultimately the UK as part of the National 25 year Environment Plan. The Trafford Air Quality and Climate Change Commission is now well established – and a new performance tool is managing progress. Activity is now focussed on businesses, which account for a significant portion of emissions – and most especially SME's. New staff were recruited through 2021– thus improving the Council's overall capacity to address the issue. Work continues on a number of fronts – with the two studies looking at the greening of Trafford Park and its transition to a low carbon future nearing completion. Complimentary to this work is underway to prepare for a heat network around the Civic Quarter, with a funding now

Risk	Strategic Risk Title / (Directorate / Portfolio)	Likeli-hood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Management of Risk / Further Actions Planned
						received in principle from BEIS. The Public sector decarbonisation programme remains ongoing. The Climate Change Commission continues to meet with an emphasis on the VCSE sector and communications. Several major companies are now engaged in sharing good practice. Despite this promising work, risk levels remain high.
3	Trafford Council must ensure that it and 3rd parties acting on their behalf are handling personal/ sensitive and commercial data securely both in technology and physical terms and in accordance with legislation and Trafford Council's policies and procedures. The following areas of risk have been identified: • Compliance risks • SAR delays • FOI compliance • Data breaches • Mandatory Training (Legal and Governance)	**4**	**5**	**20 High**	⬅➡ No change	The following constituent risks make up the overall risk score: • Records Management • Subject Access Requests (SAR) Freedom of Information (FOI) / Environmental Information Regulations (EIR) – • Data Breaches • NHS Data Security Protection Toolkit Although some progress has been made in key individual areas, the overall risk still remains high. Significant work needs been undertaken over the next 12 to 18 months where areas for improvements have been identified via a recent gap analysis and audit benchmarked against UK GDPR and the recent NHS DSPT published on 30 June 2022. It is anticipated that by the next monitoring report, there will have been some improvements to lower the overall risk score. **Records Management** A review of the Council's record management position is needed and options around the appointment of a specialist with a view to identifying work streams and potential solutions are currently being evaluated. The council Retention Schedule needs to be reviewed with the engagement of Information Asset Owners and incorporated within the Records Management Policy. Offsite Storage: An audit of all records retained in off-site storage needs to be urgently undertaken in line with the councils review, retain and dispose schedule of records to provide transparency on the position in relation to historical records.

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	/ Finance and Governance)					Hard Copy Files: An assessment of the Council's handling and storage of hard copy records needs to be undertaken to explore the position and present recommendations around data cleansing and retention protocols. This is also crucially linked to the roll-out of MS Office 365. • Email management: recommendations regarding email management are being developed alongside IT colleagues with the aim of implementing a 2 year retention policy with exception for certain email records where applicable. **Subject Access Requests (SAR)** In previous years the Information Commissioners Office (ICO) had expressed concerns that the Council was failing to adhere to statutory deadlines in the processing of subject access requests (SAR's) subject to UK GDPR. Although significant progress has been made in tackling historic backlogs, which was commended by the ICO, there continues to be year on year increases in the number of SAR requests made. As of October 2022, the Council's backlog of SAR cases consists of 22 active cases, where 4 cases still remain within the 1 month deadline and with an average of 10 SAR cases being processed by the IG team per month. However from February 2022 until October 2022, the number of SAR cases that have exceeded the statutory response timescale has increased to 30 cases. A contributing factor to this increase is due to the current lack of staffing resource within the IG team. Since February 2022 the ICO have received a number of complaints regarding the Council's handling of SARs. As a result of those complaints, the ICO will monitor the Council's

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						progress going forward with the potential imposition of a Notice of Undertaking or monetary penalty if the Council does not improve. Work is continuing to improve SAR processes with an emphasis of improving active processing of all active SAR cases by IG officers to help avoid any unnecessary delays with the processing of requests. **Freedom of Information (FOI) / Environmental Information Regulations (EIR)** The average compliance rate to date has been steadily increasing month by month from 41% in September 2021, reaching a rate of 65% (responded to within 20 working days) in January 2022. The current rate at October 2022, is 71%. The target compliance rate (and ICO expectation) is 90%. Work is ongoing to implement actions to maintain this upward trend and work will continue to determine solutions both in the near term and longer term. Identified actions: Targeted collaboration with teams where delays are being experienced; Rota system implemented across the IG team to improve processing; Reporting mechanisms reviewed; Refocus of resource from SAR cases to FOIs. **More generally:** • Weekly reports for each directorate have been recommenced. The reports highlight where there are overdue FOI's, and also those becoming due in 1 and 2 weeks as a reminder that a response is due for these. Service directorates are now sent copies of these reports for their information. • The IG team have undertaken a number of purge exercises in which we have progressed each overdue FOI with the

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						services directly, which has had a positive impact on response times. • We continue to have a number of FOIs breaching the statutory compliance responding timeframe, however this has significantly reduced month by month from January 2022 until October 2022. In January 2022, there were 47 FOI cases that had breached the 20 working day timeframe and as at October 2022, this currently stands at 2 cases. • The IG team have taken a direct approach in targeting certain areas where there are consistent delays in responses, which also is having a positive impact. The IG team have set up a fortnightly meeting with colleagues across the Council to discuss all FOIs currently with them, this has also been really positive and the number of overdue FOIs in problem areas has reduced significantly. • Transparency on outstanding FOIs has been improved with the introduction of reporting **Data Breaches** Position Statement: Between the 6th October 2021 and 31st January 2022, the Information Governance Team has received reports of 23 data breach incidents for investigation. (Avg: 6 a month). Between February 2022 and October 2022, the Information Governance Team has received reports of 52 data breach incidents for investigation. (Average: 6 a month). The average per month remains consistent when compared with data from the previous year The most common types of data breach are: • Email sent in error to wrong recipient. • Letter posted to wrong recipient. • Error in redaction of information. • Excessive information shared with professionals by email.

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						• Documents left on office printers. • Documents lost to theft/burglary at employees home. • Lost information. • IT system glitches. The majority of the cases logged at Severity level 1 & 2 were found to have risks mitigated through appropriate and timely measures taken and no risks were posed to the rights and freedom of affected individuals. The Information Governance Manager/DPO and Head of Legal and Governance, supported by the SIRO is leading an ongoing review to improve processing and awareness of data incidents: ➢ Interim processes which have already been embedded across the IG Service are being developed further to determine more substantive permanent mechanisms of reporting, - Incident reviews and decision making across the process: ➢ Rota system implemented across the IG team to allocate new data incidents. Enables more serious incidents to be progressed on an urgent basis. This too ensures that Incidents are allocated promptly for investigation. ➢ There remains a risk from delayed oversight of data incidents, poor quality reporting and lack of accountability for reporting and recommendation implementation. ➢ As previously identified by Internal Audit, the biggest issue to be addressed is "Squaring the circle" and ensuring that the IG Team's recommendations are fully implemented – work ongoing to identify solutions. ➢ Recommendations are being reviewed to ensure that they are both practical and effective and to ensure that implementation and success can be measured. ➢ Recommendations will be reviewed to ensure that they are tailored to common types of breaches. The common types of breaches have been evolved somewhat as a result of the pandemic and remote working.

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						➢ A system to capture data around data incidents is now in place which will inform smarter reporting and increase transparency. ➢ There is a correlation between training take up and number of breaches originating from specific areas. ➢ Actions are being developed to secure commitment from the senior levels across target Directorates to ensure that data protection training is made a priority within agreed timescales. ➢ Corporate Directors and Service Directors to be notified of all breaches and recommendations provided by IG team, as part of an ongoing process to reduce the number of incidents. Together, the above issues raise the following risks – legal/regulatory (non-compliance with legal requirements), reputational, financial, adverse publicity. **Data Security Protection Toolkit** • This an annual piece of work that requires the Council to demonstrate that it is fully compliant with the minimum data protection standards in order to access and process information from NHS Digital. • This piece of work requires significant resource from both IG and ICT. Moreover, it requires the Council to corporately demonstrate commitment in areas such as data protection training and cyber security. • Our last submission was in June 2022 and there are a number of areas where the Council did not fully meet the standards as identified by our Internal Auditors. • The IG team will be rolling out a robust improvement plan for addressing each of the areas identified by internal audit where there have been shortcomings with a deadline for compliance being March 2023 in time for the final audit prior to the next DSPT Toolkit submission.

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4	Demand for school places under-estimated and/ or additional school places are not delivered to satisfy increased demand. (Children's Services / Children's Services).	**4**	**5**	**20 High**	⬅➡ No change	**Primary Places:** In the normal admissions round for entry into reception and in September 2022 there were sufficient places for our residents with surplus places in all areas. However the surge of in-year applications in 2021 from families newly resident in Trafford, continues to have an impact on primary places and is starting to create pressures in the secondary sector as children move up. • In Years 1, 2, 4 and 6 every school in Sale East is full and additional children have been admitted above the published admission number. There are 3x vacancies in Year 3. • In Years 3, 4 and 5 every school in Sale West is full and additional children have been admitted above the published admission number. There is 1x vacancy in Year 1, 1x in Year 2 and 2x in Year 6. • This means that there are insufficient places in these year groups in Sale. • Places above the admission number will continue to be allocated through the appeals process and fair access protocol in line with Trafford's determined admission arrangements. • After implementation of a range of measures to increase capacity, Altrincham now has vacancies in every year group. • In Urmston there are 2x vacancies in Y1 and Infant Class Regulations limit the number of number of additional children that can be admitted except in a very few limited circumstances. **Secondary Places** In the normal admissions round for entry into Y7 in September 2022 there was just enough capacity to offer a place to everyone who applied. However, 179 Trafford children, predominantly resident in Altrincham and Sale, could not be allocated places at any of their preferred schools and were allocated places at the nearest school with a vacancy. At the end of the allocation every secondary school in Trafford

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						was full and some schools allocated places above their published capacity. • In Altrincham, there is currently 1x Y9 vacancy and all other year groups are full or overfull. • In Sale there are 15x Y10 and 6x Y11 vacancies, all other year groups are full. • In Partington, there is 1x vacancy in Y7 and no vacancies in Y9. There are limited vacancies in other year groups. • There are vacancies in all year groups in Stretford. • There are vacancies in all year groups in Urmston but only for boys. There are no vacancies in any school which admits girls. **Actions** School Places & Capital Board and Place Shaping Board have oversight of school place planning and school expansion projects. Key activity to mitigate risk: • Capital scheme at Firs Primary School to create 30 additional places per year group from February 2023 in Sale West. • Proposals underway to permanently expand Templemoor Infant School and Moorlands Junior School in Sale East to create 30 additional places per year group from September 2023. 30 places in Y5 brought online in temporary accommodation from September 2022. • Proposal underway to permanently expand Willows Primary School in Altrincham by 15 places per year group from September 2023. 15 additional places have been created as an emergency measure in Years 5 and 6 ahead of the permanent expansion. • 30 additional places in Y4 and 30 in Y5 brought online November 2022 and 30 places in Y2 scheduled for January 2023 at Broadheath Primary School in Altrincham. • Additional 30 temporary places in Y5/Y6 in bulge class at Broomwood Primary School in Altrincham. • Additional 30 temporary places in Y5/Y6 in bulge class at Woodheys Primary School in

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						Sale West through conversion of specialist space. Option to extend this arrangement for further 2 years from September 2023. • Continue to update and review the most recent GP registration data, taking into account recent and planned housing development and pupil flows to the independent sectors and non-Trafford schools. • Annually review catchment areas for primary schools to ensure that the available places are targeted most effectively. • Implement EYES Schools Admission module for enhanced monitoring and reporting on in-year applications and impact of inbound migration. • Regular meetings with DfE Place Planning Teams to monitor sufficiency and impact of inbound migration, particularly from Hong Kong, the Afghanistan resettlement scheme and the Homes for Ukraine scheme. Exploration of provision of new secondary school in Sale/Altrincham area. • Fragmentation of governance arrangements makes it increasingly difficult to affect the allocation/availability of places in the secondary sector. Trafford is the Admissions Authority for only one of its 19 secondary schools and, therefore, has limited direct powers in relation to place planning and admissions policies. • Three options to permanently expand secondary provision in Altrincham and/or Sale from September 2024 were explored. Recommendation to proceed with one proposal in Altrincham to create 60 additional places per year group. Additional capacity in temporary accommodation is also being explored for September 2023. Specific communication and application advice developed for Altrincham and Sale parents in the transfer cohort for September 2023 to help secure Y7 places for Trafford residents.
5	Joint Venture partner fails to deliver services to	**4**	**5**	**20 High**	⬅➡ No change	Following the Council's Overview and Scrutiny Committee review into the service delivery of Amey in 2018, a report to Executive on 28 October 2019 was submitted to agree the next

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	the required standard or fails to deliver required efficiency savings. (Place / Environment and Regulatory Services)					steps. A business case was submitted stating that Trafford council will be taking the following option: ▪ Consider alternative models of service delivery, including the development of a predominately In-House Service model, with a view to ending the contract with Amey. ▪ Should an amicable agreement not be reached with Amey that keeps the council whole and allows services to be undertaken without detriment by an in house or further procurement measure then the council shall continue the Amey contract and seek significant improvements to the delivery of existing services. The Covid-19 Crisis has delayed the process of negotiation for this. Amey's performance during this period has continued to be generally good. Discussions between the Council and Amey could not satisfactorily or economically come to a solution to move to an in-House service model. In a paper to the Council in October 2020 the decision to move to the second option was taken. To achieve the significant improvements in the delivery of the contract, the council has subsequently activated the contractual 7 year review clause. This gives an opportunity to recommend any changes to the contract for improvements and efficiencies. This process is still ongoing (with member oversight and resident and stakeholder input), notice has been served to Amey and the contract specifies that a reply will be received in 4 weeks, understandably this may be delayed due to negotiations. We have elongated the process due to COVID interference. A response was received to the 7 year review in May 2022 and we have now commenced evaluation and negotiation this is still ongoing as of October 2022. It should be noted that the efficiencies needed for the 2021/22 COVID affected budgets were achieved with Amey's assistance.

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6	Leisure Services (Place/ Authority wide)	**4**	**5**	**20 High**	⬅➡ No change	In February 2022 Executive approved £52.1m into the capital programme to cover the costs of the proposed refurbishment of Altrincham, Sale and Stretford Leisure Centres. The refurbishment programme will deliver much needed improved facilities that will support the Councils corporate priorities. Through tailored place-based programming, centres will help reduce health inequalities and improve community health and wellbeing. The refurbishment designs for incorporate decarbonisation works and will contribute toward corporate C02 reduction targets. Leisure operating losses in the region of £1.5m in 2021/22 and £0.81 forecasted for 2022/23 are supported from Council reserves and one-off external funding. The revenue budget and reserves approved by Council in February 2022 included support for a full range of leisure provision for 2022/23 and over the medium term. The identification and funding of revenue costs to support business disruption during the refurbishment programme and longer term has been considered as a key risk throughout the budget setting process. To mitigate the risk, the Council is working to reduce the ongoing subsidisation of the Trafford Leisure through a refreshed operating agreement. The council has also commissioned independent due diligence and updates of the business plans for each centre by Max Associates. Altrincham business case and refurbishment programme was approved by the Executive in July 2022, with the centre set for closure on 23rd December 2022 while refurbishment takes place, its anticipated the refurbishments will be completed in the Spring of 2024. Sale and Stretford Centres are scheduled for Executive consideration in the New Year 2023.

