

# Public Document Pack



**TRAFFORD**  
**COUNCIL**

## **AGENDA PAPERS FOR ACCOUNTS AND AUDIT COMMITTEE**

**Date: Thursday, 23 November 2023**

**Time: 6.30 pm**

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

<b>A G E N D A</b>	<b>PART I</b>	<b>Pages</b>
1.	<b>ATTENDANCES</b>	
	To note attendances, including Officers and any apologies for absence.	
2.	<b>DECLARATIONS OF INTEREST</b>	
	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.	
3.	<b>MINUTES</b>	1 - 6
	To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 27 <sup>th</sup> September 2023.	
4.	<b>QUESTIONS FROM MEMBERS OF THE PUBLIC</b>	
	A maximum of 15 minutes will be allocated to public questions submitted in writing to Democratic Services ( <a href="mailto:democratic.services@trafford.gov.uk">democratic.services@trafford.gov.uk</a> ) by 4 p.m. on the working day prior to the meeting. Questions must be within the remit of the Committee or be relevant to items appearing on the agenda and will be submitted in the order in which they were received.	
5.	<b>2021/22 AUDIT COMPLETION FOLLOW UP LETTER</b>	7 - 10
	To receive a report form the External Auditors, MAZARS.	

6. **2021/22 AUDITOR'S ANNUAL REPORT** 11 - 38  
To receive a report from the External Auditors (MAZARS).
7. **TREASURY MANAGEMENT 2023/24 MID YEAR PERFORMANCE REPORT** 39 - 82  
To receive a report from the Executive Member for Finance, Change & Governance and Director of Finance and Systems.
8. **INSURANCE PERFORMANCE REPORT 2022/23** 83 - 92  
To receive a report from the Director of Finance and Systems.
9. **FINANCIAL MANAGEMENT CODE UPDATE** 93 - 134  
To receive a report from the Director of Finance and Systems.
10. **STRATEGIC RISK REGISTER - NOVEMBER 2023 UPDATE** 135 - 166  
To receive a report from the Audit and Assurance Manager.
11. **2023/24 AUDIT AND ASSURANCE SERVICE UPDATE REPORT JULY TO SEPTEMBER 2023** 167 - 178  
To receive a report from the Audit and Assurance Manager.
12. **ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2023/24** 179 - 184  
To receive a report from the Audit and Assurance Manager.
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.

**SARA TODD**  
Chief Executive

Membership of the Committee

Councillors B. Brotherton (Chair), J. Lloyd (Vice-Chair), J.M. Axford, O.J. Baskerville, J. Brophy, G. Carter, M. Cordingley, M.J. Welton, M.P. Whetton and Platt.

Further Information

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

## Accounts and Audit Committee - Thursday, 23 November 2023

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Stephanie Ferraioli, Governance Officer  
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This agenda was issued on **Wednesday, 15 November 2023** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH

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## ACCOUNTS AND AUDIT COMMITTEE

**27 SEPTEMBER 2023**

### PRESENT

Councillors: Brotherton (Chair), Lloyd (Vice-Chair), Axford, Baskerville, Brophy, Carter, Cordingley, Welton.

#### In attendance

Jeannie Platt	Independent Member
Dylan Butt	Councillor
Alastair Newall	External Auditor, Mazars
Graeme Bentley	Director of Finance and Systems
Dave Muggeridge	Head of Financial Management
Mark Foster	Audit and Assurance Manager
David Wright	Counter Fraud Manager
Sarah Butters	Head of Education Places, Access & Vulnerable Children
Alex Murray	Governance Officer
Stephanie Ferraioli	Governance Officer

### 1. ATTENDANCES

An apology for absence was received from Councillor Jerrome and Whetton.

### 2. DECLARATION OF INTEREST

No declaration of interest to be recorded.

### 3. MINUTES

RESOLVED – That the minutes of the meeting held on 21 June 2023 are a true and correct record.

### 4. QUESTIONS FROM MEMBERS OF THE PUBLIC

No questions from members of the public were received for this meeting.

## **5. STRATEGIC RISK REGISTER – DEMAND FOR SCHOOL PLACES**

Following a request from Members for an update on strategic risk in respect of the demand for school places in the borough, a presentation was provided by the Head of Education, Access and Vulnerable Children. The Committee were informed that in 2021 there had been an increase of over 73% in demand for grammar school places which was due to a number of reasons, mainly the increase of the diverse population and the popularity of the borough. The Committee was provided with details of a range of measures being taken or planned to increase places available.

It was noted the home to school transport budget funds a small proportion of passes for children but there are challenges as the demand for SEN places has increased. When looking at school expansion, school accommodation planning needs to be taken into consideration which also presents a variety of challenges.

It was suggested that spaces from Primary Schools be used to mitigate the increased demand given the baby boom cycle has moved to the Secondary School now and that in areas such as Altrincham and Stretford the birth rate is falling.

RESOLVED – That the update be noted.

## **6. COUNTER FRAUD AND ENFORCEMENT TEAM UPDATE REPORT**

The Counter Fraud and Enforcement Manager presented a report which outlined details of the Counter Fraud team's activity in 2022/23 to support the detection and investigation of fraud. It was noted that some work had been informed by the council tax single person discount review which had been recently concluded.

He informed that from 1 July 2023, the Counter Fraud team has transferred from Exchequer Services to the Audit and Assurance Service and staff will work closely with Internal Audit colleagues to share expertise in aiming to combat fraud.

The cost of employing the recovery team was queried and it was stated that the team had been set up 8 years ago and based on performance, it costed less than what it was actually recovering therefore a very effective use of resources.

RESOLVED – That the report update be noted.

## **7. 2021/22 AUDIT COMPLETION REPORT**

The Chair welcomed the new Auditor from Mazars, Mr Alastair Newall, who introduced the 2021/22 Audit Completion report stating that the audit is now almost complete directing the Committee to section 2 of the report which highlights the outstanding areas that have now progressed satisfactorily.

He informed that for local authorities, work on valuing Council's estates is a complex one even with support from external valuers however MAZARS are comfortable with the end position they have got to for Trafford Council.

Members were reassured that the audit report was being finalised and that it served where applicable to highlight any areas of significant risk.

RESOLVED:

- 1) That a further update be provided at the meeting in November.
- 2) That the update be noted.

## **8. 2021/22 ACCOUNTS**

The Head of Financial Management presented the report on the 2021/22 Accounts which in the next couple of days will receive delegated authority for sign off.

RESOLVED – That the update on Accounts 2021/22 be noted.

## **9. 2022/23 FINAL ANNUAL GOVERNANCE STATEMENT**

The Committee was informed that there was no further update to the Annual Governance Statement that had previously been shared at the previous Committee meeting for feedback. Clarification on the timeline for issuing the final document will be obtained further to the completion of the accounts audit.

RESOLVED – That subject to the completion of the 2022/23 audit and approval of the final statement of Accounts by the Accounts and Audit Committee, the 2022/23 AGS will be signed off and issued.

## **10. UNDERSTANDING THE PRUDENTIAL INDICATORS**

The Director of Finance and Systems made a presentation to the Committee on the reason for the prudential code, the key indicators and benchmark information comparing the Council with other local authorities on both the level of debt and debt servicing costs. The presentation also provided an indication of areas that the Committee should look at when receiving and reviewing future reports on the subject.

Members were very appreciative of the presentation and found the information very helpful, particularly the benchmarking data against other authorities now facing financial difficulties.

They requested a TEAMS meeting to be able to explore the matter further and to serve as a training session to understand borrowing.

RESOLVED – That the training be rolled out more widely for the benefit of Members.