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7	Impact of Statutory Changes (Authority-wide).	**4**	**5**	**20 High**	New Risk	Significant national reform has been prioritised by Government including:- ➢ Market Reform and the Fair Cost of Care ➢ Adult Social Care Charging Reform ➢ Opportunity for all (White Paper) - strong schools with great teachers for your child ➢ SEND review (Green Paper) – right support, right place, right time At this stage implementation groups have been set up to consider the implications for Trafford and lobby Government where appropriate. For example dialogue is ongoing with the Local Government Association, Association of Directors of Adult Social Services and the Department of Health and Social Care on the market and charging reforms. An exercise has just been completed on market reform and the fair cost of care to understand the fair cost of providing different types of social care. The output of this was submitted to the DHSC on 14 October 2022. Whilst the exercise was intended to identify an average rate for residential and homecare services the output from the exercise provided a mixed response which required a lot of additional validation meaning that a reliable conclusion could not be drawn. We currently await a response from the DHSC on next steps. This exercise and the planned reforms to the charging for adult social care from October 2023 pose significant risks to the Council. To implement the reforms would require the recruitment of significant numbers of social work assessors which will prove difficult given the current workforce challenges in social care. They will also cause a significant financial burden due to the cap on care costs of £86,000 and the extended means test. This will mean that the Council has responsibility to cover the care costs of more clients given the relatively high numbers of “self-funders” in the current system. The Council is currently developing an approach to understand the real costs of implementing the reforms but early research suggests that once the measures are fully implemented over the next few years then a

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						shortfall between the impact of the reforms in Trafford and the amount of support identified by the Government could be as much as £10m.
8	Economic Uncertainty (Place/ Authority wide)	**4**	**4**	**16 High**	⬅➡ No change	Residents and businesses within Trafford are suffering from the effects of rising inflation, rising interest rates and the cost of living. This is likely to result in a range of economic and wellbeing challenges such as physical and mental health impacts of financial hardship and impact on the local economy due to reduced spending power. In addition, businesses will still require ongoing support and information in response to Brexit and transition arrangements and how this affects their trading abilities. Rising inflation is causing everyday goods and services to increase in price and as wages are generally not rising in line with inflation, this is placing a heavy financial burden on residents. The Bank of England are utilising the raising of base interest rates in an attempt to suppress inflation but this in turn is causing mortgage interest rates to rise for those who are not on a fixed mortgage arrangement or who are coming out of a fixed mortgage deals. There are therefore significant risks to residents who may be unable to afford payments for their homes as well as their energy costs and day to day living costs such as food. For businesses, the increased costs of raw materials, energy and other business costs could lead to business closures, downsizing or scaling back their growth ambitions. In mitigating the risks, the Council is developing a new Inclusive Economy Delivery Plan aimed at supporting both residents and businesses over the period 2022-2025 with a clear focus on job creation, better pay and conditions, upskilling residents and business support measures whilst at the same time promoting carbon reduction measures. The Plan is complemented by the work of the Cost-of-Living Group whose actions have close alignment with the Trafford Poverty Strategy Action Group which supports the delivery of the Poverty Strategy. In addition, the creation of a new Social Value Charter and Action Plan will promote opportunities for businesses to play a more supportive role in meeting the needs of local communities. In

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						addition, businesses will continue to be provided with information that is pertinent to the Brexit transition arrangements.
9	Breach of health and safety legislation leading to prosecution under the Corporate Manslaughter Act and other Health and Safety Regulations. (Strategy and Resources / Finance and Governance).	**3**	**5**	**15 Medium**	⬅➡ No change	• A current investigation into a major incident within the borough is in progress. This is being conducted in liaison with enforcing authorities (Police and Health and Safety Executive) with the support of Legal Services, Health and Safety Unit and Insurance Services. Investigatory outcomes will inform any further remedial action. • HSU support in competent HSU advisory service with qualified advisors subject to continuing professional development requirements. • Current Health & Safety Policy and comprehensive arrangements in place and available to the workforce via the intranet. • Policy and guidance for services and schools reviewed and updated to reflect legislative or organisational changes and any new or emerging risks. • Health and safety audit programme in place for monitoring and review of services and schools (including One Trafford Services). This programme includes proactive monitoring of compliance with health & safety law and internal H&S management arrangements. • A health and safety internal initiative 'Your Safety, Your Wellbeing' is being launched in 2022 with dedicated resources to refocus services on managing safety and wellbeing. • DSE and Homeworking guidance and complex assessment support in place to support our Trafford Smart Working Styles and ensure workstation safety and health. • Training available to support managers and schools in ensuring staff are competent to undertake tasks/role. • Arrangements in place for the health and safety assessment of providers/contractors prior to approval and for subsequent monitoring of performance. • Staff consultation processes in place to report and liaise on Health and Safety performance issues.

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						• HSU engagement in Heath, Safety, and Security issues relating to the Council's Corporate and Let Estate through Corporate Landlord. A current security review continues for Trafford Town Hall and Sale Waterside. • Ongoing office hygiene and infection control measures in place. • Employee Health and Wellbeing Strategy incorporates ill health reduction and internal wellbeing support services (Occ. Health and EAP Service, Mental Health First Aid Network, mental/physical wellbeing support initiatives, staff support groups).
10	The Council does not fulfil its statutory duties and all accompanying policy requirements in terms of identifying and safeguarding vulnerable children. (Children's Services / Children's Services).	**3**	**5**	**15 Medium**	⬅➡ No change	Safeguarding children continues to be a priority area of Council responsibility which requires constant high levels of vigilance to guard against the risk of harm or abuse to children that could have been prevented through early help, identification, assessment and support. Trafford Children's Services was inspected under the Inspection Local Authority Children's Service Framework in March 2019 and received an overall rating of inadequate. The sub-judgements were Requires Improvement for children in need of protection, Requires Improvement for children in care and care-leavers and Inadequate for Leadership. Following this judgement a number of actions are in place: • An Improvement Board has continued to be in place with an Independent Chair (DfE) which meets 6 weekly and is attended by senior politicians and senior officers from the Council and key partners. • A full and comprehensive Improvement Plan is being implemented, which is continually reviewed and updated in line with our internal findings from quality assurance • Progress towards improvement continues to be monitored by the Department of Education regularly through the Involvement of our Improvement Advisor and DfE link officer. • A DfE 6 monthly review was undertaken in January 2022 which resulted in a letter to

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						the Chief Executive dated 3rd March which highlighted that: "*A huge strength in Trafford is how children and young people (CYP) run through all conversations. It is evident that achieving the best outcomes for CYP is at the heart of your strategic decisions, you know what good looks like and that's purely focussed on achieving the best outcomes for CYP. Frontline staff genuinely care about providing the best support to the most vulnerable and recognise how improved systems / practice and structures are, and will, make a real difference for those they support*." There were a number of areas that were highlighted as requiring embedding/further work – Service redesign, workforce stability and quality of social work practice. A further review is underway. • We continue to provide monthly assurance data to DfE regarding vulnerable children – contacts/referrals and visits. Our performance relating to visits to children open to CSC, vulnerable children attending school has been consistently strong during the past several months. The DfE report that they are assured that we are seeing our children are safe and we no longer meet with them routinely around those issues • A further Monitoring Visit was undertaken by Ofsted in July 2022 (with a focus on Children in Need, decision making, assessment and planning), which was published in September 2022 which has been presented at CYP Scrutiny Committee. It stated "*A stable leadership team continues to maintain focus on appropriate improvement priorities.*" However it was also noted that *there is too much variability of practice.* Some children have good quality assessments and plans however. • Following this visit each service area has produced an Amplification Plan with a focus on ensuring that 'most' rather than 'some'

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						children received good quality social work practice. • The Quality Assurance framework is embedded across the service which is enabling an accurate view about the quality of practice and identifying actions required to further improve. • We have a 3 year workforce development programme which has commenced which will assist alongside effective supervision and performance management frameworks. Work is also currently underway to improve IT systems supporting data reporting within Children's Services. There are a large number of reports that services receive to support them in delivering a good service to children and families and to comply with statutory requirements. There have been some difficulties in generating reports promptly and as a result the Council has been in touch with the IT supplier to resolve these issues. As Children's Services are preparing for another Ofsted re-inspection, any difficulties in terms of our ability to report and have a complete suite of data reports produced promptly represent a risk to the service. As a result, the Council has agreed to migrate the Liquid Logic system to the supplier's hosted solution. A plan is in place which includes consideration of relevant risks and mitigations, with the aim that the migration to the supplier hosted solution will be undertaken in December.
11	A successful Cyber Security Attack could lead to sensitive data being compromised, denial of access to the Council's computing services or	**3**	**5**	**15 Medium**	⬅➡ No change	The Council is subject to cyber-attacks daily, but a range of technical solutions and processes are in place to protect Trafford's IT systems and data. The volume and level of sophistication of these attacks is increasing so the Council needs to continuously review and improve how it protects systems and data. In relation to events in and around Ukraine, the National Cyber Security Centre (NCSC) is not aware of any current specific threats to UK organisations. The NCSC called on organisations in the UK to bolster their online

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	severe degradation or loss of control of those services. (Finance & Systems / Finance and Governance)					defences and the Council is doing what it can, which includes regular communications and raising awareness to staff. Although there is the potential of an increased threat, we would expect the Council's defences to protect us in most instances. The Cyber Security risk impact score remains at 5 (very high / extreme) but the likelihood of an attack being successful remains 3 (medium). Risks continue to be monitored and risk levels will be reviewed if intelligence emerges of targeted attacks on the UK. The increase in home working poses security challenges, but solutions have been put in place to maintain cyber security. The rollout of Microsoft Teams, the Pulse Virtual Private Network (VPN), and enhanced Microsoft security features available following the new licencing agreement, from July 2022, help protect the Council's data and systems. There remains a significant risk that the Council's defences could be breached even with effective tools and approaches in place, so it is equally important to ensure the processes for dealing with an attack are effective. A detailed assessment of the Council's and CCG's cyber security technical solutions and processes was completed in 2020 by Internal Audit. Response to the recommendations was delayed due to the Covid-19 crisis. An improvement plan is now in place and activities allocated to the IT teams. An update on progress made was reflected in the follow-up report by Internal Audit issued in July 2022. Delivery of the improvement plan has been slow, and aspects were paused due to capacity challenges. Funding for a Cyber Security Officer post was agreed in 2021 but recruitment proved difficult. After three unsuccessful attempts, a specialist IT recruiter was sourced and we successfully filled the post in September 2022. The cyber security improvement plan is being updated and prioritised, and the pace now set to

Risk	*Strategic Risk Title / (Directorate / Portfolio)*	*Likeli-hood (1-5) (A)*	*Impact (1-5) (B)*	*Risk Score (A x B)*	**Change in Risk Score**	**Management of Risk / Further Actions Planned**
						increase. An additional Cyber Security Administrator is being recruited due to the considerable backlog of improvement work and the scale of the business as usual activities required to maintain the Council's cyber security protection. Other controls and activities are: • An internal cyber security group meets monthly to review and manage the Council's cyber defences and processes. Progress against the audit review recommendations is monitored at the meetings. • IT Managers have attended the National Cyber Security Centre / iNetwork Cyber Resilience Training Programme. • Trafford is actively sharing information about potential cyber threats with partners including the North West Warning, Advice and Reporting Point (WARP) and nationally with the NHS CareCert service. • The Network People (TNP) provide Trafford Council with specialist security advice to help develop, manage, and monitor Trafford's security defences and incident response. • A phishing awareness campaign began during 2021 to provide employees and Councillors with ongoing security awareness training. The campaign has successfully raised awareness of phishing risks and continues to run as phishing is one of the main threats. • The IT & Digital Service have undertaken a cyber audit on the Trafford IT environment in conjunction with the Department for Levelling Up, Housing and Communities (DLUHC). A Cyber Treatment Plan has been agreed following the audit, with planned improvement supported by funding. One of the main improvements is a Cloud backup storage solution which was procured in August 2022. This provides offsite secure backups to allow recovery in the event of a cyber-attack and ensure our M365 hosted data is also backed up. We are currently in the process of implementing this solution

Risk	*Strategic Risk Title / (Directorate / Portfolio)*	*Likeli-hood (1-5)* *(A)*	*Impact* *(1-5)* *(B)*	*Risk Score* *(A x B)*	**Change in Risk Score**	**Management of Risk / Further Actions Planned**
						with initial workloads onboarded. Estimated completion is December 2022. • Audits have identified applications exist on the Trafford network that are no longer supported by the software vendor. The unsupported applications are therefore not protected from the latest security threats. Work continues on upgrading, replacing or decommissioning unsupported applications but this will be an ongoing activity. The results from the annual penetration test have been analysed and opportunities to strengthen the Council's defences have been added to the improvement plan.
12	Asset Investment Strategy (Finance & Systems / Finance and Governance).	**3**	**5**	**15 Medium**	⬅➡ No change	• In February 2022 the Council agreed to a continuation of the Investment Fund of 500m. To date £342m of commitments have been made. • Gross returns from the investments are used to cover the cost of any borrowing required to support the investment, provide for debt repayment and also contribute to a risk reserve. • This investment to date has already provided a net benefit to support the revenue budget of £1.67m, £3.12m, £6.37m and £6.49m since 2018/19. Returns in 2022/23 are £5.67m and whilst this is still a positive net return it is approximately £1.6m lower than budget. • The reasons for this relate predominantly to the impact of the Covid-19 pandemic on some of our key town centre retail asset acquisitions, the ongoing regeneration works at those assets and also the impact on income when investments are repaid caused by timing differences in identifying new investments to provide a replacement revenue stream. More specific detail is provided in the period 6 budget monitoring report presented to Executive in November 2022. • The position is also hampered by the current national economic conditions. Inflation will have a direct impact on construction costs and the cost of borrowing is also increasing. Both these factors are impacting on the viability of developments which means that new investment opportunities are reducing.

Risk	*Strategic Risk Title / (Directorate / Portfolio)*	*Likeli-hood (1-5) (A)*	*Impact (1-5) (B)*	*Risk Score (A x B)*	**Change in Risk Score**	**Management of Risk / Further Actions Planned**
						Therefore it is becoming increasing difficult to maintain the budgeted level of income through the Strategy. • The revenue budget 2022/23 assumes a level of net income from the Asset Investment Strategy of £7.6m. This is a challenging target and therefore in later years of the MTFP this has been reduced by £1.5m in 2023/24 and a further £0.5m in 2024/25. The level of the investment fund will be reviewed as part of the budget setting for the 2023/24 budget. It will be important that sufficient headroom is left in the fund to cover the cost of a number of planned regeneration schemes in the borough. • To mitigate the risks of the approach nationally recognised investment advisors are being used as part of the due diligence process with emphasis placed on securing investments in low risk assets. • Each year all investments are reviewed as part of a risk assessment process by our advisors together with an annual valuation. This review takes account of the rental market, financial health of the tenants and whether anything is likely to impact on future income streams. Since the outbreak of Covid-19 more frequent reviews have been undertaken to identify the potential risk to income streams. The impact is mitigated to some extent due to the broad range of asset classes in the Council's portfolio, including offices, retail and industrial assets. The vast majority of income is derived from tenants that are considered to be low, or below average, risk according to credit agencies Experian and Dunn and Bradstreet. In respect of the loan portfolio, these are made at prudent loan to value levels and to borrowers of good covenant. • The annual revaluation exercise is used to determine if an appropriate level of debt repayment is being made. It is inevitable there will be changes in valuation year on year but the risks of downward movements in value are being mitigated through a diversified portfolio of assets.

Risk	*Strategic Risk Title / (Directorate / Portfolio)*	*Likeli-hood (1-5) (A)*	*Impact (1-5) (B)*	*Risk Score (A x B)*	**Change in Risk Score**	**Management of Risk / Further Actions Planned**
						• Further risk mitigation is being undertaken through the bolstering of a "Risk Reserve" through the ring-fencing of an element of the returns and an allowance for debt repayment (in accordance with national regulations). The reserve level was £6.31m as at 31/3/22. • All investments are scrutinised by an Investment Management Board which includes cross-party representation. • When evaluating potential opportunities, extensive legal and property due diligence is undertaken which places a significant emphasis on security and liquidity and includes for example an assessment of the financial strength of the tenants and market sector, length of unexpired lease, location, asset condition and residual land value.
13	Loss / absence and retention of staff within the organisation. (Strategy and Resources / Finance and Governance).	**3**	**5**	**15**	⬅➡ No change	• Strengthening of the senior leadership team – through introduction of Assistant Director level posts to aid succession planning for senior leadership roles. • Professional coaching (for development and wellbeing) is available for all managers/senior managers across the organisation to support them in leading and engaging their staff through transformational change and/or to support leaders with their health and wellbeing. • An EPIC People Manager offer is in place to ensure managers are conversant with all People management responsibilities. • Fully funded apprenticeships/qualifications from Operational to Senior Leadership (Level 7/MBA) and variety of apprenticeships at level 6 in role specific areas are available to support development. • A succession planning strategy approach helps to retain key skills, whilst up-skilling staff to take on higher graded roles. This approach has yielded several internal succession appointments. Successors will continue to be identified at senior manager level and targeted development initiatives provided to ensure that we are equipped to flex our workforce to react to resource and skills gaps. Each successor will also have access to a coach, if required.

Risk	Strategic Risk Title / (Directorate / Portfolio)	Likeli-hood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Management of Risk / Further Actions Planned
						• A refreshed performance management approach to the PDR process has been developed and launched. The framework makes clear reference to career development conversations (Broaden, Deepen, Step Up), which should support us to identify senior management potential early. • Trafford Let's Talk Leaders events have been refreshed and will be planned in periodically. There are opportunities for senior leaders to hear from our corporate leaders, keynote speakers, benefit from networking opportunities and sharing learning. Attendance also includes any colleagues stepping up or if relevant to their development. • EPIC values and a supporting behaviour framework have been developed in line with Trafford's vision aligned to corporate priorities. • Pro-active attendance management strategy developed and will be rolled out across Trafford with and EPIC manager Module to support the implementation of knowledge and skills. • A Health & Well-being strategy is in place with actions to maintain and improve employee morale and well-being. • Corporate Wellbeing Principles have been defined and regularly promoted along with support and resources advertised on our newly created health, safety and wellbeing pages. • Internal resources available to bespoke development plans for senior leaders identified at risk or potential for future/ready for growth. • Our Engagement Survey took place in June 2022. Analysis of the results from this survey at senior leadership level will help identify areas of focus and further actions/support required. • Development of a more formalised succession planning approach is currently underway. This will help to identify a pool of talent along with development plans to step

Risk	Strategic Risk Title / (Directorate / Portfolio)	Likeli-hood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Management of Risk / Further Actions Planned
						up into positions as required and adopts a proactive/planning approach.
14	Significant disruption as a consequence of COVID-19 and winter pressures (Authority-Wide)	**3**	**4**	**12 Medium**	⬅➡ No change	COVID restrictions have now ended, and we have now moved to a steady state; transitioning activity and governance back to BAU. Recovery governance and silver groups have been stood down. Increases in risk levels will be reported through the existing council governance structures. The risk score has been reduced to medium, recognising the continued risk of new COVID variants and potential challenges in the autumn. While rates fell over the summer, they are now starting to rise and is anticipated that this will continue through the autumn and winter. There is also an increasing risk of circulating flu and of co-infection. All project level risks have been reviewed, with residual risks assigned to appropriate owners. Business continuity plans have also been revised. A COVID Contain capability has been retained to continue necessary activities and to be in a position to respond quickly and effectively if we see a new variant / further surge. A tool kit is under development so that governance arrangements can be stood up quickly if required. The neighbourhood based community engagement team continues to work in localities on community engagement and behaviour change, and vaccination uptake. Our ongoing communication programme for residents, staff and partners continues New hybrid working practices have been established to support ways of working for our staff.
15	Failure of the Adult Safeguarding Systems and	**2**	**4**	**8 Low**	⬅➡ No change	• The risk score reduced in likelihood earlier this year due to a number of improvements to the safeguarding practice which have taken place over the last 18 months;

Risk	Strategic Risk Title / (Directorate / Portfolio)	Likeli-hood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Management of Risk / Further Actions Planned
	Processes to prevent an adult at risk of abuse or neglect from being harmed or a failure of the council to adequately safeguard an adult at risk from neglect or abuse. (Adult Services / Adult Social Care).					• The Safeguarding Hub was launched on the 7th of June 2021, creating one central point for all safeguarding referrals into Adult Social Care. The Safeguarding Hub will also be responsible for managing organisational safeguarding and complex safeguarding issues such as self-neglect and hoarding, coercion and control, and capacitated adults who are making unwise decisions where the risk is remaining or increasing and previous attempts to engage have failed. The Safeguarding Hub will also represent ASC at multi-agency meetings such as the Daily Risk Meeting, MARAC, MAPPA, and Prevent. • The process of handling provider concern notifications is more focused on reporting higher numbers of low level concerns and providing rich data across the care market. • Provider concern data is routinely reviewed in the Joint Quality Improvement Board to detect trends and provide a coordinated partnership response to adverse reporting through support and prevention in the first instance. • We have established a devoted Adult Protection phoneline for members of the public to directly contact social care to raise safeguarding concerns. • Work has commenced on developing the newly implemented Adult Safeguarding Hub into a multiagency safeguarding hub which aims to include GMP, IDVAs, Probation, GMMH, Health, Drug and Alcohol Services, and Housing within the service to provide a holistic multi agency response to safeguarding concerns. • Daily Risk Meetings, for the optimum management of individual cases, takes place with ASC, GMP, Children Social Care, Mental Health, and Achieve (Drug & Alcohol Service). This enhanced information sharing provides a multi-agency review of cases attended by the police in the previous 24 hours. • All safeguarding referrals received are triaged using a written risk assessment on receipt by the Adult Safeguarding Hub.

Risk	Strategic Risk Title / (Directorate / Portfolio)	Likeli-hood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Management of Risk / Further Actions Planned
						• Considerable work completed on incoming safeguarding referrals resulting in significant improvement in the timeliness of allocation. • Learning Lessons from adverse cases through Safeguarding Adult Review Panel (SAR) and Adult Learning and Improvement Committee (LIC) disseminated to staff across Adult Social Care (ASC). • We have an internal joint Legal and Social Care Coroners process embedded in to practice, this is being reviewed for effectiveness throughout 2022 • Targeted monitoring areas set by DASS and co-chairs of Joint Quality Improvement Board where concerns re quality or safety of providers is highlighted through usual reporting mechanisms. • Joint chairing arrangements introduced for MARAC as part of the MARAC review completed. A task and finish group is in place monitoring the effectiveness of the revised arrangements. • Response to Safeguarding Adult Review from the TSSP to optimise "lessons learnt" has been strengthened and includes managerial representation at strategic meetings that manage multi-agency safeguarding (DASS and JQIB), greater emphasis on practice change and embedding new ways of working. • Trafford is a national outlier with regards to the number of safeguarding referrals received. This is due to procedural issues as a result of North West Ambulance Service. This service is changing the way in which referrals are made into LA allowing referrals to be classed as early help rather than referring all cases in as safeguarding. The implementation of this process should significantly reduce referral numbers and bring Trafford in line with other areas. This is due to commence between the 7th and 14th of Nov 22. Mental health services have highlighted concerns regarding completing safeguarding enquiries. The data that we have suggests otherwise as numbers of complete enquiries

Risk	Strategic Risk Title / (Directorate / Portfolio)	Likeli-hood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Management of Risk / Further Actions Planned
						have improved. This will be monitored and reviewed on a regular basis.
16	Delay in completing the Business Continuity (BC) Programme Project, resulting in an increased risk that the Council may fail to deliver Council services in the event of significant disruption. (Authority-wide)	**2**	**3**	**6 Low**	**Decrease in Risk Score** 🡻	The Business Continuity Project fulfilled its primary objectives to review and revise the Business Continuity plans of each service in the Council. The Project has delivered a new corporate business continuity policy and plan. The project oversaw the development of business impact assessments (BIAs) and business continuity plans (BCPs) for all departments and it established a new network of Business Continuity Service Leads (BCSLs) across the Council. The project has worked closely with colleagues in IT throughout its lifespan. The project conducted an IT systems audit for non-supported systems. This is the first time this information has been collated and has been presented to IT to manage hereafter. There are several, specific remaining outstanding actions. These are mostly BIAs and BCPs that were unable to be scheduled during the project's timeframe due to the extenuating demands of the particular services involved. Each of these actions has been agreed with the respective service, has an assigned owner and an agreed timescale for completion. The initial project has been completed and reported. Internal Audit have undertaken a review and have provided an initial draft report. This acknowledges progress made and highlights areas for further action. An action plan is to be agreed regards further developments required going forward.

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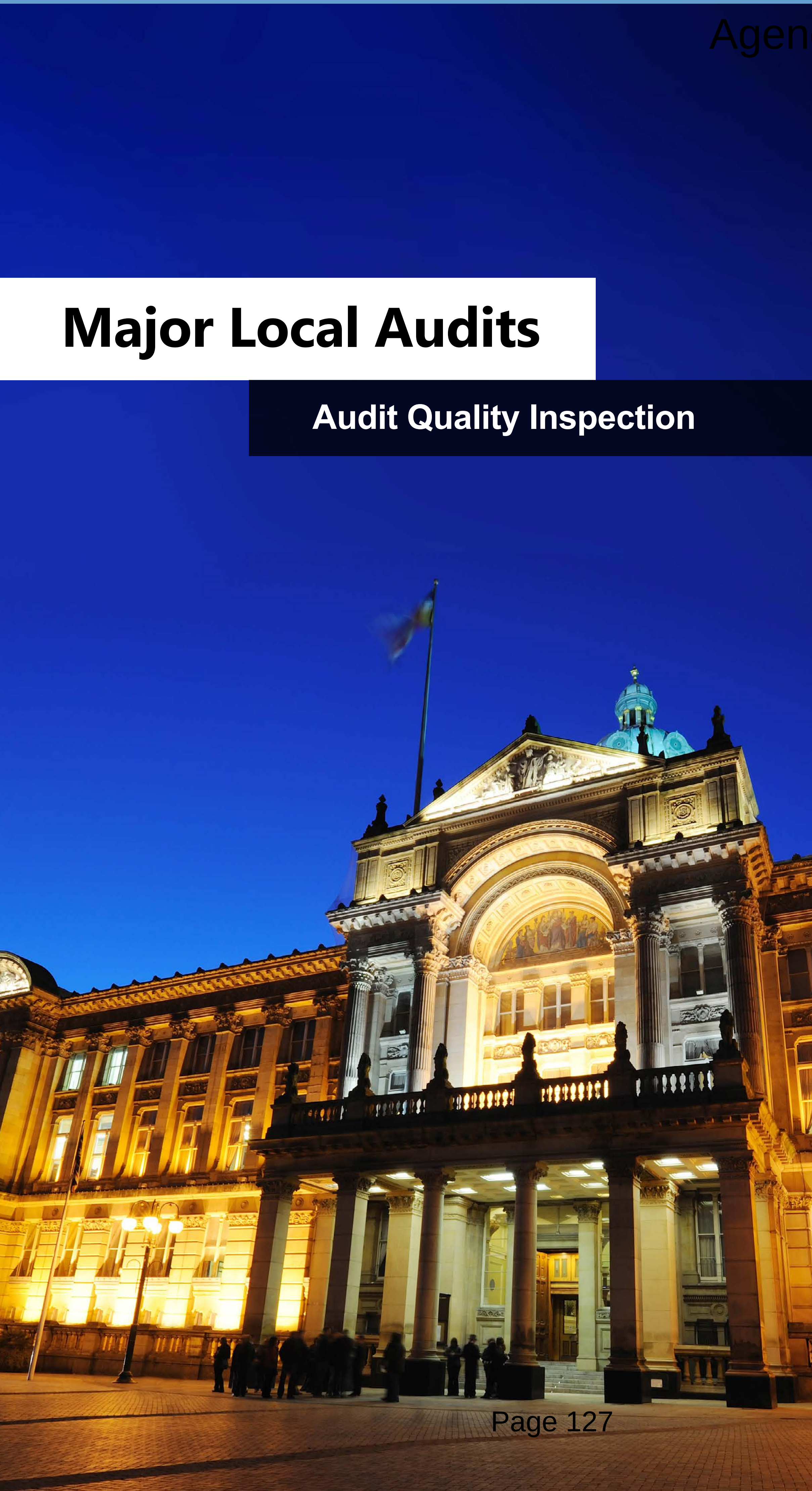
Financial Reporting Council



Major Local Audits

Audit Quality Inspection

October 2022

Introduction: FRC's objective of enhancing audit quality

The Financial Reporting Council (FRC) is the independent body responsible for monitoring the quality of major local audits.[1] This monitoring is performed by the FRC's Audit Quality Review (AQR) team. Our inspection of major local audits aims to hold firms to account for making the changes needed to safeguard and improve audit quality.

Auditors play a vital role in upholding trust and maintaining public confidence in local public bodies (principally local authorities and health bodies other than Foundation Trusts[2]) by auditing financial statements, satisfying themselves that proper arrangements are in place to secure Value for Money (VfM) and, where necessary, exercising additional powers and duties.[3]

The FRC's objective is to achieve consistently high audit quality so that the public can have confidence in the work of local auditors. To support this objective, we have powers to:

- Inspect the quality of major local audits.
- Set eligibility criteria for local auditors and oversee delegated regulatory tasks carried out by professional bodies, such as qualification, training, registration and monitoring of non-major local audits.
- Consider the implications of poor audit quality and bring enforcement action against auditors, if appropriate, in cases of a breach of the relevant requirements.

The timeliness of local auditor reporting is poor. Timeliness really matters, as it promotes transparency and accountability. As local public bodies face financial pressure and some engage in increasingly commercial activity, it is essential that high-quality financial reporting and the audit process identify and respond to risks on a timely basis. Audited bodies, local auditors and those with regulatory responsibilities must continue to work together to restore timely completion of audits so that public confidence is not further diminished.

In May 2022, the Department for Levelling Up, Housing & Communities (DLUHC) published the Government's response to 'Local Audit Framework: technical consultation'. This set out the next steps to implement the recommendations of the Redmond Review, including improving the oversight of local audit and the transparency of local authority financial reporting.

Legislation is required to ensure that the new regulator – the Audit, Reporting and Governance Authority (ARGA) – has the powers it needs to become the systems leader for local audit and hold to account those responsible for delivering the required improvements. In July 2022, The FRC published its position paper setting out the next steps in our transition to ARGA.[4] This included the recruitment of the Director of Local Audit, who started in September 2022, to make preparations to take on the role of systems leader in shadow form.

This report sets out the principal findings arising from the 2021/22 cycle of inspections at all six audit firms completing major local audits in England (the firms), and how the firms should respond to our findings.

1 The Local Audit (Professional Qualification and Major Local Audit) Regulations 2014 defines a major local audit as one which meets the following criteria:
- Total income or expenditure of at least £500 million, or
- For a local authority pension scheme, at least 20,000 members or gross assets in excess of £1,000 million.

2 The FRC is not responsible for audit quality monitoring at NHS Foundation Trusts. This is the responsibility of NHS England.

3 Further information on auditor's additional powers and duties is available in Auditor Guidance Note 4 issued by the National Audit Office (NAO) can be found here.

4 The FRC position paper can be found here.

The FRC

The purpose of the FRC is to serve the public interest by setting high standards of corporate governance, reporting and audit and by holding to account those responsible for delivering them.

We have responsibility for the public oversight of statutory auditors.

The FRC engages with key local audit stakeholders, such as DLUHC, NAO, ICAEW, CIPFA and PSAA, in order to contribute to sector-wide initiatives and governance.

AQR

We monitor the audit quality of major local audits (which include the larger health and local government bodies).

We promote continuous improvement in audit quality.

Our team of over 50 professional and support staff has extensive audit expertise to provide rigorous inspection of audit firms completing major local audits.

The firms

Audit firms undertaking local audits	Number of major local audits (within scope of AQR inspection)	Market share %	Reviewed by AQR in 2021/22
Grant Thornton UK LLP	125	39.8%	7
Ernst & Young LLP	72	22.9%	4
Mazars LLP	55	17.5%	3
KPMG LLP	24	7.7%	2
BDO LLP	21	6.7%	2
Deloitte LLP	17	5.4%	2
Total	**314**		**20**

Our inspection process

20

Local audits **728**

Major local audits (FRC) **314**

- **93** Health bodies — 6 audits inspected
- **221** Local government bodies — 14 audits inspected

Non-major local audits (ICAEW) **414**

- **83** Health bodies — 4 audits inspected
- **331** Local government bodies — 13 audits inspected

We inspected the auditors' work on VfM arrangements at 14 bodies.

We work closely with audit committee chairs to improve the overall effectiveness of our reviews.

We assess the overall quality of the audit work inspected.

Contents

As part of our 2021/22 inspection work, we inspected a sample of individual audits and assessed elements of the firms' quality control systems. This report sets out the FRC's findings on key matters relevant to audit quality at the firms.

Our risk-based selection of audits for inspection provided coverage of each of the audit firms in the market and selected audits with higher-risk attributes. We focused, for example, on audits we had not been able to previously inspect (due to the timeliness of auditor reporting); with qualified audit opinions; where the auditor's additional powers or duties were exercised; of entities experiencing financial difficulties or with material account balances related to commercialisation.

The scope of each individual inspection was also risk based and informed by a range of factors, including previous inspection findings, discussions with audit committee chairs and matters considered significant in the sector. Examples of matters considered significant in the sector included expenditure on services; the disclosure of senior officer remuneration; the appropriateness of capital expenditure; investment property valuation; and, in local government, adjustments between accounting basis and funding basis, such as minimum revenue provision.

Entity management and those charged with governance can make an important contribution to a robust audit. A well-governed entity, with effective internal controls and reporting that is accurate, transparent and timely helps underpin a high-quality audit. While there is some shared responsibility for the quality of audits, we expect firms to achieve high-quality audits, regardless of any identified risk in relation to management, those charged with governance or the entity's financial reporting systems and controls.

Higher-risk audits are inherently more challenging, requiring audit teams to assess and conclude on complex and judgemental matters. Professional scepticism and sector expertise are especially important in such audits. Our focus on higher-risk audits means that our findings may not be representative of audit quality across a firm's entire audit portfolio or on a year-by-year basis.

This report also considers other, wider measures of audit quality. The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of the firms' local audits that do not meet the definition of a major local audit, the results of which are set out on page 10. The firms also conduct internal quality reviews. A summary of the firms' internal quality review results is included at Appendix 2. These results, together with our inspection findings, provide an overall view of the quality of local audits.

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1 Overview

Inspection results: arising from our review of individual financial statement audits

Our selection of audits to inspect was impacted by the timeliness of local auditor reporting.

Figures compiled by Public Sector Audit Appointments Limited (PSAA) showed that 91% of 31 March 2021 audits of local government bodies were not completed by the target date of 30 September 2021 (42% were completed by 30 June 2022). The backlog of earlier audits is also concerning, with 19% of the 31 March 2020 audits incomplete by 30 September 2021. The incomplete audits include many that we would assess as being higher risk. The firms have informed us of many reasons for this lack of timeliness, including their own resourcing constraints among local audit specialists; the increased complexity of financial statements; delays caused by management; and unresolved accounting issues, such as those related to infrastructure assets.