## **11. 2022/23 TREASURY MANAGEMENT ANNUAL PERFORMANCE**

The Director of Finance and Systems presented a report on treasury management performance for 2022/23. This detailed the position on the level of long-term debt and investment activity over the year. The report also confirmed that the Council had complied with all the Prudential Indicators.

RESOLVED – That the report be noted.

## **12. BUDGET MONITORING REPORT 2023/24 PERIOD 4**

The Director of Finance and Systems informed the Committee that the Budget Monitoring Report was presented to Executive two weeks ago. The report showed a projected budget overspend of £1.7m; the position being mitigated by some new grant income.

A number of questions were raised by the Committee which the Director of Finance and Systems responded to.

RESOLVED - That the report be noted.

## **13. 2023/24 AUDIT AND ASSURANCE SERVICE UPDATE REPORT – APRIL TO JUNE 2023**

The Committee were presented with a summary of audits recently undertaken. Attention was drawn to Section 5 where a list of audits and findings can be found. This included two follow-up audits where progress has been reviewed in addressing previous audit recommendations. Findings highlighted that improvements have been made covering all the previous recommendations.

The response from management and clients in respect of the work carried out by the Finance team has been very positive. A full analysis will be available later in the year when more feedback will have been received.

RESOLVED – That the service update for the period April to June 2023 be noted.



#### **14. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME 2023/24**

The Assurance and Audit Manager informed that the programme had been slightly updated since the last meeting in March 2023 and that Star Procurement have been invited to give an update at next meeting.

RESOLVED – That the update to the Work Programme for the  
Accounts and Audit Committee 2023/24 be noted.

#### **15. URGETN BUSINESS (IF ANY)**

There was no urgent business to be discussed at this meeting.

Meeting ends 9.30 pm.

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Cllr Brotherton  
 Chair of the Accounts and Audit Committee  
 Trafford Council  
 Trafford Town Hall,  
 Talbot Road,  
 Stretford,  
 M32 0TH

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Email Karen.murray@mazars.co.uk

16 November 2023

Dear Cllr Brotherton

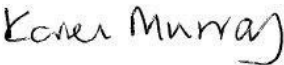
**Conclusion of pending matters– Audit completion report**

Following on from the September 2023 Accounts and Audit Committee meeting and as required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that were marked as outstanding within the Audit Completion Report dated 27 September 2023. The outstanding matters and the conclusions reached are detailed below:

Matter	Conclusion reached
Property, Plant and Equipment (including investment properties)	We have received the Council’s assessment of the impacts of Reinforced Autoclaved Aerated Concrete (RAAC) and have completed our review of this. There are no additional matters to report to the Committee from this work.
Group Consolidation	We have completed our work on the Group Consolidation. There are no additional matters to report to the Committee from our work.
Technical Review of Statement of Accounts	The technical review of the statement of accounts has been completed, and other than the misstatements detailed in Appendix 1, there are no matters to bring to your attention.
Whole of Government Accounts	We are still waiting confirmation of the sampled entities from the NAO therefore this work is still to be completed.
Financial statements, Annual Governance Statement and letter of representation	We have received the final signed statements, Annual Governance Statement (updated) and the signed letter of representation. There are no matters arising to report to the Committee.

Audit review and quality control	We have completed our final review and closure procedures, and other than the misstatements detailed in Appendix 1, there are no matters to bring to your attention.
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Yours sincerely



**Karen Murray**  
Partner  
16 November 2023

## **Appendix A – Summary of Misstatements**

This appendix outlines the misstatements identified during the course of the audit (which were not previously reported in Audit Completion Report presented to the Accounts and Audit Committee in September 2023), above the trivial threshold for adjustment of £348k.

The only changes were in respect of the following disclosures:

**Cash Flow Statement** : Reclassification of £66,338k between notes 28b and note 29 (Investing activities) in relation to receipts from capital loans. This was also updated in the comparative figures (20/21)

**Note 10 - Earmarked reserves** : The NDR rates exceptional deficit reserve S31 grants and NDR Deficit Reserve lines have been combined to show a surplus earmarked reserve.

**Note 13- Taxation and non-specific grant income** : Reclassification of £1,353k between council tax income and non-domestic rates income.

**Note 18- Financial instruments** : MAHL loan figure updated to £36,978k from £29,649k to ensure consistency with other tables within the note.

**Note 18- Financial instruments** : Updated fair value of MAHL loans figures for 21/22 and 20/21 to reflect figures in the Link reports.

**Note 27- Unusable reserves-** Pension reserves note amended to show the correct the signage.

**Note 30- Cash flow statement** : Financing activities- Inclusion of 'reconciliation of liabilities arising from financing activities' table.

**Note 32- Trading operations** : Trading Operations surplus figure updated.

**Note 37- Officers' Remuneration (Senior Officers)** : Salary figures for the Director of Finance and Director of Public Health updated to £101,571.

**Note 37- Officers' Remuneration (£50k banding)** : Individuals whose salary is over £150,000 removed to comply with CIPFA guidance.

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# Auditor's Annual Report

Trafford Metropolitan Borough Council –  
year ended 31 March 2022

November 2023  
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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Trafford Metropolitan Borough Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Trafford Metropolitan Borough Council ('the Council') for the year ended 31 March 2022. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



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### Opinion on the financial statements

We issued our audit report on 16 November 2023. Our opinion on the financial statements was unqualified.



### Value for Money arrangements

We have completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and have not identified significant weaknesses in those arrangements from our work. Section 3 provides our commentary on the Council's arrangements.



### Wider reporting responsibilities

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.

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# 02

Section 02:

## **Audit of the financial statements**

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## 2. Audit of the financial statements

### The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2022 and of its financial performance for the year then ended.

Our audit report, issued on 16 November 2023 gave an unqualified opinion on the financial statements for the year ended 31 March 2022.

Our Audit Completion Report, presented to the Council's Audit and Governance Committee on 27 September 2022 provides further details of the findings of our audit of the Council's financial statements. This includes our conclusions on the identified audit risks and areas of management judgement, internal control recommendations and audit misstatements identified during the course of the audit. There are no matters raised in our Audit Completion Report 2021/22 that we need to repeat in this report

### Qualitative aspects of the Council's accounting practices

We reviewed the Council's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 29 July 2022, in line with the statutory deadlines. The accounts were supported by good quality working papers and we received full cooperation from the Finance team in responding to our queries.

### Significant difficulties during the audit

During the course of the audit, we experienced two significant difficulties. We have had the full co-operation of management to resolve these issues so that we could obtain the assurance we need.

Reconciliation of the general ledger – We had difficulty in obtaining transaction listings to support the reconciliation between the general ledger and the trial balance in order to gain assurance over the completeness of the transactions recorded in the accounts. This was because the general ledger listings needed cleansing.

Valuation of Property, Plant & Equipment, including Investment Properties – our detailed testing of the Council's valuations identified a number of issues including:

- the valuation report was not compliant with RICS guidance;
- the methodology applied to the valuation was not always compliant with the guidance and CIPFA Code;
- errors in the calculation of the valuations due to:
- incorrect treatment of the purchase costs within investment properties valuations
- incorrect use of obsolescence factors and
- incorrect yields applied; and
- issues in relation to valuation of asset which is under PFI scheme.

The Valuer was also initially unable to provide all of the information requested to support the sample testing.

Following significant additional audit input, and with the support of the Mazars Real Estate Valuation team, we obtained the assurance we required. The errors identified in the Council's valuations did not have a material impact on the Council's financial statements.

### Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls.

We have identified one internal control issues from our audit of 2021/22.