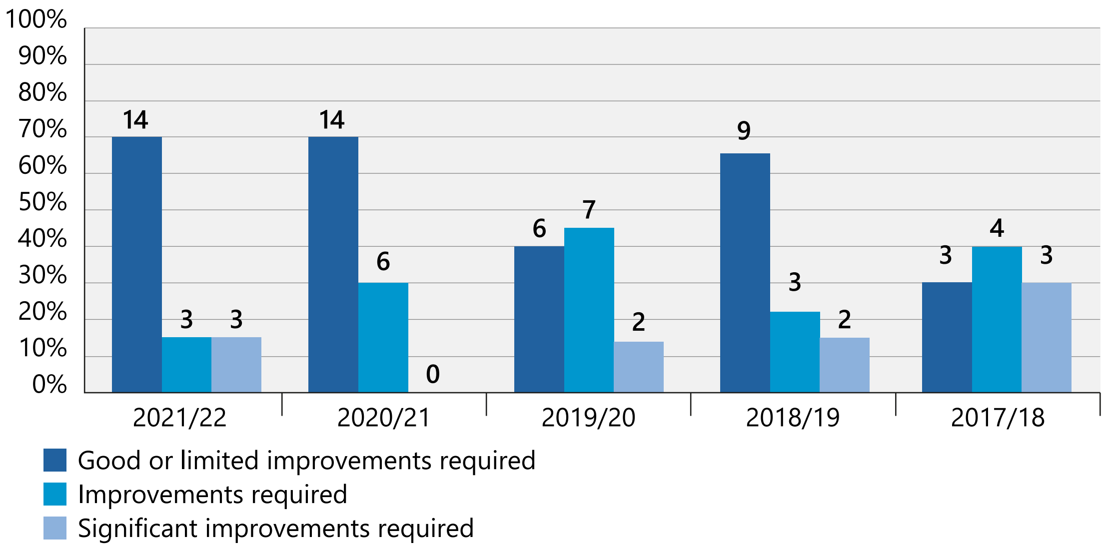
The impact was that seven of the 14 local government audits we initially selected for inspection based on risk had to be replaced because neither the 31 March 2021 nor the 31 March 2020 audits were finalised.

Including replacements, we inspected a total of 20 audits this year across the six firms, six were health bodies and 14 were local government bodies. The local government audits included two pension funds, 11 councils and one other body.

We inspected six 31 March 2020 year-end audits that had not been completed in time for us to previously inspect. All other audits we inspected were for the year ended 31 March 2021.

We replaced half of the local government audits we initially selected for inspection because neither the 31 March 2021 nor the 31 March 2020 audits were finalised.

All financial statement reviews – for the firms inspected



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The number of audits categorised as good or limited improvements required has remained consistent with the prior year. However, the increased number of audits assessed as requiring significant improvements is unacceptable. Inconsistency is preventing firms from eradicating poor quality audits.

We assessed 70% of financial statements audits as requiring no more than limited improvements, the same as in the previous year. This is an improvement on the 46% average over the preceding three years.

We continue to identify inconsistency in the quality of audits inspected. The increased number of audit inspections categorised as significant improvements required (15% in 2021/22 and none in 2020/21) and the significance of the underlying findings is unacceptable and concerning. The findings which contributed to this deterioration were inadequate financial statements review procedures, ineffective evaluation of identified misstatements and insufficient justification for issuing a qualified audit opinion. The firms must review their individual quality action plans to ensure this deterioration is addressed and that consistently high-quality audits are delivered.

We were encouraged to identify a range of good practice in risk assessment, execution of the audit, and completion and reporting.

Further details of key findings and good practice are set out in Section 2.

Inspection results: arising from our review of auditors' work on Value for Money arrangements

The auditors' work considers whether or not a body has put in place proper arrangements to secure value for money in its use of resources.

Audit firms had to comply with the new requirements of the National Audit Office (NAO) Code of Practice, applicable for the year ended 31 March 2021. The work of auditors in this area was refocused to:

- Promote more timely reporting of significant issues to local bodies.
- Provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas.
- Provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness.
- Provide clearer recommendations to help local bodies improve their arrangements.

70%

The number of audits categorised as good or limited improvements required has remained consistent with the prior year.

15%

of audits were assessed as requiring significant improvements. This is unacceptable.

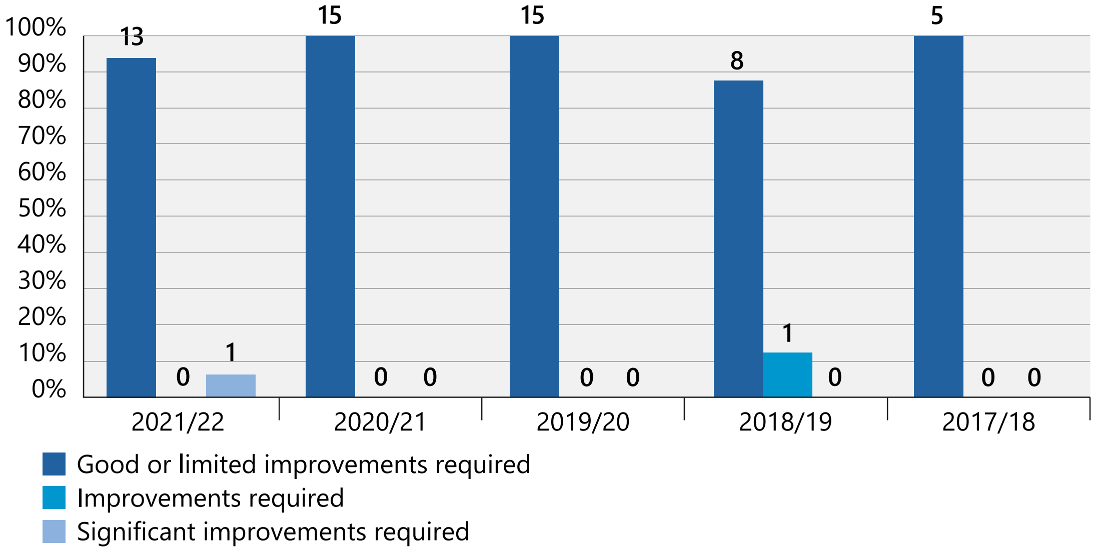
We inspected the auditors' work on VfM arrangements at 14 bodies across the six firms, six were health bodies and eight were local government bodies. The local government bodies included one pension authority, six councils and one other body. Because of the new requirements, all work that we inspected in this area related to the year ended 31 March 2021.

Special provisions were put in place for the reporting of the auditors' work on VfM arrangements due to the Covid-19 pandemic. The target date for completion was up to three months after the date of the completion of the financial statements audit.

Less of the auditors' work in this area was available for us to inspect than financial statement audits. This was primarily due to these special provisions extending the reporting period for the auditors' work combined with the broader issues surrounding the timeliness of local auditor reporting.

The auditors' work on VfM arrangements for 31 March 2021 year ends was reviewed in the 2021/22 inspection cycle.

Our assessment of the quality of auditors' work on VfM arrangements: for the firms inspected



93%

of VfM arrangements inspections required no more than limited improvements.

Based on our inspections, the quality of auditors' work on VfM arrangements remains high at all but one firm.

Of the work inspected, 93% was categorised as good or limited improvements required (100% in the previous two years).

One inspection was assessed as requiring significant improvements. The area which gave rise to this categorisation was audit documentation, archiving and engagement with the FRC. The audit procedures and working papers on the VfM audit file were never finalised or reviewed. Changes were then made to the working papers after the firm was notified of our inspection. This is unacceptable and highlighted issues with quality control procedures related to archiving at the firm.

The firm has established the reasons for this individual instance of unacceptable behaviour and must now determine what changes are required to its quality control procedures to prevent or detect reoccurrence.

Encouragingly, we identified a range of good practice points related to risk assessment, additional procedures and reporting.

Further details are set out in Section 2.

Changes to the proportion of audits falling within each category reflect a wide range of factors, including the size, complexity and risk of the audits selected for inspection and the scope of individual inspections.

We accept that our planned focus on higher-risk audits means that the grade profile of our inspection findings may be less representative of audit quality across the whole portfolio of an audit firm. The change in our approach to audit selection over time also means that historical comparisons of results need to be treated with care, although we have taken the same approach for the last three years.

For these reasons, and given the sample sizes involved, changes from one year to the next cannot, on their own, be relied upon to provide a complete picture of a firm's performance and are not necessarily indicative of any overall change in audit quality at the firms.

Any inspection cycle with audits requiring more than limited improvements is a cause for concern and indicates the need for a firm to take action to achieve the necessary improvements.

We take robust action for all inspections assessed as requiring improvements or significant improvements. We consider all inspections assessed as requiring improvements or significant improvements against the Regulated Framework for Auditing and under the Auditor Regulatory Sanctions Procedure.

https://www.frc.org.uk/auditors/audit-quality-review/auditor-regulatory-sanctions-procedure

Where findings indicate that the Registered Auditor has failed to comply with the Framework, the FRC Enforcement Committee can sanction an audit firm for such breaches under the procedures or may refer the conduct in question for consideration under the FRC Accountancy Scheme or the disciplinary procedures of the relevant Recognised Supervisory Body.

Inspection results: arising from our review of the firms' quality control procedures

This year, our firm-wide work focused primarily on the following areas:

- Root cause analysis (RCA) process and audit quality initiatives.
- Engagement Quality Control Review (EQCR), consultations and audit documentation.
- Audit methodology (property valuations and going concern).

Root cause analysis process and audit quality initiatives

We focus on RCA and audit quality initiatives given the importance of taking effective action to address our previous inspection findings. AQR reviewed the firms' responses to these findings and considered the efficacy of actions taken through current year inspections.

We continued to observe improvements at individual firms that were linked to the implementation of quality action plans.

Engagement quality control review, consultations and audit documentation

Our key finding related to the need for all firms to:

- Ensure that the appointment of EQCR reviewers is appropriately focused on quality risks, including at non-major local audits.

We identified the following key finding at an individual firm:

- The firm must ensure that appropriate controls operate to prevent and detect the failure to archive audit files.

Audit methodology and training (property valuations and going concern)

One other finding at an individual firm related to:

- Ensuring that the going concern work programmes used by local auditors are suitably tailored to the sector, including the continued provision of service approach.

Further details are set out in Section 2.

Monitoring review by the Quality Assurance Department of ICAEW

The FRC granted ICAEW a recognition order as a Recognised Supervisory Body (RSB) in November 2015. Under this framework, ICAEW is responsible for the licensing, registering and monitoring of auditors who carry out audits of relevant authorities, as defined in schedule 2 of the LAAA 2014. ICAEW reviews audits outside the FRC's scope. ICAEW does not undertake work on the firm-wide controls or procedures. However, to maintain ICAEW's knowledge of relevant aspects of the firm and its procedures the ICAEW reviewed the results of the firm's audit compliance review (as it applied to local audit), reviewed a sample of CPD records for staff involved in the delivery of local public audit, and liaised with the FRC to obtain information relating to whole-firm procedures relevant to audit work within our scope.

ICAEW's reviews are risk-based, with the aim of reviewing a representative sample of a firm's local audit portfolio over a six-year cycle. ICAEW adopts a cyclical approach to the monitoring of registered local auditors. As a result, not all firms are reviewed every year. In 2021/22 ICAEW undertook reviews of Grant Thornton UK LLP (eight files), Ernst & Young LLP (eight files) and PricewaterhouseCoopers LLP (one file). PricewaterhouseCoopers LLP has no major local audits and so isn't included elsewhere in this report, but the audit reviewed by ICAEW was graded 'good'.

ICAEW reviews are designed to form an overall view of the quality of the audit. Where applicable, both the financial statement opinion audit and work to support the VfM conclusion are reviewed. ICAEW assesses the audits it reviews as either 'good/generally acceptable', 'improvement required' or 'significant improvement required'. Visit icaew.com/auditguidance for further information about ICAEW's audit monitoring process including its approach to assessing audits.

ICAEW has completed its 2021/22 monitoring review and the reports summarising the audit file review findings and any follow up action proposed by the firms were considered by ICAEW's Audit Registration Committee in October 2022.

Summary

Overall, the audit work continues to be of a generally good standard. Of the 17 reviews, 15 were either good or generally acceptable. One audit required improvement and one audit required significant improvement. These results are consistent with the 2020/21 reviews, with the same grading profile year on year.

ICAEW

88%

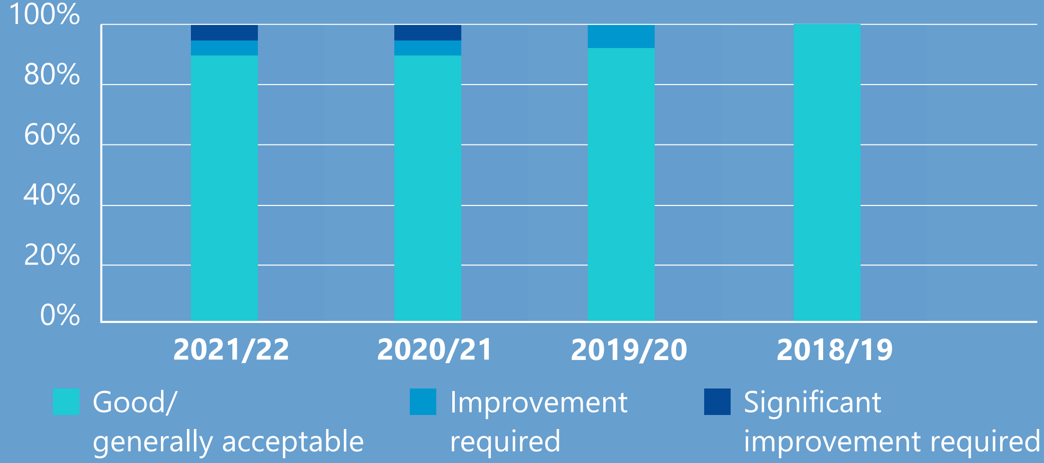
Of the seventeen ICAEW financial audit reviews, fifteen were either good or generally acceptable.

Work to support the VfM arrangements conclusions continues to be of a good standard with all reviews being either good or generally acceptable.

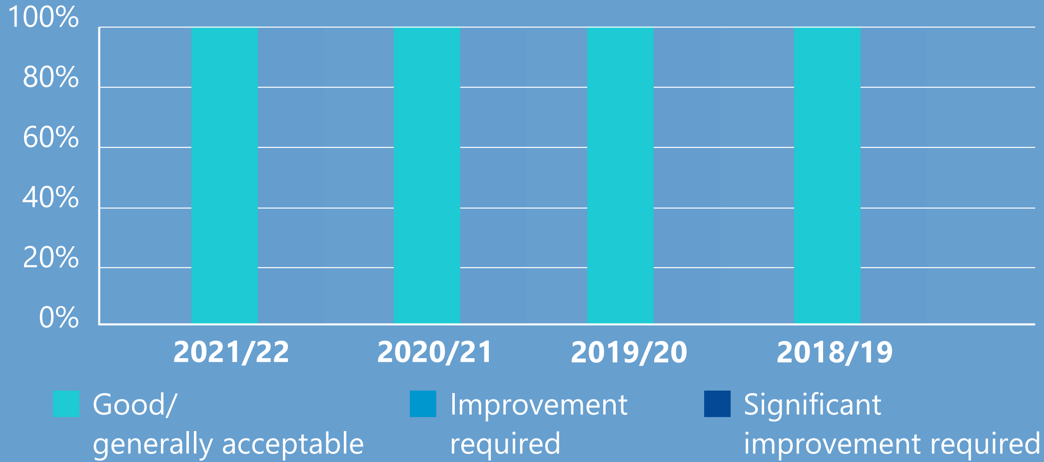
ICAEW continues to identify and share examples of good practice across all the firms subject to review.

Results

Financial audit



VfM



100%

All of the eleven VfM arrangements reviews were either good or generally acceptable.

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2 Reviews of individual audits and the firms' quality control procedures

Review of individual audits

We set out below the key areas where we consider improvements in audit quality are required. As well as findings on audits assessed as requiring improvements or significant improvements, the key findings can include those on individual audits assessed as requiring limited improvements but considered key due to the frequency of occurrence across the audits we inspected.

It is imperative that all firms consider what improvements they need to make in response to our findings, regardless of whether the findings were identified on their own audits.

Financial statements audit

Urgently improve financial statements review procedures and the evaluation of identified misstatements

Auditors are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement. Auditors must:

- Ensure that the financial statements are consistent with underlying records.
- Evaluate the impact of unadjusted audit differences on the financial statements before concluding that they are free from material misstatement.

Key findings

We identified significant improvements required on three audits. On all three audits, the procedures performed were inadequate or ineffective as they failed to ensure that primary statements were free from material errors. Key findings included failure to:

- Detect two material errors in the audited financial statements. This included cash deposits in the primary statements being overstated by £1.7 billion. This was caused by an error in accounts preparation that was not present in underlying records or the notes to the accounts.
- Detect material errors and disclosure omissions in the audited financial statements, including the loss on disposal of non-current assets being overstated by £45 million. This was caused by incorrect adjustment of an audit difference.
- Evaluate the impact of unadjusted audit differences on each line item in the financial statements. Based on the unadjusted audit differences that the auditor reported to the Audit Committee, operating expenses were materially misstated. Operating expenses were the benchmark used by the auditor to set its materiality level.

AQR identified material errors in two sets of audited financial statements.

On one audit, the unadjusted audit differences reported to the Audit Committee were material.

Ensure there is sufficient justification to support modification of an audit opinion

An auditor forms an opinion on the financial statements by evaluating the audit evidence obtained, modifying their report if sufficient audit evidence cannot be obtained to conclude that the financial statements are free from material misstatement. Audit teams must ensure that modified audit opinions are supported by clear reasoning that is consistent with the underlying audit evidence.

On one audit, there was insufficient justification for modifying an audit opinion.

Key findings

We identified weaknesses in the justification supporting modified audit opinions on two audits, one of which was assessed as requiring limited improvements. We reported a similar finding at a different firm last year.

One audit was assessed as requiring significant improvements because there was insufficient justification for modifying an audit opinion. The audit opinion was modified due to an inability to obtain sufficient appropriate evidence over inventory. The auditor was unable to attend management's inventory stock counts. Alternative procedures, including the auditor's own independent inventory count at balance sheet date, were performed over part of the inventory held with no issues arising. The residual inventory balance was not material. No consideration was given to how undetected misstatements could possibly be material.

Improve the quality of audit procedures over pension asset valuation

Investment asset valuations and return on investments are key drivers of the net assets available to fund pension benefits. Both are key performance indicators on which management and other users of the financial statements focus. The valuation of investments can be highly complex, particularly when there is an absence of quoted prices in active markets. Audit teams must perform sufficient procedures to assess the reasonableness of asset valuations, including adequately evaluating the use of, and conclusions from, service auditor reports.

Key findings

We raised findings on two audits, one requiring more than limited improvements. Findings that required improvements included:

- Insufficient evidence was obtained that the valuation of investment assets classified at Level 2 was materially accurate. The primary substantive procedure over the valuation of these assets was to compare valuations obtained from the custodian to those provided directly by fund managers. Considerable assurance was taken when they agreed, on the basis that both parties performed completely independent valuations. There was insufficient evidence that these valuations were independent.

- Insufficient evidence was obtained to rely on the valuation controls at fund managers. The service auditor reports received for two fund managers were not evaluated. The service auditor reports received for eight of the other nine fund managers were inaccurately evaluated, with the auditor reaching the incorrect conclusion that there were no relevant valuation processes or controls in place.
- There was no evidence that audit procedures were performed to test the accuracy of the return on investments, comprising profit on disposal of investments and changes in market value of investments. The return on investments was highly material.

We reported good practice in this area at a different firm.

Continue to improve the evaluation and challenge of assumptions used in investment property valuations

Accurate valuation of investment property provides users of the financial statements with assurance over a body's stewardship of public money. Valuations can assist users in holding bodies accountable for the decisions made when investing public money in property.

The valuation of investment property is complex and involves the use of assumptions and the application of judgement. Auditors should evaluate and challenge those assumptions which could have a material effect on valuations.

Key findings

We raised findings on two audits, one requiring more than limited improvements. On one audit, improvements were required due to insufficient evaluation and challenge of key assumptions used in the valuation of investment property. We reported good practice in this area on other audits at the same firm.

Improve the quality of audit procedures over the valuation and classification of financial assets

Some councils have become increasingly commercial. The nature and value of material one-off items should be presented in a way that is helpful to users of the financial statements. Auditors are expected to obtain appropriate audit evidence that material items are valued appropriately.

Classification of financial assets is important in understanding liquidity and ensuring accurate presentation of the cash flow statement. Auditors are expected to appropriately test classification.

Key findings

We identified weaknesses on five audits, two of which required more than limited improvements:

- On one audit, improvements were required due to insufficient consideration and challenge of the financial model supporting the valuation and classification of a long-term debtor.
- On another audit, there were insufficient procedures to conclude on classification of financial assets as short-term investments or cash and cash equivalents.

Continue to enhance audit procedures over expenditure

Auditors should undertake appropriate procedures to test the accuracy and occurrence of expenditure. The validity of recorded expenditure is important to users of the accounts as financial planning, including savings plans, is based upon it. Previously, we reported that the firms needed to address deficiencies in the audit work on expenditure.

Key findings

We inspected the testing of expenditure on most of the audits inspected. The quality of audit work inspected has improved. However, we identified ten audits that required limited improvements across all six firms, including:

- On two audits, there was no testing of the completeness and accuracy of source data when performing substantive analytical procedures.
- On another audit, there were arithmetical errors when performing substantive analytical procedures.
- On a further audit, there were weaknesses in the supporting evidence obtained when testing employee benefits. In particular, where differences between amounts paid and supporting records provided by management were identified.
- On an additional audit, no roll-forward procedures were undertaken when testing the operating effectiveness of controls at an interim date.
- On the same audit, there were weaknesses when testing the operating effectiveness of automated controls.

Continue to enhance the testing of journal entries

Management override of controls is presumed to be a significant risk and a fraud risk on all audits. The level of risk varies, but this risk is present in all entities and appropriate testing should be performed. Auditors are required to design an appropriate response to this risk, which must include testing of journal entries. When selecting journals for testing, auditors consider identifying characteristics that fraudulent journals often have.

Key findings

The quality of audit work inspected has improved. However, we identified five audits that required limited improvements across three firms, including:

- On one audit, testing was not performed as planned for two of ten identifying characteristics because the auditor entered incorrect date ranges into the firm's journals software when running reports.
- On the same audit, journals recorded in the 20-day period after year end were tested because the auditor expected that to be the closedown period. The period covered by this testing should have been extended to three months after year end to align with the actual closedown period.
- On two further audits, journal entries with the characteristics identified by the auditor were not tested for appropriate business rationale or authorisation.

Implement measures to improve audit quality in response to other issues driving lower audit quality assessments

Key findings

On one audit assessed as requiring improvements, we identified deficiencies in the testing performed over business rates. Findings included that:

- Material debtors and creditors were not appropriately tested.
- A sufficiently precise expectation was not set when performing substantive analytical procedures over business rates income.
- There was insufficient evaluation of key assumptions used by management's expert when valuing the provision for business rate appeals.

Good practice

We identified examples of good practice in the audits inspected, including the following:

Risk assessment and planning

Timely risk assessment and planning is important to ensure the audit team tailor an effective audit approach which responds to those risks.

- **Fraud risk assessment:** The audit team's fraud risk assessment demonstrated a good understanding of the sector and financial pressures at the council. Because of the incentive for management to manipulate its reserves position, the audit team identified fraud risks for revenue expenditure funded from capital under statute, minimum revenue provision and the flexible use of capital receipts. The audit team appropriately designed tests of details to address these risks.

Execution

The execution of an audit plan needs to be individually tailored to the facts and circumstances of the audit.

- **Use of an expert to assist audit property valuations:** The audit team appropriately evaluated the competence, capabilities and experience required to audit a highly specialised property. It engaged an auditor's expert to provide support in testing the valuation, which enhanced the team's audit evidence in this higher-risk area.
- **Evaluation of assumptions used in investment property valuations:** The audit team's testing of yields was particularly robust and included evaluation of the comparators used by management's valuer against third-party market data. Where appropriate, the audit team demonstrated challenge of management's valuer.
- **Challenge of management:** The audit team demonstrated rigour when challenging the assumptions made in setting the business rates appeals provision, in particular by benchmarking to other councils. The audit opinion was ultimately qualified as the auditor was unable to obtain sufficient appropriate audit evidence over the amount of the provision.

Completion and reporting

The completion and reporting phase of an audit is an opportunity to stand back and assess the level of work performed against the audit plan and ensure that the reporting of the outcome of the audit is appropriate and timely.

- **Evaluation of errors identified in testing:** The audit team robustly followed up on errors identified in its additions testing by extending its sample and challenging management to recognise a prior-year adjustment.
- **Consultation:** The audit team consulted with an internal panel of senior public sector specialists on the sufficiency and appropriateness of the audit procedures performed over a subsidiary whose financial performance had deteriorated in the year. There was clear evidence of challenge by the audit team in areas such as the disclosure of events after the balance sheet date and parent company guarantees.

Good practice examples included effective use of experts and internal consultation with senior public sector specialists on higher-risk matters.

The auditors' work on Value for Money arrangements

Urgently improve audit documentation, archiving and engagement with the FRC

Sufficient and appropriate evidence serves a number of important purposes, including making the engagement team accountable for its work and enabling the conduct of audit quality inspections in accordance with applicable regulatory requirements. Audit firms are expected to finalise and archive their evidence and comply with regulatory requests.

Key findings

We identified findings on one inspection where significant improvements were required. Key findings included significant weaknesses in the audit team's evidence of procedures undertaken and its engagement with the FRC. In particular:

- The evidence on the VfM audit file was not finalised.
- The working papers and audit procedures on the VfM audit file were not reviewed.
- The VfM audit file was not archived.
- The firm incorrectly informed us that the VfM audit file had been archived before we selected it for inspection.
- A member of the audit team made changes to the VfM audit file after we had notified the firm of our inspection. This issue appears to be isolated.

On one inspection, changes were made to the VfM audit file after we notified the firm of our inspection. This is unacceptable.

Other findings

This year we inspected the auditors' work on VfM arrangements at 14 bodies and identified findings on six inspections across five firms, including:

- On one inspection, the audit team should have considered the council's group and commercial activities in its risk assessment and commentary.
- On another inspection, the reporting of a significant weakness in arrangements should have more clearly explained the nature and extent of the weakness identified, and the recommendation for improvement should have addressed all relevant matters.
- On a further inspection, the audit team reported that it had undertaken additional procedures that were not performed. Instead, the auditor relied on a regulator's monitoring visit. The auditor's reporting should have made clear the extent to which its conclusions relied on the findings of a regulator's monitoring visit instead of its own additional procedures.

None of these findings were assessed as significant enough to require more than limited improvements. They are, however, areas that all firms should maintain a focus on in future.

Good practice

We identified examples of good practice in the inspections we performed, including the following:

- **Good integration with the financial statements audit:** The financial statements audit identified issues with the accounting for private finance initiatives, including payments made to the contractor for assets that had not been received. Integration with the financial statements audit work resulted in the identification of a significant weakness in contracting arrangements and recommendations for improvement being made.
- **Timely reporting:** On one inspection, a timely update was provided to the Audit Committee when a significant weakness in arrangements was identified. The audit team issued an addendum to its audit plan highlighting the issues identified, its updated risk assessment and the proposed changes to the audit strategy.
- **The Auditor's Annual Report:** On four inspections, the auditor's reporting was comprehensive, well-structured, and made good use of benchmarking data. Communication was clear, including the nature of significant weaknesses identified and their impact on the entity.
- **Consultation:** On one inspection, the audit team consulted with an internal panel of senior public sector specialists to determine if the identified significant weaknesses in arrangements required the auditor to exercise its additional powers and duties. There was clear explanation of their reasoning and conclusion for why this was not required.

Review of the firms' quality control and review procedures

We review firm-wide procedures based on those areas set out in International Standard on Quality Control (ISQC) 1, in some areas on an annual basis and others on a three-year rotational basis. Our firm-wide work covered all six firms completing major local audits. The table below sets out the areas that we have covered this year and in the previous two years.

Annual	Current year 2021/22	Prior year 2020/21	Two years ago 2019/20
• Audit quality focus and tone of the firm's senior management • Root cause analysis (RCA) process • Audit quality initiatives, including plans to improve audit quality • Complaints and allegations processes	• Implementation of the FRC's Revised Ethical Standard (2019) • EQCR, consultations and audit documentation • Audit methodology • Internal quality monitoring	• Audit methodology (recent changes to auditing and accounting standards) • Training for auditors	• Partner and staff matters, including performance appraisals and reward decisions • Acceptance and continuance (A&C) procedures for audits

The key findings and good practice identified are reported in each firm's 2022 Audit Firm Specific Report on public interest entity audits.[5]

We extend our work on the firms' quality control and review procedures, where necessary, to cover matters specific to local audit and report the findings here. This work primarily focused on:

- RCA process and audit quality initiatives.
- EQCR, consultations and audit documentation.
- Audit methodology (property valuations and going concern).

The reason for the focus on audit quality initiatives and RCA is the importance of taking effective action to address recurring inspection findings.

Root cause analysis process and audit quality initiatives

Firms are expected to develop audit quality plans (AQPs) that drive measurable improvements in audit quality and include initiatives which respond to identified quality deficiencies, as well as forward-looking measures which contribute directly or indirectly to audit quality.

The RCA process is an important part of a continuous improvement cycle designed to identify the causes of specific audit quality issues (whether identified from internal or external quality reviews or other sources) so that appropriate actions may be designed to address the risk of repetition. All firms have been performing RCA for several years. We reviewed the firms' RCA processes last year and assessed changes, including responses to our previous findings, in the current year.

The key findings and good practice identified are reported in each firm's 2022 Audit Firm Specific Report on public interest entity audits.

We will continue to assess each firm's RCA process. We encourage all firms to develop their RCA techniques further as well as focus on measuring the effectiveness of the actions taken as a result.

We reviewed the RCA on all local audits where we had identified more than limited improvements in our last inspection cycle. All four of the firms impacted use the same RCA process as on public interest entity audits. The four firms developed actions to address our findings. We performed the following:

- Ensured actions were coherent and clear on how they would deliver continuous improvement and enhanced audit quality, linking to our findings.
- Assessed whether they included evaluation of required training.
- Conducted follow-up meetings with firms to discuss and challenge aspects of the RCA process and subsequent actions taken to improve audit quality.
- Considered, in hindsight, the efficacy of the RCA process and the actions taken with reference to current year inspection findings.

We observed improvements at firms that were linked to the implementation of AQPs. Where we found recurrent key findings at the same firm, further commentary is provided in Section 3.

5 Audit firm specific reports on public interest entity audits can be found here

Engagement Quality Control Review, consultations and audit documentation

An EQCR is required to be an objective evaluation, by a suitably qualified audit practitioner, of the significant judgements made by the audit team. The reviews are completed on public interest entities and other heightened risk audits before the audit report is signed.

Our review evaluated the six firms' policies and procedures for the appointment of EQCR reviewers to local audits. All firms appoint an EQCR reviewer dependent on quality risk. Additionally, three of the firms appoint an EQCR reviewer to all major local audits. In aggregate, 59% of major local audits had EQCR involvement compared to less than 1% of other local audits.

Key findings

Our key finding related to the need for each firm to:

- Ensure that the appointment of EQCR reviewers is appropriately focused on quality risks, including at non-major local audits.

We recognise that a firm's response to identified quality risks may include other forms of engagement reviews that are not an engagement quality review. For example, a firm's response may include reviews of the engagement team's procedures relating to certain risks, or significant judgements, by personnel who have specialised technical expertise.

Consultation with a firm's central functions, on difficult or contentious matters, enables auditors to be guided by the collective experience and technical expertise of the firm. We reviewed the firms' policy for areas where mandatory local audit specific consultations are required. We had no key findings in this area.

Audit documentation comprises the evidence obtained and conclusions drawn during an audit. Archiving ensures that the documentation is maintained, should it be needed in the future. We reviewed the firms' arrangements relating to the assembly and timely archiving of final audit files, and the monitoring and approval of changes made to audit files after the signing of the audit report.

Key findings

We identified the following key finding at an individual firm:

- On one inspection, we identified that the audit file supporting the auditor's work on VfM arrangements had not been archived. The firm's controls failed to identify that this audit file was not archived. The firm must ensure that appropriate controls operate to prevent and detect the failure to archive audit files.

Audit methodology (property valuations and going concern)

The firms' audit methodology, and the guidance provided to auditors on how to apply it, are important elements of the firms' overall system of quality control, to help audit teams perform audits consistently and comply with auditing standards. In the current year, we evaluated the quality and extent of the firms' methodology and training relating to the audit of property valuations and going concern assessments. We had no key findings in this area although we did identify some less significant issues.

Other findings

During our inspection visit, we identified one audit where the auditor's report contained a material uncertainty in relation to going concern. The auditor's assessment focused on financial sustainability rather than the principle of service continuity.