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# 2. Audit of the financial statements

## Internal control recommendations

### Description of deficiency

Our testing identified a number of issues with the Council's arrangements for the valuation of the properties, plants & equipment and investment properties. This included:

- the valuation report was not compliant with RICS guidance;
- the methodology applied to the valuation was not always compliant with the guidance and CIPFA Code;
- issues in relation to valuation of an asset which is under PFI ;
- errors in the calculation of the valuations due to:
  - incorrect treatment of the purchase costs within investment properties valuations
  - incorrect use of obsolescence factors and
  - incorrect yields applied.

### Potential effects

The asset valuations may not be materially fairly stated at the balance sheet date.

### Recommendation

Management should put in place arrangements to ensure valuer has a full understanding of the valuation information required for financial reporting purposes. This includes understanding the basis of valuation for different asset types as required by the CIPFA Code.

Management should ensure valuation reports provide them with sufficient detail and supporting information to facilitate their review and challenge of the information provide.

### Management response

Internal control deficiencies identified in relation to Property, Plant and Equipment valuations have been acknowledged and as a direct response, engagement with external valuation specialists has begun to help improve this service going forward.

# 03

Section 03:

## Commentary on VFM arrangements

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# 3. Commentary on VFM arrangements

## Overall summary

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# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



**Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services



**Governance** - How the Council ensures that it makes informed decisions and properly manages its risks



**Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

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

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 13.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Council arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.

- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

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Audit of the financial statements




Commentary on VFM arrangements

Other reporting responsibilities and our fees



# 3. VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	12	Yes – see identified risk on page 13	No	No
 <b>Governance</b>	17	No	No	No
 <b>Improving economy, efficiency and effectiveness</b>	21	No	No	No

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### 3. Commentary on VFM arrangements

#### Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

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# 3. VFM arrangements – Financial Sustainability

## Risks of significant weaknesses in arrangements

We have outlined below the risks of significant weaknesses in arrangements that we identified as part of our continuous planning procedures, and the work undertaken to respond to each of that risk.

Identified risk of significant weakness in arrangements	Work undertaken and the results of our work
<p><b>1</b></p> <p><b>Financial sustainability</b></p> <p>During 2021/22, work began to update the Council’s medium term financial plan for the period from 2022/23 and 2025/26. Increasing demand pressures together with refreshed assumptions around inflationary pressures including in respect of energy and payroll costs, mean the budget gap for the 3 years of the strategy from 2023/24 to 2025/26 was £51m. This gap is offset by identified policy decisions intended to deliver savings, increases in council tax and other income from fees and charges, and some planned use of reserves. The Council recognizes the use of reserves cannot continue in future years and requires further policy decisions in order to reduce the cost base of the Council to an appropriate and sustainable level. There is a risk that the Council will be faced with a Section 114 notice (which restricts the Council to essential spend only) if appropriate savings are not identified and the cost base reduced on a permanent basis. Our work in this area is continuing</p>	<p><b>Work undertaken</b></p> <p>We have reviewed the financial performance of Trafford MBC for 2021/22. Overall, the Council delivered savings of £8.936m, which was £2.990m below target. However, after taking in-year mitigating actions of £992k, such as finding and delivering alternative savings, the shortfall reduced to £1.998m. This was an improvement on the in year reporting as at Period 10 although much of this improvement was due to a reduction in the predicted shortfall in income from the Council’s strategic investments of £412k. For 2022/23, the budget gap for the three years, before applying any of the policy choice savings and income proposals identified, was estimated at £38.59m. This reflected of £41.85m of expenditure and funding pressures offset by £3.26m improvement in the expect funding position. As a consequence, the initial budget for 2022/23 identified an overall gap of £20.14m. The Council planned to close the gap in 2022/23 through £3.39m additional funding from Council Tax, and £5.32m income generation and savings proposals, the use of one-off reserves of £7.1m to address continuing COVID related pressures and the use of £4.33m of General Fund Reserve for the remaining gap.</p> <p>Furthermore, the updated three-year period budget strategy, detailed revenue budget proposals for 2023/24 and Medium Term Financial Strategy (MTFS) for the period 2024/25 - 2025/26 identified a gross budget gap for the three-years before applying policy choice savings and funding proposals is now estimated to be £51.05m of which £24.86m is related to 2023/24.</p> <p>Whilst the Council’s budget proposals at the time allowed for a balanced position for 2023/24, there remained a sizeable budget gap in 2024/25 of £6.95m, rising to £17.08m by 2025/26 when the full impact of the GM levy increases for Transport and Waste Disposal impact and the additional temporary benefits derived from the business rate retention scheme, including the GM 100% business rate scheme, were expected to cease. The Council had an underlying structural deficit in any year of in the region of £5m to £7m taking into account estimated increases in council tax. This position was anticipated to come under additional strain because of additional demand; Office for National Statistics projections suggest an increase in Trafford’s population of 3.8% by 2031 compared to the national population which is forecast to grow by 4.2%.</p> <p><b>Results of our work</b></p> <p>Following our work, we are satisfied there is not a significant weakness in the Council’s arrangements. Although we are satisfied there is no immediate threat to the Council’s financial sustainability, the use of reserves at current levels is not considered sustainable into the future. Action should be taken to align funding to the reduced cost base to ensure the Council achieve its planned saving targets and identify efficiency savings in its future budget as these reserves are critical to the Council ability to manage future financial risks.</p>

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# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### Background to Trafford MBC’s operating environment in 2021/22

The financial year 2021/22 was a year of challenge for the Council as it faced dealing with the impact of the global Covid-19 pandemic. This led to significant changes in how the Council delivered services to the residents of Trafford. Throughout the period, and subsequently, the Council had to adapt to new ways of working to ensure continuation of service delivery, alongside delivering new services to support the local communities through the pandemic. The financial impact of the pandemic on the Council has been, and continues to be significant. Whilst the Council received financial support from Government to address these issues, much of the funding was one-off in nature. The Council continues to work to understand the longer-term impact of the pandemic, and to adapt its financial plans as the national and local positions develop.

### 2021/22 Financial Performance

We have undertaken a high-level analysis of the audited financial statements, including the Movement in Reserves Statement and the Balance Sheet. The Council's balance sheet has remained stable. The cash and cash equivalents remained in line with previous year (£47.5m 2021/22; £43m 2020/21). Altogether, the Council's current assets decreased from £211.4m to £207.7m at 31 March 2022.

The most significant change in the balance sheet related to movements in the Council's share of the pension fund net liability (being a deficit position) of £235.6m, down from £350.89m in the prior year. It is not unusual to see material movements in the net pension liability and this was consistent with our experience at other local authorities. The deficit position was typical across the sector in 2021/22.

The Council's useable reserves decreased from £200.35m at 31 March 2021 to £154.2m at 31 March 2022. This reflected a decrease in Earmarked General Fund Reserves to £123m (down from £174.35m the previous year).

These reserves provide some mitigation against future financial challenges including those related to the continuing impact of Covid-19. However, the Council has recognised that it needs to ensure any use of reserves to smooth the financial position over the next few years is properly planned. The use of reserves cannot be relied on to provide a long term solution to funding gaps. The Council must therefore make difficult decisions about the level and nature of services it wants to provide for its residents and businesses.

### Financial planning and monitoring arrangements

The budget for 2021/22 was approved at the 17th February 2021 Council meeting. It set a net budget requirement of £179.304m. This was subsequently increased by £168k to £179.472m as a result of a minor late change in the finance settlement relating to resources to support Public Health. This was agreed at the Council meeting on 28th July 2021.