Our finding related to the need for an individual firm to:

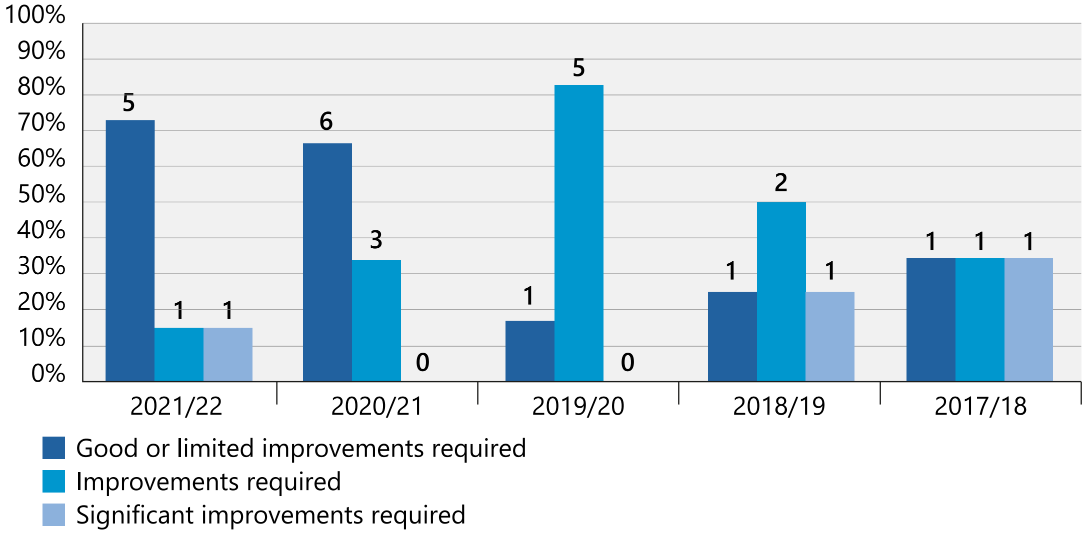
- Ensure that the standardised work programmes used by local auditors are suitably tailored to the sector, including the continued provision of service approach.

3 Review of individual firms

In this section, we set out our assessment of the six firms that perform major local audits. We completed at least two audit inspections at each firm.

Grant Thornton UK LLP

Our assessment of the quality of financial statement audits reviewed



Given the sample sizes involved, changes from one year to the next cannot, on their own, be relied upon to provide a complete picture of a firm's performance and are not necessarily indicative of any overall change in audit quality at the firm. Further details are set out on page 8.

We assessed 71% of financial statement audits as requiring no more than limited improvements compared with 67% in the previous year and 23% on average in the preceding three years.

While there has been an overall improvement, it is unacceptable that one financial statement audit we inspected was found to require significant improvements and another required improvements. Urgent and robust action is required to address these findings and to ensure that they do not recur.

We inspected the auditor's work on VfM arrangements at four bodies; all inspections were assessed as requiring no more than limited improvements (the same as the previous year).

The firm performed RCA on the three financial statement audits assessed as requiring more than limited improvements in the previous inspection cycle. AQR reviewed the RCAs and the firm's Public Sector Quality Investment Plan (PSQIP), which incorporated the firm's responses.

71%

At Grant Thornton UK LLP, five of the seven audits inspected were assessed as either good or limited improvements required.

100%

At Grant Thornton LLP, all four VfM arrangements inspections were assessed as good or limited improvements required.

Our selection of audits to inspect included higher-risk 31 March 2020 audits that we had been unable to inspect in our previous inspection cycle due to the timing of auditor's reports. When scoping inspections, we considered previous years' findings at the firm and across the sector as areas of focus.

This year, on one audit we inspected, we identified a recurrent key finding. It related to insufficient evaluation and, if necessary, challenge of significant assumptions in investment property valuations. AQR reviewed the firm's response to our previous finding, which was primarily the provision of training to practitioners. This training was provided after the audit on which we identified the recurrent finding was complete. We also identified good practice in this area on two other audits, indicating an element of inconsistency across the audits we inspected. As evaluation and, if necessary, challenge of key assumptions in investment property valuations is a recurring issue for the firm, it must take action to understand the root cause of continuing deficiencies and develop further actions to address inconsistency between audits.

Key findings

Significant improvements were required to one audit. Findings included:

- Financial statement review procedures were inadequate and ineffective. They did not identify two material errors in the audited financial statements. This included cash deposits in the primary statement being overstated by £1.7 billion. This was caused by an error in accounts preparation that was not present in underlying records or the notes to the accounts.
- Insufficient substantive evidence was obtained that the valuation of pension assets was materially accurate.
- Insufficient evidence was obtained to rely on the valuation controls at fund managers when testing the valuation of pension assets.
- There was no evidence that audit procedures were performed to test the accuracy of the profit on disposal of investments and changes in their market value.

On a further audit, improvements were required:

- Insufficient testing was performed over business rates. The audit team did not:
  - Appropriately test business rates debtors and creditors.
  - Set a sufficiently precise expectation for the substantive analytical procedure on business rates income.
  - Evaluate the reasonableness of significant assumptions when concluding on the material accuracy of the business rates appeals provision.
- There was insufficient evaluation and, if necessary, challenge of the reasonableness of significant assumptions in investment property valuations.

The firm must take urgent and robust action to address these findings, including:

- Performing a full RCA for both audits assessed as requiring more than limited improvements. This must establish the reasons for poor audit quality and how consistent high audit quality will be achieved. This must include actions to promote greater consistency between audits.
- Considering the results from its internal monitoring and of inspections performed by ICAEW to establish if there are any other areas of concern.
- Updating its ongoing PSQIP for all findings and required actions from this inspection cycle.

For the inspection assessed as requiring significant improvements, the firm has commenced these actions by providing us with their RCA, prior to our final report on the inspection being issued.

AQR will continue to test the efficacy of the firm's actions in its PSQIP in our next inspection cycle, where we may also select higher-risk audits that we were unable to inspect this year due to the timing of auditor's reports.

Good practice

Good practice points were identifed on three financial statement audits, including:

- Robust evaluation of errors in additions testing and challenge of management to recognise a prior year adjustment.
- Consultation on the sufficiency of audit procedures and disclosures for a subsidiary whose financial performance had deteriorated in the year.
- Use of an auditor's expert to help audit certain key assumptions in investment property valuations, in a manner that was proportionate to risk.
- Robust testing of key assumptions used in investment property valuations against third-party market data. Where appropriate, the audit team demonstrated appropriate challenge of management's expert.

Good practice points were identified on all four VfM arrangements inspections, including:

- Consultation with an internal panel of senior public sector specialists to determine if the identified significant weaknesses in arrangements required the auditor to exercise its additional powers and duties. There was clear explanation of the reasoning and conclusion for why this was not required.
- Comprehensive evidence of the team's work, evaluation and conclusions supporting the risk assessment and additional procedures.
- Comprehensive well-structured reporting that made good use of benchmarking data. Clear communication, including the nature of significant weaknesses identified and their impact on the entity.

Monitoring review by the Quality Assurance Department of ICAEW

Assessment of the quality of audits reviewed of Grant Thornton UK LLP
Overall, the audit work ICAEW reviewed was of a good standard. Seven of the eight files reviewed were either good or generally acceptable, but one file required improvement.

ICAEW concluded that one file needed improvement due to the insufficient challenge of management's expert on long-term asset valuations. This file was a 2019/20 audit and therefore, does not reflect recent improvements the firm has made in this area, following feedback from external reviews in 2020.

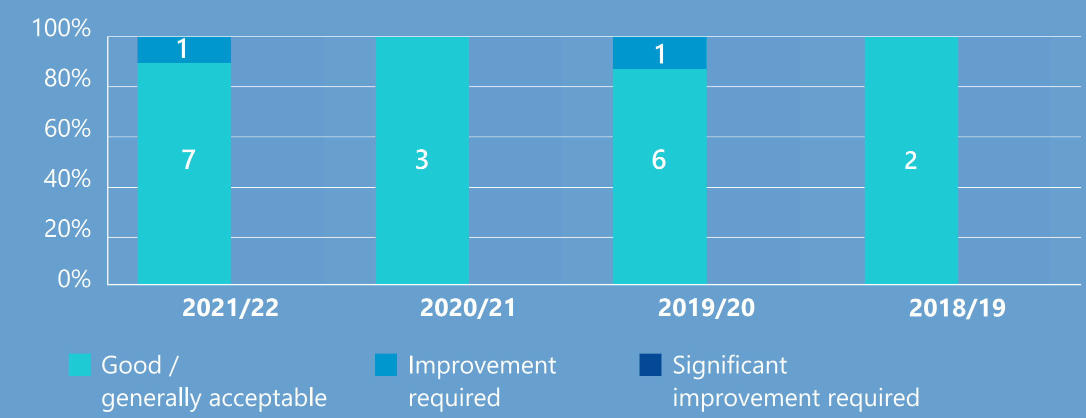
On two of the generally acceptable files, ICAEW identified some improvements needed to audit team's substantive analytical procedure on National Non-Domestic Rates (NNDR) income. ICAEW also identified an omission of a primary financial statement from the audit opinion on the file requiring improvement.

VfM work was good on each of the files reviewed, and ICAEW did not identify any issues with this aspect of the audit team's work.

ICAEW identified and shared examples of good practice across the audits. This good practice included:

- Several examples of applying high levels of professional scepticism.
- Clear and comprehensively documented work in the audit of long-term asset valuations.
- Good levels of challenge and corroboration on assessing valuer assumptions.
- Clear stratification of errors identified in PPE testing to inform the further audit work conducted.
- Comprehensive documentation of the VfM risk assessment.
- Good tailoring of improvement recommendations to reflect an impending local government reorganisation.

The results of ICAEW's financial audit reviews for the last four years are set out below



Note: Given the sample size, changes from one year to the next in the proportion of audits falling within each category cannot be relied upon to provide a complete picture of the firm's performance or overall change in audit quality.

88%

Of the eight ICAEW financial audit reviews, seven were either good or generally acceptable.

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Firms response to AQR and QAD inspections

It is pleasing to see that the investment our Firm has made in improving the quality of our audit work has been recognised by the FRC with 71% of financial statements audits requiring no more than limited improvements compared to 67% last year and an average of only 23% in the preceding three years. With the significant change in the work on VfM introduced by the new Code we are delighted that 100% of the VfM reviews were assessed as either Good or only requiring limited improvements, which maintains our track record in this aspect of our work from previous years. We are equally pleased that a large number of the files reviewed have also had areas of good practice identified across different aspects of our work.

Similarly, the QAD reviews concluded that 88% of our financial audit files reviewed in year met the required standard, with only one file (which related to a prior year audit that commenced before much of the enhanced training and documentation had been introduced) being assessed as 'improvement required'. It is pleasing to see that the QAD similarly identified that all of the five VfM files reviewed were good, with no issues identified. Again, QAD identified a number of good practice areas across the majority of our files.

We fully recognise that any file not achieving the required standard is not only disappointing but highlights that there is still work to do to ensure that our high quality standards are replicated across all of our audits. However, as demonstrated by the outcomes of our other external file reviews summarised within this report and our own internal file reviews, the majority of reviews are assessed as either good or only requiring limited improvement. We have responded promptly to the emerging findings of the file assessed by the FRC as requiring significant improvements by undertaking detailed root cause analysis as soon as we were aware that there were issues and well before the file review was finalised. We shared this with the FRC as part of our response to their draft report, reflecting how seriously we have taken this issue and our commitment to implement actions that will enhance future audit quality. A similar process will be followed for the two files assessed as 'Improvement required' by the FRC and QAD.

In addition to the root cause, regular 'lessons learnt' communications have been published and promoted for all team members to access and there has been training delivered to all teams on the key findings of the FRC and QAD reviews. In addition, specific mandatory training has been delivered in each of the key areas of property valuations, including the specific risks around investment property valuations, and the audit of Pension Funds, including the valuation of different categories of investments. New guidance and example working papers have been developed and shared on key areas such as business rates. All emerging issues and themes from both external and internal quality reviews are reported to the monthly Public Sector Audit (PSA) Quality and Financial Reporting Board by our Director & PSA Head of Audit Quality Regulation, to ensure a timely response to any development or changes required to our audit approach.

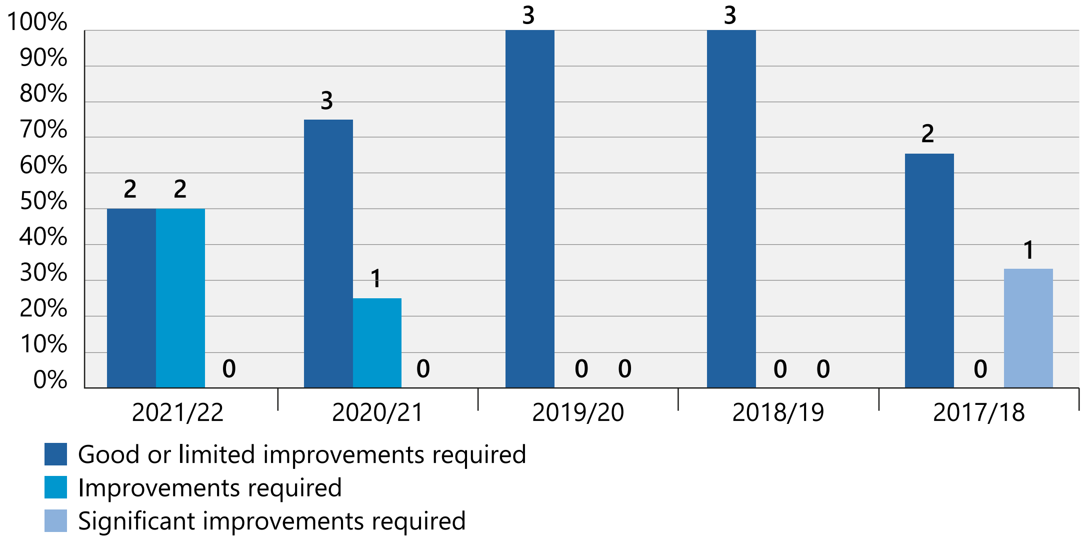
The key issue on the file identified as 'Significant Improvement Required' by the FRC relates to a transposition error in the production of the financial statements. The correct values were reported in the supporting note which was referenced within the primary statements. As soon as the issue was identified we engaged with the audited body to have the error corrected. We accept that our procedures should have identified and corrected this error. We will ensure appropriate checks are undertaken between the version of the accounts used by ourselves to undertake audit testing and the final version on which our audit opinion is given. We have also introduced the requirement for auditors to perform additional checks on the version published by the audited body.

The firm's internal quality reviews of PSA files concluded in late September 2022 and identified similar themes to both the FRC and QAD. We have now launched a root and branch review of guidance and template working papers to ensure that they are providing the necessary support to audit teams to enable high quality audits to be delivered and clearly evidenced. The extent of our use of External Quality Control Reviewers (EQCRs) and Quality Support Teams (QST) inputs is being reviewed and enhanced as both of these roles act to enhance the quality of our work on complex audits. Our central quality support teams are also proactively engaging with Key Audit Partners and audit teams on a more regular basis to ensure that emerging themes are detected and discussed at the earliest possible stage.

We recognise the importance of continuous improvement and have taken prompt action to ensure that the learning from file reviews is shared with audit teams in a timely way. We are disappointed that our work did not meet the required standards in all instances and will continue to strengthen our procedures and training to limit the risk of this reoccurring.

Ernst & Young LLP

Our assessment of the quality of financial statement audits reviewed



Given the sample sizes involved, changes from one year to the next cannot, on their own, be relied upon to provide a complete picture of a firm's performance and are not necessarily indicative of any overall change in audit quality at the firm. Further details are set out on page 8.

We assessed 50% of financial statement audits as requiring more than limited improvements compared with 25% in the previous year and 24% on average over the past five years.

It is concerning that two financial statement audits we inspected were found to require improvements. Robust action is required to address these findings.

All three VfM arrangements inspections were assessed as good or limited improvements required (all good or limited improvements required in 2020/21).

The firm performed RCA on the one financial statement audit assessed as requiring more than limited improvements in the previous inspection cycle. AQR reviewed the RCA and the actions taken in response to our finding. We identified no recurrent key findings at the firm that would cast doubt on the efficacy of actions taken to address previous findings.

Our selection of audits to inspect included one higher-risk 31 March 2020 audit that we had been unable to inspect in our previous inspection cycle due to the timing of the auditor's report. When scoping inspections, we considered previous years' findings at the firm and across the sector as areas of focus.

50%

At Ernst & Young LLP, two of the four audits inspected were assessed as requiring more than limited improvements.

100%

At Ernst & Young LLP, all three VfM arrangements inspections were assessed as good or limited improvements required.

Key findings

The key findings in this inspection cycle were:

- On one audit, there were insufficient procedures to conclude on classification of financial assets as short-term investments or cash and cash equivalents.
- On another audit, insufficient consideration and challenge of the valuation of a loan, its classification as a long-term debtor, or group boundary implications. This resulted in a lack of evidence that the valuation of the loan was materially accurate or that its classification as long-term was appropriate.

The firm must take robust action to address these findings, including:

- Performing a full RCA for each audit assessed as requiring more than limited improvements. This must establish the reasons for poor audit quality and how consistent high audit quality will be achieved.
- Considering the results from its internal monitoring and of inspections performed by ICAEW to establish if there are any other areas of concern.

AQR will test the efficacy of the firm's actions in our next inspection cycle, where we may also select higher-risk 31 March 2021 audits that we were unable to inspect this year due to the timing of auditor's reports.

Good practice

A good practice point was identified on one financial statements audit:

- The audit team's fraud risk assessment demonstrated a good understanding of the sector and financial pressures at the council. Because of the incentive for management to manipulate its reserves position, the audit team identified fraud risks for revenue expenditure funded from capital under statute, minimum revenue provision and the flexible use of capital receipts. The audit team appropriately designed tests of details to address these risks.

A good practice point was identified on one VfM arrangements inspection:

- On one inspection, a timely update was provided to the Audit Committee when a significant weakness in arrangements was identified. The audit team issued an addendum to its audit plan highlighting the issues identified, its updated risk assessment and the proposed changes to the audit strategy.

Monitoring review by the Quality Assurance Department of ICAEW

Assessment of the quality of audits reviewed of Ernst & Young LLP

Overall, the audit work ICAEW reviewed was of a good standard. Of the eight files reviewed, seven were either good or generally acceptable, but one file required significant improvement.

In the file needing significant improvement, the audit team needed to improve the work done to assess the classification of certain assets as investment properties and whether the negative investment property valuations were appropriate and complied with accounting standards. Improvement is also required on the same file in relation to the audit team's consideration of the cashflow statement, with our review identifying two material errors.

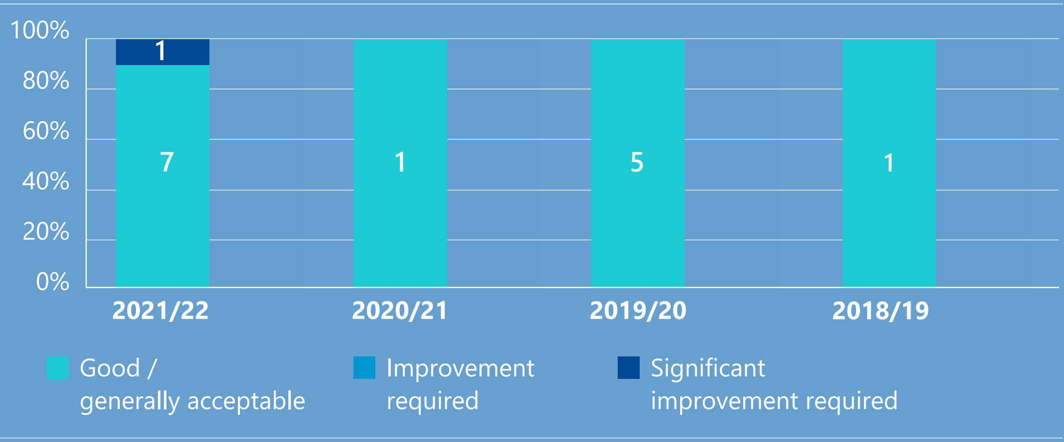
On four of the generally acceptable files, ICAEW identified improvements needed to financial statement disclosure. On two files, accumulated depreciation hadn't been 'zeroed' following a formal revaluation, while on a further two files there were misstatements in the defined benefit pensions scheme disclosure. Other findings (on two files) saw isolated improvements needed in relation to the audit evidence obtained.

VfM work was good on each of the files reviewed, and ICAEW did not identify any issues with this aspect of the audit team's work.

ICAEW identified and shared examples of good practice across the audits. This good practice included:

- The scope and strategy section of the audit file being well-documented, demonstrating a good understanding of the audited entity.
- Good consideration of the risks of fraudulent revenue recognition.
- Clear documentation of the impact of the COVID-19 pandemic.
- Clear and succinct consideration by the audit team of matters identified in the consulting actuaries' report.
- Good use of publicly available information to test the classification of assets.

The results of ICAEW's financial audit reviews for the last four years are set out below



Note: Given the sample size, changes from one year to the next in the proportion of audits falling within each category cannot be relied upon to provide a complete picture of the firm's performance or overall change in audit quality.

ICAEW

88%

Of the eight ICAEW financial audit reviews, seven were either good or generally acceptable.

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Firm’s response to AQR and QAD inspections

The positive results of nine out of twelve of the financial statement reviews and 100% of the value for money arrangements reviews conducted by the FRC and ICAEW’s QAD this year reflect the hard-work and dedication of our team of local audit specialists, and reflect the effort and investment that we continue to make in delivering consistently high-quality audits. We are pleased that examples of good practice were identified across these files and welcome the insights and recommendations on areas for improvement noted in this report.

We are disappointed that three of the engagements reviewed by the FRC and ICAEW’s QAD this year fell short of the high audit quality standards that we set ourselves and that our regulators and other stakeholders rightly expect from us.

We have begun the root cause analysis process and will be sharing lessons learnt (both positive and negative) and actions taken in response to the RCA with the audit practice to improve audit quality more broadly.

We are also developing training which communicates the details of the findings, and supports teams in avoiding similar challenges in future engagements.

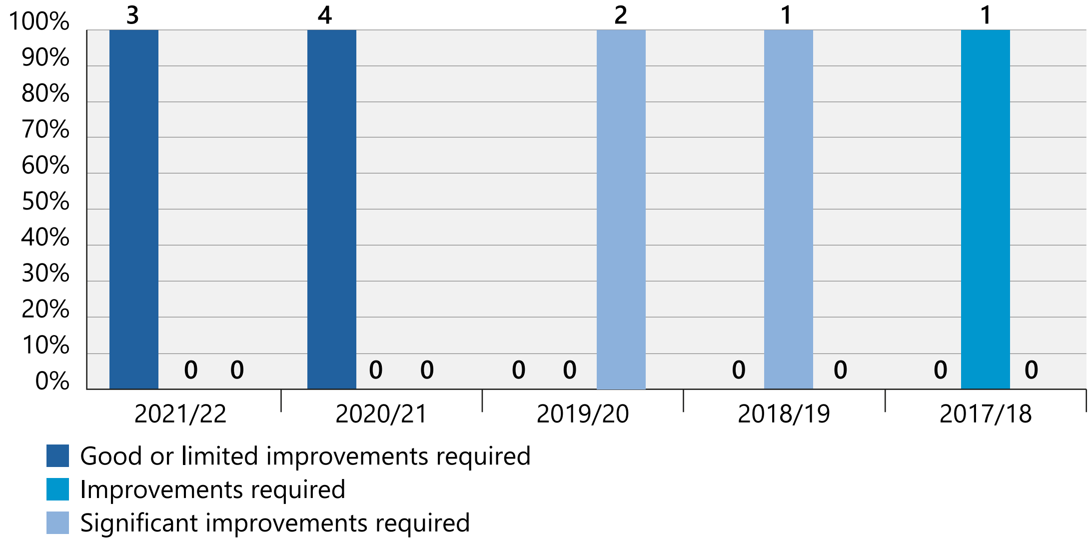
In addition to these specific responses to the findings highlighted, we also continue to evolve our Audit Quality Strategy to enable our people to concentrate their efforts in the right places to drive consistent high quality, whilst maintaining an emphasis on wellbeing. Our refreshed strategy includes renewed focus on:

- Greater standardisation and simplification;
- More effective coaching; and
- Rebalancing and reducing workloads.

We are encouraged that the key findings identified in previous years, particularly in relation to the audit of asset valuations, have not re-occurred this year following our timely intervention and ongoing efforts to support teams in this complex area. The FRC have noted that they have “identified no recurrent key findings at the firm that would cast doubt on the efficacy of actions taken to address previous findings.” We have confidence that the actions that we have taken to date have been effective, and are committed to consistently delivering high quality audits that serve the public interest.

Mazars LLP

Our assessment of the quality of financial statement audits reviewed



Given the sample sizes involved, changes from one year to the next cannot, on their own, be relied upon to provide a complete picture of a firm's performance and are not necessarily indicative of any overall change in audit quality at the firm. Further details are set out on page 8.

The firm has maintained the significant improvement in audit quality results compared to its performance prior to 2020/21. We assessed 100% of financial statement audits as requiring no more than limited improvements compared with 100% in the previous year and nil on average in the preceding three years.

In response to previous improvements in quality results, AQR considered it appropriate to decrease the number of audit inspections to three. When scoping inspections, we considered previous years' findings at the firm and across the sector as areas of focus.

All three VfM arrangements inspections were assessed as requiring no more than limited improvements (all good or limited improvements required in 2020/21).

In our next inspection cycle we may select higher-risk 31 March 2021 audits that we were unable to inspect this year due to the timing of auditor's reports.

100%

At Mazars LLP, all three financial statement audits inspected were assessed as good or limited improvements required.

100%

At Mazars LLP, all three VfM arrangements inspections were assessed as good or limited improvements required.

Good practice

Good practice points were identifed on two financial statement audits, including:

- Robust testing of key assumptions used in property valuations against third-party market data. Where appropriate, the audit team demonstrated appropriate challenge of management's expert.
- Use of an auditor's expert to review investment property valuations, in a manner that was proportionate to risk.

Good practice points were identified on two VfM arrangements inspections, including:

- Comprehensive evidence of the team's work, evaluation and conclusions supporting the risk assessment and additional procedures.

Firm's response to AQR inspections

We welcome the results of the FRC's inspection of our 2020/21 local audit work. We are passionate about delivering high-quality audit to public bodies for the benefit of the communities they serve. Our positive results over the last two inspection cycles demonstrate the efficacy of the investments we have made and are testament to the hard work and commitment of our teams.

Our work on VfM arrangements is a key part of the local audit and we are pleased that the FRC identified good practice in the way we document and evidence this work. We are also pleased the FRC continues to recognise good practice in our approach to auditing the valuation of property assets, reflecting the investments we have made to support our teams in this key area.

Notwithstanding these strong results, we remain committed to the continuous improvement of our local audit work and we will continue to drive forward our audit quality agenda. This remains the responsibility of our Key Audit Partners, reflecting our commitment to setting an appropriate "tone from the top" with regard to audit quality. We will consider the actions required to address the limited improvement areas identified in this year's FRC inspections and from our own internal quality reviews. We will also look to learn more from the good practice identified to understand the principal drivers for the high-quality work and share this across our audit service line.

KPMG LLP, BDO LLP, Deloitte LLP and PricewaterhouseCoopers LLP

We previously inspected a single audit at each firm so aggregated the inspection results into one graphical summary to avoid publicly identifying the results of individual inspections.

PricewaterhouseCoopers LLP no longer perform any major local audits so are not currently in scope of our inspection activity. AQR increased the number of audits inspected at the other firms to two. Performing more than one inspection at each firm allows us to individually report on each firm and responds to previous audit quality results at some of the firms.

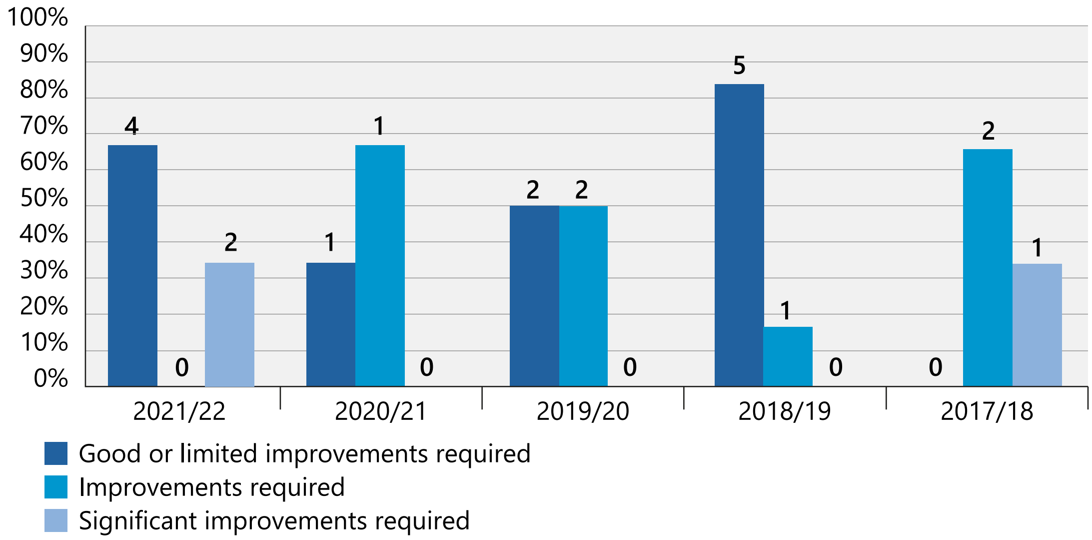
The graph below aggregates the results of the financial statement audits we inspected. This allows us to present comparators without publicly identifying the results of individual inspections.[6]

Care is required in interpreting these results. The grade profile of our inspection findings may not be representative of audit quality at individual firms or across the whole portfolio of audits performed by this group of firms.

PricewaterhouseCoopers LLP do not currently have any major local audits so are no longer in scope of our inspection activity.

AQR increased the number of audits inspected at the other firms to two. This allows us to individually report findings at each firm.

Our assessment of the quality of financial statement audits reviewed



The results of each firm's 2021/22 audit inspections are presented individually below.

6 In 2020/21 and 2021/22, three firms were inspected. No inspections were performed at PricewaterhouseCoopers LLP.
In 2019/20, all four firms were inspected.
In 2018/19, three firms were inspected. No inspections were performed at PricewaterhouseCoopers LLP.
In 2017/18, two firms were inspected. No inspections were performed at PricewaterhouseCoopers LLP or Deloitte LLP.

KPMG LLP

The two financial statement audits inspected were assessed as good or limited improvements required.

The two VfM arrangements inspections were assessed as good or limited improvements required.

No individual instances of good practice were identified on these two inspections.

The firm should aim to maintain the quality of work observed and consider the results of its internal monitoring to establish if there are any areas of concern.

Firm's response to AQR reviews

We are pleased that our continued drive and investment in audit quality has sustained our audit quality inspection results. Audit quality is at the heart of our strategy and our focus now is on embedding further, sustainable improvements across our business. Our Audit Quality Plan brings together our key priority areas to drive continuous improvements in audit quality. This year's plan includes a focus on: the continued rollout of KPMG Clara - our modern global audit system; continued investment in our "high challenge, high support" culture; and embedding changes to our Root Cause Analysis (RCA) process which drives audit quality through our aligned behaviours. We have also continued to embed changes to our governance, to help build trust in our firm and the wider profession and in readiness for International Standard on Quality Management (ISQM) 1.

BDO LLP

Of the two financial statement audits inspected, one was assessed as requiring significant improvements and one was assessed as good or limited improvements required.

The one VfM arrangements inspection was assessed as requiring significant improvements.

It is unacceptable that two inspections were assessed as requiring significant improvements. Urgent and robust action is required to address these findings.

Our selection of audits to inspect included one higher-risk 31 March 2020 audit that we had been unable to inspect in our previous inspection cycle due to the timing of the auditor's report. When scoping inspections, we considered previous years' findings at the firm and across the sector as areas of focus. We identified no recurrent key findings at the firm that would cast doubt on the efficacy of actions taken to address previous findings.

100%

At KPMG LLP, the two financial statement audits inspected were assessed as good or limited improvements required.

100%

At KPMG LLP, the two VfM arrangements inspections were assessed as good or limited improvements required.

50%

At BDO LLP, one of the two financial statement audits inspected was assessed as requiring significant improvements.

Key findings

The key findings in this inspection cycle were:

- On one financial statements audit, there was insufficient justification to support modification of the audit opinion. The audit opinion was modified due to an inability to obtain sufficient appropriate evidence over inventory. The auditor was unable to attend management's inventory stock counts. Alternative procedures, including the auditor's own independent inventory count at balance sheet date, were performed over part of the inventory held with no issues arising. No consideration was given to how undetected misstatements could possibly be material.
- On the same financial statements audit, the impact of unadjusted audit differences was not considered on each line item in the financial statements. Based on the unadjusted audit differences that the auditor reported to the Audit Committee, operating expenses were materially misstated. Operating expenses were the benchmark used by the auditor to set its materiality level.
- On one VfM arrangements inspection, there were significant weaknesses in the audit team's documentation, archiving and in its engagement with us as a regulator. In particular:
  - The evidence on the VfM audit file was not finalised.
  - The working papers and audit procedures on the VfM audit file were not reviewed.
  - The VfM audit file was not archived.
  - The firm did not realise that the VfM audit file had not been archived.
  - The firm incorrectly informed us that the VfM audit file had been archived before we selected it for inspection.
  - A member of the audit team made changes to the VfM audit file after we had notified the firm of our inspection. This issue appears to be isolated.