The initial budget for 2021/22 identified an overall gap of £25.44m. The Council addressed this through a combination of additional resources including £5.20m from council tax income and the application of reserves to cover £8.34m of COVID-19 pressures and £2.80m of “business as usual” pressures, together with a net £9.10m of service savings and other additional income. Throughout the year the Council regularly updated and presented its budget monitoring reports to members. Budget information and performance monitoring through the year remained up-to-date despite the challenging environment of the pandemic and allowed the Council to identify emerging pressures during the year in a timely way.

Overall, the Council delivered savings of £8.936m, which was £2.990m below target. However, after taking in-year mitigating actions of £992k, such as finding and delivering alternative savings, the shortfall reduced to £1.998m. This was an improvement on the in year reporting as at Period 10 although much of this improvement was due to a reduction in the predicted shortfall in income from the Council's strategic investments of £412k. For 2022/23, the budget gap for the three years, before applying any of the policy choice savings and income proposals identified, was estimated at £38.59m. This reflected of £41.85m of expenditure and funding pressures offset by £3.26m improvement in the expect funding position

We have reviewed the Council's budget setting papers for 2021/22 and confirmed the budget is linked to the updated MTFP approved at the same meeting. It included details of key underlying assumptions including levels of inflation and pay increases alongside known changes to levies charged in respect of waste, transport, police and fire services.

We have considered the arrangements in place in respect of budget management as part of the Governance criteria on page 17.

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# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

As previously mentioned, the Covid-19 pandemic has had a significant impact on Trafford Council, including on its financial position. Officers have worked to understand the financial impact of the pandemic and ensured members were kept updated as the year progressed. This included identifying the financial pressures emerging and the steps being taken to address any resulting financial gap. Reporting included a consideration of the Council's use of central government grants and the availability of reserves which could be applied to smooth the impact if required. The Council utilised monthly returns submitted to central government to support the monitoring of the wider impact of the pandemic, and for reporting to members through the year.

During the year, the Council reported its Budget Monitoring Report to the Executive on a regular basis. The Accounts and Audit Committee also received the reports three times to allow for robust scrutiny and challenge. We have reviewed a sample of the reports presented to members. These contained appropriate detail of the significant variances against budget and provided an update on the delivery against savings targets. They also contained appropriate information on the delivery of the approved capital programme, including explanations for both over and under spends against the budget profile. Emerging pressures were explained and potential impacts noted.

### Arrangements for the identification, management and monitoring of funding gaps and savings

The Medium Term Financial Strategy (MTFS) is a three-year plan which frames the choices the Council needs to make about the services it delivers and how it will deliver them. This strategy underpins the organisational delivery of the Corporate Plan and helps to ensure decision making gives consideration to the future shape of the Council and its ongoing financial sustainability by setting out the resources available to deliver the Council's priorities.

A key part of the MTFS is to highlight the budget gaps that need to be addressed by the Council in each of the years covered. This includes assumptions to allow forecasting of the level of available resources from all sources together with the budget pressures relating to both capital and revenue spending. It also assesses the adequacy of reserves and provisions held for past events and which may impact on the Council's resources.

In February 2022, the Executive and Council approved the updated three-year budget strategy proposals including the draft revenue budget proposals for 2022/23 and the Medium Term Financial Strategy (MTFS) for the period 2024/25.

The budget cycle commences in June/July to update the MTFS. Regular workshops are held (August, September, October, December and January) with Corporate Leadership Team (CLT) and Members to present the gap and to develop savings programmes which may be delivered over the short and medium term. Budget

ownership is devolved so managers are engaged early in the process of identifying savings plans. Challenge to the process is provided by the Modernisation Team / Service Delivery Group (sub group of senior managers) and Strategic Finance Managers to ensure it is sufficiently robust. Details of how the budget gap is planned to be closed is presented in the Medium-Term Financial Strategy as part of the draft and final budget reports.

For 2022/23, the details of managing the temporary COVID pressures including via the redirection of reserves were explained in detail. Plans to identify recurrent savings programmes in this context were being developed and were included in the final budget report agreed in February 2022.

The budget gap for the three years, before applying any of the policy choice savings and income proposals, was estimated to be £38.59m comprising of £41.85m of additional expenditure and funding pressures £3.26m improvements in funding. For 2022/23 there was a budget gap of £20.14m consisting of £7.10m COVID-19 pressures and £13.04m BAU.

The Council has a sound track record of delivering its savings programmes to bridge budget gaps. However, this has been more challenging since 2020 because of the impact of Covid19 and the shift in the management focus this required. The outturn for period 12, presented to the Accounts and Audit Committee, reflected savings achieved of £3.82m against the target of £5.32m. The savings not delivered in the year were offset by savings elsewhere in the cost of services, most notably where budget allocations were held as "contingency".

### Arrangements and approach to 2022/23 financial planning

The budget for 2022/23 was approved at the 16th February 2022 Council meeting at £192.57m. This was subsequently increased by £13.10m from £179.47m as a result of a minor late change in the finance settlement relating to resources to support Public Health. The amendment was agreed at the Council meeting on 28th July 2021.

The initial budget for 2022/23 identified an overall gap of £20.14m. The Council's plans to close the gap in 2022/23 consisted of £3.39m additional funding from Council Tax, and £5.32m income generation and savings proposals, the use of one-off reserves of £7.1m to address COVID pressures and the use of £4.33m of General Reserve to meet the remaining gap.

We have reviewed the budget monitoring papers presented to members during the year. The outturn for period 12, presented to Accounts and Audit Committee, showed the savings achieved of £3.82m against the target of £5.32m. The largest shortfall was £1.04m from the Investment Strategy Programme largely due to economic factors affecting some of the income streams particularly those from the town centre investments

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# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### Challenges to the Medium-Term Financial Strategy.

The updated three-year period budget strategy, detailed revenue budget proposals for 2023/24 and Medium Term Financial Strategy (MTFS) for the period 2024/25 - 2025/26 identified a gross budget gap for the three-years, before applying policy choice savings and funding proposals, estimated at £51.05m of which £24.86m related to 2023/24.

Whilst the Council had identified some budget measures to close this gap, there remained a number of uncertainties the Council needed to take into account. Critical to this was the continued impact of the covid pandemic in terms of the Council's costs but also on income streams, including the dividend from the investment in the airport. The MTFS also referenced a number of other financial challenges and areas of uncertainty. This included the potential national reset of the business rate retention scheme baselines, changes to social care funding and the planned fair funding review of local government needs and resources. These are now expected in 2025/26. This has potential to give rise to significant financial turbulence because of the high level of reliance on funding generated through the business rate retention schemes. Furthermore, recent economic uncertainty and high rates of inflation have led to increased pressure on the cost of services.

There is a clear recognition in Trafford that reserves cannot be used as a way of continuing to fund services over the medium term. Both the Corporate Leadership Team and the Executive understand the need to identify the level of reserves required to remain financially sustainable and to ensure the Council's budget is set to deliver services in this context. For this reason, budget options for the life of the MTFP are being developed with the support from the Council's Modernisation Team who can provide challenge to ensure the future transformative changes and expected services will be delivered at a pace sufficient to balance the financial position and protect services.

**Based on the above considerations we are satisfied there is not a significant weakness in the Councils arrangements in relation to financial sustainability.** However, we remain concerned that the use of reserves at current levels is not sustainable into the future. Action should be taken to bring forward policy decisions in order to reduce the cost base of the Council to an appropriate and sustainable level. There is a risk that the Council will be faced with a Section 114 notice (which restricts the Council to essential spend only) if appropriate savings are not identified and the cost base reduced on a permanent basis.

### 3. Commentary on VFM arrangements

#### Governance

How the body ensures that it makes informed decisions and properly manages its risks

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# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### Risk management and monitoring arrangements

Trafford MBC had a comprehensive risk management system in place. It is embedded into the governance structure of the organisation. As part of Trafford's governance framework, the Accounts and Audit Committee are responsible for ensuring that risk management arrangements are in place and are regularly reviewed to ensure they are working effectively.

Each directorate maintains and updates its own risk register, which feeds into the strategic risk register at the organisation level. We have reviewed an example register and confirmed it is sufficiently detailed to allow for effective risk management, with each risk having an assigned risk owner and a risk score based on a probability and impact matrix. Where mitigating actions are identified they are assigned a risk owner and due date to provide accountability and allow for effective oversight of the risk. Each risk register is accompanied by a dashboard providing an 'at-a-glance' view of the risk activities within the function.

The Corporate risk register provides the Council's senior leadership team with oversight of the key risks faced by the organisation. Regular updates to it are taken to the Accounts and Audit Committee. From our attendance at these meetings, we have seen Members challenge the scores and key risk management activities to gain assurance about the effectiveness of the arrangements in place.

In order to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Council has a team of internal auditors, led by the Head of Internal Audit and a Counter Fraud and Enforcement Team. The annual Internal Audit plan is agreed with management at the start of the financial year and reviewed by the Accounts and Audit Committee prior to final approval. The annual plan is reviewed by the Audit and Governance Committee prior to final approval. The 2021/22 Internal Audit plan was approved by the Accounts and Audit Committee on 23 March 2021. A plan for 2022/23 has also been approved.

The annual audit plans are based on an assessment of risks the Council faces and is determined to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control. We have reviewed the Internal Audit Plans for 2021/22 and 2022/23 and confirmed work is planned on a risk-based approach. The risk rating of each audit area determines the frequency of audit, with key areas such as Financial Systems, Governance, Schools, Other Business Risks being subject to annual audit procedures.

Internal Audit progress reports are presented to each Accounts and Audit Committee meeting including follow up reporting of recommendations not fully implemented by agreed due dates. This allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an opinion on the overall adequacy and effectiveness of the Councils framework of governance, risk management and control. the work completed during the year. For 2020/21 and 2022/23 the Head of Internal Audit concluded that a reasonable level of assurance can be given that the Council's that the control environment encompassing internal control, risk management and governance, is operating to a satisfactory standard.

We have attended all Accounts and Audit Committee meetings. Through attendance at these meetings we have confirmed that the committee receive regular updates on both internal audit progress and risk management in the form of risk registers. We have seen active member engagement from the audit committee who challenge the papers and reports which they receive from officers, internal audit and external audit.

We have also reviewed meeting minutes from both Council and Executive meetings which evidence an appropriate level of member engagement and challenge.

### Arrangements for budget setting and budgetary control

The Council has an approved set of budget principles which is used during the budget setting process. The key budget principles are:

- Budget Holders are defined as the Chief Executive, Corporate Directors, Directors, Heads of Service and Strategic Leads, together with any other Officer with the relevant delegated authority to control and monitor budgets. Budget Holders are consulted in the preparation of the budgets for which they are responsible and held accountable;
- Budget Holders are responsible for the day-to-day control of income and expenditure against a set budget for a cost centre, or group of cost centres that make up the area for which they have operational responsibility;
- As part of the monitoring process, Budget Holders must review regularly the effectiveness and operation of revenue budget preparation and ensure that any corrective action is taken



# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

Budgetary control and monitoring ensures that once the budget has been approved by the Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget. By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity, enabling remedial action to be taken, where necessary.

The Council itself operates within an annual budget allocation, approved when setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure and income within the budget allocated to it (i.e. controllable budget). For the purposes of budgetary control by Budget Holders, a budget will normally be split into controllable and non-controllable for a service area or cost centre, with the service managers being held accountable for the controllable elements of the budget. Any slippage or variation.

Following approval of the budget, progress against targets is then monitored on a regular basis including the preparation of monthly management reports and challenge on key variances to agreed budgets. Any expenditure in excess of the budget must be specified in the appropriate financial reports as determined by the Chief Finance Officer in consultation with the Executive Member for Finance.

We have reviewed a sample of the finance reports which have been prepared throughout the 2021/22 year which evidence that an appropriate level of detail is included to keep Directors, the Corporate Leadership Team and members informed of any actual or potential overspends, including detail on how these areas are being managed.

Regular budget monitoring is undertaken during the year to identify and report of evolving pressure. Reports taken to CLT and Executives (bi-monthly) and to CLT/DMT's on high risk monthly.

## Decision making arrangements and control framework

Trafford MBC has an established governance structure in place which is set out within its Annual Governance Statement. This is supported by the Council's Corporate Governance Code, the Governance Framework, the Constitution and scheme of delegation.

The Code of Corporate Governance sets out the key principles which the Council is committed to, and which is the framework for the Council to conduct its business. It allocates to key officers' roles and responsibilities in respect of the corporate governance themes. In doing this, the framework sets out clearly the lines of accountability.

The constitution sets out that a decision is defined as a key decision if it is likely to be require expenditure or savings that are significant in the context of the Council's budget or the services provided or if it is likely to have a significant effect on communities living or working in an area comprising of two or more Council wards. Key decisions can be taken by the Executive, and Executive Member or an officer in accordance with the scheme of delegation.

The Council has an agreed Anti-Fraud and Corruption Policy and Strategy, Fraud Response Plan and Whistleblowing Policy . Details of how to report suspected fraud are included in the Council's Statement of Accounts and Annual Governance Statement. We reviewed these documents as part of our audit and confirmed they were consistent with our understanding of the Councils arrangements in place.

The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures set out within the Council's Constitution. A review of The Finance Procedure Rules is undertaken annually as part of the update of the Council's Constitution. Control is based on regular management information, management supervision, and a structure of delegation and accountability. If there are fundamental failures in internal control these are subject to investigation

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### Regulators – Ofsted review of Children’s Services

Trafford’s Children’s Services function was inspected by Ofsted under the Inspection Local Authority Children’s Service Framework in March 2019. The report from this inspection was published in May 2019 and it assessed the Council’s service as “inadequate” overall.

This reflected a significant deterioration in the quality of the service since the previous inspection in 2015. Ofsted specifically reported that Senior Managers within the Council’s service were not aware of the deterioration in performance and, had their inspection not taken place, the weaknesses would not have been recognised and no action would have been taken. The Ofsted report set out a number of areas for improvements.

Following the inspection, the Council took immediate action to respond to the findings. This included setting up an Improvement Board, with an Independent Chair appointed by the Department for Education (DfE), attended by senior politicians, senior officers from the Council and other key partners and stakeholders.

An action plan was also developed to address each of the findings in the report. Separately work began to identify the financial resources required to support the service going forward, including the use of reserves. Implementation of the action plan was subject to oversight from the Improvement Board and the DfE through the involvement of an Improvement Advisor and a link officer. It has been subject to regular review and updating in line with the Council’s internal findings from quality assurance and other review activity to ensure it remains on track and is delivering. Progress is regularly reported to Members.

The Council was subject to a number of monitoring visits by Ofsted to assess the impact of the actions being taken by the Council, including the financial investments made in the service to support improvement. The feedback from these visits reflected a broadly positive direction of travel through 2021/22 and by March 2022, Ofsted was reporting that “services for children in care in Trafford have shown some improvements since the inspection in 2019” albeit the pace of change, particularly in respect of operational social work practice still needed to improve.