The firm must take urgent and robust action to address these findings, including:

- Performing a full RCA for each inspection assessed as requiring significant improvements. This must establish the reasons for poor audit quality and how consistent high audit quality will be achieved.
- Considering the results from its internal monitoring to establish if there are any other areas of concern.
- Updating its ongoing Public Sector Audit Quality Improvement Plan (PSAQIP) for all findings and required actions from this inspection cycle.

AQR will test the efficacy of the firm's actions in its PSAQIP in our next inspection cycle, where we may also select higher-risk 31 March 2021 audits that we were unable to inspect this year due to the timing of auditor's reports.

Good practice

More encouragingly, good practice points were identifed on two financial statement audits, including:

- Engaging an auditor's expert to provide support in testing the valuation of a highly specialised property. This enhanced the audit evidence in this higher-risk area.
- Robust risk assessment discussions among the engagement team, including Key Audit Partner-led fraud discussions, demonstrated a good understanding of the risks facing the organisation.
- Interactions and discussions with the Audit Committee were clearly recorded and evaluated to determine if additional audit procedures were required in response.

A good practice point was also identified on one VfM arrangements inspection:

- Good integration with the financial statements audit. The financial statements audit identified issues with the accounting for private finance initiatives, including payments made to the contractor for assets that had not been received. Integration with the financial statements audit work resulted in the identification of a significant weakness in contracting arrangements and recommendations for improvement being made.

Firm's response to AQR reviews

The firm's Leadership Team, Audit Executive and Public Sector team have noted the disappointing findings from the AQR reviews of the financial statements and VfM conclusion for one major local audit. On determining the issues underlying these findings we immediately undertook robust actions and we are carrying out further actions, consistent with our overall objective of delivering high quality audits. These actions are set out below.

We were pleased to note the good practice, ie around engaging an auditor's expert, risk assessment discussions and recording and evaluating interactions with audit committees. These were all in areas where there had been a focus over the prior 12 months to improve practice and enhance audit quality. We will further review the root causes of the behaviours to enable audit teams to emulate them elsewhere. More generally we will consider all of our root cause analyses and internal monitoring and update our Public Sector Quality Improvement Plan for all findings as appropriate.

Financial statements audit

With regards to the findings in relation to the Financial Statements audit, whilst we are in the process of completing a root cause analysis into the matter under our new dedicated RCA partner the indications are that the failings arose from the Key Audit Partner (KAP) in the sector concerned having insufficient personal and team resource for his portfolio.

Accordingly, subsequent to the receipt of these results we reviewed and adjusted the relevant KAP's portfolio so that he has available capacity to ensure the delivery of high quality audits. Second, the firm has not pitched or re-pitched for any further major contracts in this area. The portfolio review and the decision not to tender were undertaken as part of a wider audit stream initiative instigated by the firm's Leadership Team over the course of the last twelve months.

VfM arrangement assessment

On learning that changes had been made to working papers by a member of staff we immediately carried out an urgent investigation into the matter, under the overall direction of the firm's Leadership Team. The individual concerned was suspended within three days of the FRC querying the matter with us and dismissed following completion of the investigation.

BDO's forensics team, as part of their investigation, obtained a full list of VfM engagements from the BDO Public Sector team and identified that a number of these files had not been archived and were 'locked' when the issue was identified on this VfM audit in 2022. The forensic team also reviewed these files for evidence of late amendments to working papers. No concerns of inappropriate conduct were identified from this review. The firm are satisfied, in respect of VfM work, this is an isolated incident.

The reason that the individual was able to change the working papers post finalisation was because the file had not been archived. The root cause of the files above not being archived was due to the fact that the policy in place at the time did not explicitly refer to archiving of VfM files. That policy was changed to be in place for all VfM arrangement assessments for periods beginning on or after 31 March 2022. To be clear there has always been a policy in place to archive all financial statement audit engagements.

From Q4 2022, we will also implement central oversight and monitoring of all signed opinions and conclusions to ensure timely completion of the corresponding workpaper files.

Deloitte LLP

Of the two financial statement audits inspected, one was assessed as requiring significant improvements and one was assessed as good or limited improvements required.

The one VfM arrangements inspection was assessed as good or limited improvements required.

It is unacceptable that one of the two financial statement audit inspections identified that significant improvements were required. Urgent and robust action is required to address these findings.

Our selection of audits to inspect included one higher-risk 31 March 2020 audit that we had been unable to inspect in our previous inspection cycle due to the timing of the auditor's report. When scoping inspections, we considered previous years' findings at the firm and across the sector as areas of focus. We identified no recurrent key findings at the firm that would cast doubt on the efficacy of actions taken to address previous findings.

Key findings

Signifcant improvements were required on one audit, where financial statement review procedures were inadequate and did not ensure that the financial statements were free from material errors and disclosure omissions. This included the £45 million overstatement of the loss on disposal of non-current assets caused by incorrect adjustment of an audit difference.

The firm must take urgent and robust action to address this finding, including:

- Performing a full RCA for the financial statement audit assessed as requiring significant improvements. This must establish the reasons for poor audit quality and how consistent high audit quality will be achieved.
- Considering the results from its internal monitoring to establish if there are any other areas of concern.
- Updating its ongoing Audit Quality Plan (AQP) for all findings and required actions from this inspection cycle.

AQR will test the efficacy of the firm's actions in its AQP in our next inspection cycle, where we may also select higher-risk 31 March 2021 audits that we were unable to inspect this year due to the timing of auditor's reports.

50%

At Deloitte LLP, one of the two financial statements audits inspected was assessed as requiring significant improvements.

100%

At Deloitte LLP, the one VfM arrangements inspection was assessed as good or limited improvements required.

Good practice

Good practice points were identifed on the two financial statement audits:

- On one audit, the strategy for selecting samples for detailed valuation testing was particularly well focused on risk. The audit team performed a planning analytical procedure to inform its sample selection. The audit team set a precise expectation for the movement in value of each individual property using third-party market data to identify outliers for sample testing.
- On another audit, the audit team demonstrated rigour when challenging the assumptions made in setting the non-domestic rates appeals provision, in particular by benchmarking to other councils. The audit opinion was ultimately qualified for this matter.

A good practice point was also identified on one VfM arrangements inspection:

- The commentary was supported by comprehensive evidence of the team's procedures, evaluation and conclusions reached. This included detailed notes of meetings with key officers.

Firm's response to AQR reviews

Audit quality is and will remain our number one priority. We are proud of our people's commitment to delivering high quality audits and we continue to have an uncompromising focus on audit quality.

We are therefore extremely disappointed that one of our audits fell significantly short of the high standards we set and which should be expected from our audits. We have completed an RCA (as we do for all external inspections) and we are in the process of finalising the actions identified to respond to the RCA findings. These actions will be captured in our AQP which is monitored, reviewed and challenged by the Audit Executive and the Audit Governance board. In addition we are performing remediation of the audit file for the audit in question and the entities accounts will be restated. We are considering our internal monitoring to identify whether any additional matters in relation to local audits, or findings of a similar nature have arisen and where we need to take action.

It is positive that the FRC acknowledged that they did not identify any recurrent key findings which would cast doubt on effectiveness of previous actions taken. We take inspections very seriously and we have sought to address previous findings in particular through enhancing our audit approach in relation to property valuation. We have also reflected on the wider matters identified in the FRC cross firm reports. We regularly share findings and areas of challenge in inspections with our audit practitioners to support continuous improvement. We also value the identification of good practice in both the financial statement audits reviewed and will ensure that we share the lessons from that good practice with our teams.

Appendix 1: Key local audit information

Identifying major local audits

An analysis of available local audit data for the year ended 31 March 2022 identified 314 major local audits within AQR scope. The number of bodies changes annually as the definition of a major local audit is dependent upon meeting one of the following criteria:

- Total income or expenditure of at least £500 million; or
- For a local authority pension scheme, at least 20,000 members or gross assets in excess of £1,000 million.

The following table sets out the total number of local audits by sector, along with those assessed as meeting the major local audit definition. The audits for opted in local government bodies were awarded to five audit firms in five tiered tranches, following a full tender process conducted by PSAA in 2017. These audit appointments were made to cover five accounting periods, ending with 31 March 2023. The table also sets out the number of major local audits whose financial statement audit was subject to inspection by AQR.

Category	Total population	Major local audits	Inspected by AQR in 2021/22
Health Bodies (NHS Trusts and clinical commissioning groups)	176	93	6
Local government councils	347	131	11
Other bodies	128	16	1
Local authority pension funds	77	74	2
Total	**728**	**314**	**20**

Audit firms completing local audits

There were six audit firms that completed at least one audit of a major local body for the financial year ended 31 March 2022.[7] The three firms with the largest market share of major local audits were Grant Thornton UK LLP, Ernst & Young LLP and Mazars LLP, with a collective share of 80%. All the firms involved, including the number of audits they completed and their respective market shares, were as follows:

Audit firm	Number of local audits	Market share	Number of major local audits	Market share	Inspected by AQR in 2021/22
Grant Thornton UK LLP	287	39.4%	125	39.8%	7
Ernst & Young LLP	189	26.0%	72	22.9%	4
Mazars LLP	121	16.6%	55	17.5%	3
KPMG LLP	49	6.7%	24	7.7%	2
BDO LLP	44	6.1%	21	6.7%	2
Deloitte LLP	38	5.2%	17	5.4%	2
Total	**728**		**314**		**20**

7 PricewaterhouseCoopers LLP audited one non-major local audit for the year ended 31 March 2021. This was inspected by the Quality Assurance Department of ICAEW in it's 2021/22 monitoring cycle.

Appendix 2: Firms' internal quality monitoring

Results of firms' own monitoring

Background

This appendix sets out aggregated information relating to the six firms' internal quality monitoring (IQM) for individual audit engagements. It should be read in conjunction with each firm's transparency report, which provides further detail of the IQM approaches and results, and the firm's wider system of quality control. We consider that publication of these results provides a fuller understanding of quality monitoring in addition to our regulatory inspections, but we have not verified the accuracy or appropriateness of these results.

Due to differences in how inspections are performed and rated, the results of the firms' IQM may differ from those of external regulatory inspections and should not be treated as being directly comparable to the results of other firms.

Firms' approach to internal quality monitoring

The firms' internal inspection programmes generally consider the full population of both major and non-major local audits performed. The programmes are varied but are usually risk-based as well as structured to cover Key Audit Partners over a fixed period of time. Audit files are selected for review based on a number of criteria, including risk and public interest. Reviews are supervised by the firms' own internal quality teams.

Scope

The firms' IQM programmes, relating to local audit, covered 20 individual audits, of which eight related to major local audits.

The aggregate number of major local audits covered by the firms' own IQM was less than that of the AQR and amounted to:

Coverage of all local audits	2.7%
Coverage of major local audits	2.5%

Two firms had not completed and one firm had not started their planned IQM programmes when this report was compiled. This appendix excludes individual IQM reviews that had not been completed.

Three of the remaining five firms, who had completed at least one IQM review, did not review the work on VfM arrangements on each audit selected for review. Three of the remaining five firms reviewed 31 March 2020 local government audits where 31 March 2021 audits were not complete.

Results

Financial statements audit

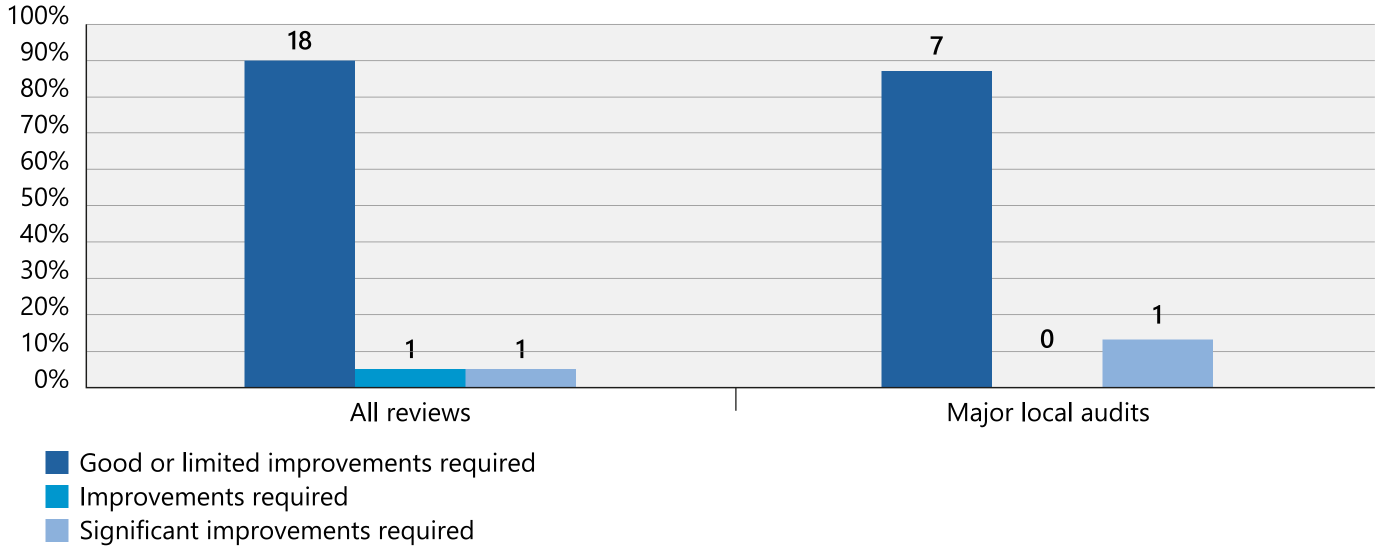
In aggregate, the firms reported that across the 20 financial statement audits reviewed, 18 (90.0%) were of a good standard or required only limited improvements. One audit was assessed as requiring improvements and one audit as requiring significant improvements.

For the firms' major local audits, seven financial statements audits were reviewed and six (87.5%) were assessed as either good or requiring limited improvements. One audit was assessed as requiring significant improvements.

The firms reported that of the 16 VfM arrangements reviews, 15 were of a good standard or required only limited improvements. One review was assessed as requiring improvements.

The results of the firms' financial statement opinion reviews for local audits are set out below.

Aggregate of the firms' own internal quality monitoring



The firms' various IQM programmes generally use the same grading categories as AQR but where this is not the case, we have aligned as closely as possible to those that would result from the AQR process.

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TRAFFORD COUNCIL

Report to:	**Accounts and Audit Committee**
Date:	**24 November 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					
	- 2021/22 Head of Internal Audit Annual Report - Internal Audit Monitoring Report (Q4 2021/22)	- Audit Strategy Memorandum 2021/22 (Mazars) - Audit Progress Report (Mazars)	- Strategic Risk Register Report	- 2021/22 Draft Annual Governance Statement - Accounts and Audit Committee 2021/22 Annual Report to Council		-Treasury Management update (Annual Performance Report 2021/22) -2021/22 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn Reports -Financial Management Code Update
28 September 2022						
	- Internal Audit Monitoring Report (Q1 2022/23)	- 2021/22 Audit Progress Report (Mazars)	(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

Committee Meeting Dates	**Areas of Responsibility of the Committee**					
	Internal Audit	**External Audit**	**Risk Management**	**Governance (Including Annual Governance Statement)**	**Anti- Fraud & Corruption Arrangements**	**Accounts/Financial Management**
24 November 2022						
	- Internal Audit Monitoring Report (Q2 2022/23)	- Audit Progress Report (Mazars) - National Report on Major Local Audits (Financial Reporting Council) - Part 2 item:Audit Quality Review Inspection Report:2020/21 Audit (Financial Reporting Council)	- Strategic Risk Register Report.	- 2021/22 Annual Governance Statement		- Annual Statement of Accounts 2021/22 - Treasury Management : 2022/23 Mid-Year Performance Report - 2022/23 Budget Monitoring and Prudential Indicator Reports (Period 6)
1[illegible] February 2023	Training: Treasury Management briefing session to be arranged outside of meeting					
	- Internal Audit Monitoring Report (Q3 2022/23)	- 2021/22 Audit Completion Report (Mazars) - External Auditor Appointment Update (Director of Finance and Systems)			(Anti-Fraud and Corruption update, within Internal Audit monitoring report)	- Treasury Management Strategy - 2022/23 Budget Monitoring and Prudential Indicator Reports (Period 8) - Procurement update (STAR)

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit	Risk Management	Governance (Including Annual Governance Statement)	Anti- Fraud & Corruption Arrangements	Accounts/Financial Management
14 March 2023						
	- 2023/24 Internal Audit Plan / Internal Audit Charter and Strategy	- Auditor's Annual Report 2021/22 (Mazars)	- Strategic Risk Register Report - Strategic Risk update: Cyber Security - Strategic risk update: Information Governance	- Report on arrangements for 2022/23 Annual Governance Statement		- 2022/23 Budget Monitoring and Prudential Indicator Reports (Period10) - Financial Management Code update -Accounting Policies

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 15

Document is Restricted

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