The Council has maintained its focus on delivering the agreed action plan and has maintained a dialogue with all stakeholders to ensure the effectiveness of the identified actions required to improve the service. Internal monitoring reflected progress to be on track. Ofsted undertook a service reinspection in November 2022, reported in January 2023 and this confirmed the service was no longer rated as inadequate.

**Based on the above considerations we are satisfied there is not a significant weakness in the Council’s arrangements in relation to governance.**

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### 3. Commentary on VFM arrangements

#### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

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# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

### Performance Management

The Corporate Plan describes the Council's vision and priorities for the Borough. It includes an overview of the strategies which provide the detail of what the Council will do and how it will work with communities and partners to deliver its ambitions for Trafford. The Council had identified seven strategic priorities that were considered key to enabling Trafford residents, businesses and staff to thrive. However, during 2022 the Council reviewed its Corporate Plan to ensure it remained appropriate to support recovery from the Covid-19 pandemic. The updated Corporate Plan 2021-2024 now focusses on three overarching strategic priorities intended to help the Borough recover.

Performance indicators to support the achievement of strategic priorities have been identified and are included within the Corporate Plan. The plan provides clarity about the specific tasks and performance indicators so all staff know what they have to achieve and how they contribute to the overall aims of the Council.

Overall, there is regular reporting of performance against the indicators so that Corporate Leadership Team and Members have a good understanding of how the Council is performing. We have reviewed an Annual report and a sample of the quarterly Corporate Plan reports and are satisfied these contain adequate detail to support performance management.

### Arrangements for effective partnership working

The Council has a number of partnership and joint venture arrangements in place to support it in delivering services and achieving its priorities.

The Council has a major strategic partnership with Amey. This has been in place since 2015 when the Council's grounds maintenance, highways and street lighting services, together with some professional services were transferred to Amey as part of the "One Trafford Partnership".

The Council identified Key Performance Indicators for each of the areas within the contract, including minimum acceptable performance levels and target performance levels. Actual performance is monitored and reported on a regular basis. There are contractual mechanisms available to the Council to impose financial penalties where performance falls below acceptable levels and these were used in previous years.

The Council has undertaken a formal "seven year review" of the contract. This review was delayed because of the pandemic. Arrangements were in place for reporting back to members throughout the period of the review. Members were informed about and agreed to the changes made to the strategic partnership which included some services coming back into the Council where this was most likely to deliver a better service outcome.

The Council also had a strategic partnership with Trafford Leisure CIC for the provision of services from Council owned facilities. Again, 2021/22 has provided a challenging year but the Council remained committed to the service and has agreed some significant investments in the facilities in line with its leisure strategy. The capital programme was been updated and the programme of investment is now underway.

The Council has three formal Joint ventures in place to support regeneration activities. These include the redevelopment of the former Kelloggs headquarters site at Talbot Road, Stretford in line with the Civic Quarter Masterplan and the redevelopments of Stretford Mall and Stamford Quarter in line with the Town Centre Masterplan.

The Council has put in place a clear governance framework for overseeing these arrangements. This includes risk and performance management so the Council can be actively engaged in decisions on a timely basis.

### Arrangements for commissioning services

The Council is open to considering all options to deliver services. This means it commissions from other organisations where it is appropriate, and where it can achieve the same or better outcomes at reduced cost. The Council actively seeks to commission jointly with other public service agencies where possible.

The Council has a well-developed Procurement Strategy and approach which ensures that it complies with all legal and regulatory requirements as well as achieving best value in procurement processes. A Procurement Policy is in place which is available to all staff via the intranet.

The Council is a member of STAR Procurement which is a shared procurement service with Stockport, Tameside and Rochdale Councils. STAR report back to the Council on a regular basis and we have seen evidence that this approach is delivering financial savings and social value requirements.

**Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness.**

### 3. Commentary on VFM arrangements

Identified significant weaknesses in arrangements and our recommendations

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### 3. VFM arrangements – Prior year significant weaknesses and recommendations

#### Progress against significant weaknesses and recommendations made in the prior year

As part of our 2020/21 audit work, we identified the following significant weaknesses, and made recommendations for improvement in the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the Council’s progress against the recommendations made, including whether the significant weakness is still relevant in the 2021/22 year.

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>1 <b>OFSTED inspection: children’s social care services:</b></p> <p>In May 2019 Ofsted issued a report on its inspection of the Council’s Children’s Social Care Services. The inspection report concluded that the overall effectiveness of the Council’s services for children is inadequate.</p> <p>These matters indicate a risk of significant weaknesses in proper arrangements</p>	<p>Governance</p> <p>Improving the 3Es</p>	<p>We recommend the Council ensures it is fully embedding and can sustain the actions it has put in place to address the Children’s Services issues identified by the Ofsted.</p> <p>In particular, the Council needs to ensure that social care practice is improved and is consistently focussed on outcomes for children and families. The performance management framework supporting this needs to be robust with appropriate monitoring, challenge and escalation arrangements in place.</p>	<p>Immediately following the inspection in 2019, the Council put in place an action plan to address the issues identified by Ofsted across the service. An Improvement Board was also established to provide focussed oversight of the delivery of the action plan. The Improvement Board had an independent chair and comprised a wide range of stakeholder and partner organisations.</p> <p>The Council was subject to a number of monitoring visits by Ofsted to assess the impact of the actions being taken by the Council, including the financial investments made in the service to support improvement. The feedback from these visits reflected a broadly positive direction of travel through 2021/22 and by March 2022, Ofsted was reporting that “services for children in care in Trafford have shown some improvements since the inspection in 2019” albeit the pace of change, particularly in respect of operational social work practice, still needed to improve.</p> <p>Ofsted undertook a service reinspection in November 2022, reported in January 2023. This confirmed the service was no longer rated as inadequate.</p>	<p>We are satisfied the Council has taken appropriate action to address the significant weaknesses in its arrangements albeit that there is more to do to ensure consistency in social work practice and outcomes for children.</p>

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# 04

Section 04:

## **Other reporting responsibilities and our fees**

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# 4. Other reporting responsibilities and our fees

## Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

## Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 16 November 2023.



## 4. Other reporting responsibilities and our fees

### Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Accounts and Audit Committee in July 2022. Having completed our work for the 2021/22 financial year, we can confirm that our fees are as follows:

Area of work	2020/21 fees	2021/22 fees
	£	£
Planned fee in respect of our work under the Code of Audit Practice	91,008	91,008
Additional fees in respect of increased regulatory expectations to increase the level of audit work on Property Plant & Equipment Valuations, including investment properties	11,231	14,038
Additional fees in respect of increased regulatory expectations to increase the level of audit work on pensions (assets and liabilities)	3,230	4,038
Additional testing as a result of new auditing standards - ISA 220 (Revised), ISA 540 (Revised), ISA 570 (Revised), ISA 600 (Revised)	2,043	2,500
Additional work required as a result of the error in the valuation of the airport shareholding	-	2,000
Additional work required in respect of the pension fund triennial revaluation	-	5,000
Additional work required in respect of infrastructure assets	-	10,000
Additional work arising from changes in the Code of Audit Practice (VFM)	12,988	16,235
<b>Total fees</b>	<b>120,508</b>	<b>144,819</b>

### Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year ending 31 March 2022 or subsequently,

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## Mazars

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

\*where permitted under applicable country laws.

## TRAFFORD COUNCIL

**Report to:** Accounts & Audit Committee – 23rd November 2023  
Executive – 11th December 2023

**Report for:** Information

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

### Report Title

**Treasury Management 2023-24 Mid-Year Performance Report**

### Summary

This report gives Members a summary of the Treasury Management activities undertaken for the first half of 2023/24 as follows;

#### **Debt Activity:**

- The level of external debt fell from £318.1m at 31 March to £303.1m at 30 September 2023,
- Gross loan interest costs totalling £8.4m are to be contained within the current year budget provision,

#### **Investment Activity:**

- The level of investments reduced from £70.4m at 31 March to £69.4m at 30 September 2023,
- Estimated external investment interest to be earned for 2023/24 of £3.39m is £0.97m above the £2.42m current year budget requirement,
- The average rate of return achieved during the period April to September 2023 was 4.72%, or 0.14% below the comparable performance indicator of average 1 Month Sterling Overnight Index Average (SONIA) interest rate of 4.86%.

#### **Prudential indicators:**

- The Council complied with its legislative and regulatory requirements and
- There were no breaches of prudential indicators.

### Recommendations

That the Accounts & Audit Committee & Executive be requested to:

1. Note the Treasury Management activities undertaken in the first half of 2023/24.

### Contact person for background papers and further information:

Name: Frank Fallon  
Background papers: None

Relationship Corporate Priorities	Value for Money
Relationship to GM Policy or Strategy Framework	Not applicable
Financial	Treasury Management impacts on the Council's budget in terms of borrowing costs and investment returns. As part of the Council's bi-monthly Revenue monitor reports, the P6 monitor reported an estimated surplus for 2023/24 of £3.64m against the original budget of £2.30m. This surplus will contribute towards the Council's overall budget position.
Legal Implications:	Treasury Management activities are subject to requirements detailed in legislation, Department for Levelling Up, Housing and Communities (DLUHC) guidance, Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and Treasury Management Code of Practice. The report sets out details of compliance in respect of these requirements.
Equality/Diversity Implications	All treasury management transactions undertaken by the Council are carried out with institutions with no known direct links to any illegal regimes or which promote the use of forced labour
Sustainability Implications	The Council, when undertaking any treasury management investment fully supports the ethos of socially responsible investments and will avoid direct investment in institutions with material links to environmentally harmful activities. Opportunities to invest monies in products which both supports sustainable assets and complies with the Council's investment strategy will continue to be explored as and when they become available.
Carbon Reduction	Not directly applicable – See above
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities and these factors have been incorporated into the systems and procedures for this function which are independently tested on a regular basis. Failure to properly manage and monitor the Council's loans and investments could lead to service failure and a loss of reputation. No Treasury Management activity is without risk and the Council's in-house team continually monitor risks to ensure that security of capital sums is maintained at all times and adverse fluctuations in interest rates are avoided.
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

## **Executive Summary**

This report provides Members with a summary of the treasury management activities undertaken during the first half year of 2023/24.

### **Economic position (Section 2)**

- Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%.
- Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in September 2023.
- The Monetary Policy Committee (MPC) has increased the Bank Rate since March 2023 from 4.25% to the current level of 5.25%.

### **Debt (Section 5)**

- Total loan debt fell from £318.1m 31.03.2023 to £303.1m 30.09.2023 a net decrease of £15.0m comprising of:
  - £0.1m Public Works Loan Board (PWLB) and £15.0m of Lender's Option Borrower's Option (LOBO) loans repayments.
  - There were no new loans taken during this period.
- Total loan interest of £8.4m is forecasted to be paid in the year of which £3.7m relates to the Council's capital Strategic Investment Programme and is funded from rental income received. The balance of £4.7m relates to debt taken to fund historical and current capital spend.
- The average rate of interest payable at 31.03.2023 of 2.63% has reduced to 2.55% at 30.09.2023.

### **Investments (See Section 6)**

- The level of investments reduced from £70.4m at 31.03.2023 to £69.4m at 30.09.2023 a net movement of £1.0m.
- The Rate of Return for all investments during the first half of 2023/24 was 4.72% which is below the recognised performance indicator of the 1 month SONIA which was 4.86%. The reason for the underperformance is that the short-term investments we had earlier in the year were at the low rates available at the time. As the year has progressed rates have increased and at 30 September we are now seeing an average weighted investment return of 5.15%, 0.29% above the SONIA benchmark.
- Estimated external investment interest to be earned for 2023/24 of £3.39m is £0.97m above the £2.42m current year budget requirement
- All investments were repaid on time without issue and placed in accordance with the Council's approved strategy.

### **Prudential Indicators and limits (Section 8)**

- No breaches to any of these limits occurred during this period.

## 1. BACKGROUND

- 1.1 This report has been produced in accordance with the requirements of the CIPFA Code of Practice on Treasury Management (2017) which stipulates that the Council receives 3 separate Treasury Management reports on an annual basis as follows;
- 3 year Strategy Statement including the Annual Investment Strategy and Minimum Revenue Provision Policy (issued February),
  - Mid-year Review (this report) and
  - Performance update, covering activities undertaken during the previous financial year
- 1.2 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it highlights the treasury management activities undertaken during the first half year of 2023/24.
- 1.3 For reference CIPFA has defined treasury management as:  
“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
- 1.4 This report comprises of the following sections:
- Major Economic Headlines (Section 2);
  - Interest Rates (Section 3);
  - Treasury Position (Section 4);
  - Borrowing Position (Section 5);
  - Investment Position (Section 6);
  - Risk Benchmarking (Section 7);
  - Prudential and Performance indicators (Section 8);
  - Outlook 2022/23(Section 9);
  - Recommendations (Section 10);
- 1.5 The treasury management operation ensures;
- The Council’s cash flows are well planned and funded,
  - That all surplus monies are invested in low risk counterparties, providing sufficient liquidity before considering investment return,
  - All new borrowing required for managing the financing of the Council’s multi-million pound capital programme is taken in the form of either long or short term loans or using longer term cash flow surpluses and
  - That debt previously taken is restructured when opportunities arise to meet Council risk or cost objectives.
- 1.6 The Treasury Management Strategy Statement, for 2023/24 was approved by Council on 15 February 2023 and there are no policy changes to this. Details in this report reflect the updated economic situation and actual activities undertaken.

## 2. MAJOR ECONOMIC HEADLINES

2.1 A brief summary of the main economic headlines which occurred during the first half of 2023/24 are outlined below.

- Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in September 2023. The largest downward contribution came from food prices.
- The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, with three increases taking the Bank Rate to 5.25% in August, from 4.25% in March. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%.
- Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.
- Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.
- July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

### 3 INTEREST RATES

- 3.1 The Council's treasury management advisors Arlingclose, provide interest rate forecasts periodically through-out the year and the table below outlines the latest **average** forecasted rates, as issued in September 2023, for the periods stated:

	<b>2023-24 Original Forecast %</b>	<b>2023-24 Revised Forecast %</b>	<b>2024-25 Latest Forecast %</b>	<b>2025-26 Latest Forecast %</b>
Bank Rate	4.50	5.25	4.81	3.63
Investment Rates				
3 month	4.50	5.40	4.89	3.69
1 Year	4.60	5.86	5.30	4.05
PWLB Loan Rates				
5 Year	4.20	5.46	5.10	4.38
20 Year	4.40	5.64	5.40	5.20
50 Year	4.30	5.23	5.11	5.10

- 3.2 The latest forecast sets out a view that the Bank of England keep the current rate of 5.25%, before a slow reduction beginning in the Autumn of 2024 around which point inflation is forecast to reduce to the Bank's target rate of 2%.
- 3.3 Gilt yields and subsequently PWLB rates are expected to stabilise with slow reduction over the next few years.



#### 4. TREASURY POSITION

4.1 The Council's investment and debt positions at the beginning and mid-way through the current financial year are listed in the table below;

	31 March 2023		30 September 2023	
	Principal £m	Average Interest Rate %	Principal £m	Average Interest Rate %
<b>DEBT</b>				
<i>Short term (payable before 31.03.24)</i>				
PWLB	4.3	6.62	4.3	6.68
Market	15.0	4.24	0.0	0.00
<b>Sub-total</b>	<b>19.3</b>	<b>4.77</b>	<b>4.3</b>	<b>6.68</b>
<i>Long term (payable after 31.03.24)</i>				
PWLB	277.8	2.32	277.8	2.32
Market	21.0	4.79	21.0	4.79
<b>Sub-total</b>	<b>298.8</b>	<b>2.49</b>	<b>298.8</b>	<b>2.49</b>
<b>Total debt</b>	<b>318.1</b>	<b>2.63</b>	<b>303.1</b>	<b>2.55</b>
<b>INVESTMENTS</b>				
<i>Short term (less than 1 year duration)</i>				
- Instant access	26.3	4.07	27.9	5.30
- Call accounts	0.0	0.00	0.3	5.14
- Term deposit	27.4	3.92	24.5	4.66
<b>Sub-total</b>	<b>53.7</b>	<b>3.99</b>	<b>52.7</b>	<b>5.00</b>
<i>Long term (greater than 1 year duration)</i>				
- CCLA	4.7	4.65	4.7	5.58
- Strategic Investment programme (SIP)	12.0	n/a	12.0	n/a
<b>Sub-total</b>	<b>16.7</b>	<b>4.65</b>	<b>16.7</b>	<b>5.58</b>
<b>Total Investments</b>	<b>70.4</b>	<b>4.04</b>	<b>69.4</b>	<b>5.05</b>

Information in the above table reflects the;

- level of funds available on a temporary basis for investment purposes which fluctuate on a daily basis due to the timing of precept payments, receipt of grants and spend progress on the capital programme and
- repayment of monies borrowed.

## 5. BORROWING POSITION

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

5.2 The Council needs to ensure that its debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates going out to 2025/26. Whilst this allows some flexibility for limited early borrowing for future years, it also ensures that borrowing is **not undertaken for revenue or speculative purposes**.

5.3 As at 31<sup>st</sup> March 2023, the level of external debt was £318.1m, which was lower than the CFR at £412.0m and reflects that the Council was under borrowed by the difference of £93.9m as at that date. In effect the Council had used surplus cash balances to finance capital expenditure to the value of £93.9m.

5.4 Since March, the Council's forecast under-borrowing has grown by £37.6m to £131.5m This has been a deliberate policy agreed within Council's Debt Strategy to avoid costly external borrowing where possible. This level of under borrowing is not considered sustainable due to the impact on the Council's cash balances. Therefore, the strategy will be to reduce the level of under borrowing over the next couple of years by using external debt to finance in-year borrowing requirements and when asset strategy investments are repaid these will be replaced by external debt facilities at the time.

This externalisation of this debt will be funded by existing provisions within the Treasury Management and Strategic Investment Programme revenue budgets, and will likely be of sufficient size to reduce the under-borrowing to a similar size as it was at 31st March 2023. The situation will be continued to be monitored, with considerations given to movements in interest rates and future capital plans. The decision to borrow will be taken by the Director of Finance and Systems per delegated powers, and in accordance with the approved Treasury Management and Debt Strategies.

5.4 During the first half of 2023/24, loans to the value of £15.1m were repaid, two LOBO loans of £7.5m each and one PWLB loan of £0.1m, with no new loans being taken. As a result of this the Council's total external loans reduced from £318.1m to £303.1m as per the table below:

Loans	31 March 2023 £m	Borrowed £m	Repaid £m	30 September 2023 £m
Short Term – (less than 1 Year)	19.3	0.0	15.1	4.3

duration)				
Long Term – (more than 1 Year duration)	298.8	0.0	0.0	298.8
<b>Total</b>	<b>318.1</b>	<b>0.0</b>	<b>15.1</b>	<b>303.1</b>

5.3 The table below provides an outline of the Council's loan portfolio as at 30<sup>th</sup> September 2023;

<b>Lender</b>	<b>No. Loans</b>	<b>Interest rate range</b>	<b>Maturity</b>	<b>Total Principal £m</b>
PWLB	18	1.88% to 9.00%	Feb 2024 to Oct 2069	282.1
Market (long term)	3	4.41% to 4.99%	Aug 2042 to Dec 2067	21.0
<b>Total</b>	<b>21</b>			<b>303.1</b>

5.4 As highlighted in the above table the Council holds £21.0m of Market loans, which are held at fixed rates of interest. At the start of the year, the Council held £15.0m of loans with variable rates of interest in the form of Lender's Option Borrower's Option (LOBO) loans. These LOBO loans were repaid in June 2023, in accordance with the Director of Finance and Systems' delegated authority, after a review of the facility position found a repayment to be financially beneficial.

5.5 For 2023/24 the total loan interest costs are currently forecasted to be £8.4m of which £4.7m is being met from the 2023/24 revenue loan interest budget provision together with an application of £3.7m returns generated from the Council's capital Strategic Investment programme.

5.6 The PWLB has 2 main sets of interest rates which Public Sector organisations can borrow funds at referred to as Standard and Certainty rates which offer rates of interest based on:

- Standard rate - prevailing market gilt rate for each respective period plus 100pts (1.00%) and
- Certainty rate - prevailing market gilt rate for each respective period plus 80pts (0.80%).

5.7 In order for the Council to remain eligible to be able to take new PWLB loans at the lower Certainty rate, this is applied for annually by providing a range of information to the PWLB. The in-house treasury management team successfully completed this task in May 2023 thereby enabling savings of £20k p.a. for every £10m borrowed to be achieved should any funds be taken from the PWLB.

5.8 No new borrowing has been undertaken during the first half of the year.

## 6. INVESTMENT POSITION

- 6.1 Whenever the in-house treasury management team places any temporary surplus funds with an external institution, it does so in compliance with the Council's Annual Investment Strategy, approved by Council in February 2023. This follows the same criteria adopted in previous years of Security of capital, Liquidity and finally obtaining an appropriate level of Yield.
- 6.2 The table below highlights the level of investment transactions carried out during the first half of 2023/24;

<b>Investments</b>	<b>31 March 2023 £m</b>	<b>New £m</b>	<b>Repaid £m</b>	<b>30 Sept. 2023 £m</b>
Instant Access	26.3	234.2	232.6	27.9
Call Accounts	0.0	0.3	0.0	0.3
Term Deposit	27.4	41.5	44.4	24.5
CCLA*	4.7	0.0	0.0	4.7
Strategic Investment programme	12.0	0.0	0.0	12.0
<b>Total</b>	<b>70.4</b>	<b>276.0</b>	<b>277.0</b>	<b>69.4</b>

Note \*Estimated movement in valuation of the funds invested at that date.

- 6.3 The movement in the level of investments as at 31 March 2023 to 30 September 2023 reflects the day to day cash flow activities, including balances applied to fund short term capital spend thereby enabling loan servicing costs to be kept to a minimum.
- 6.4 All the Council's investments maturing during the first half of the financial year were repaid on time without any difficulties.
- 6.5 A breakdown of the Council's temporary investments as at 31 March 2023 compared to 30 September 2023 per each classification of institution is provided below for reference:

<b>Sector</b>	<b>31 March 2023 £m</b>	<b>30 September 2023 £m</b>
UK Banks	11.4	5.3
Non UK Banks	11.0	11.5
Building Societies	0.0	0.0
Money Market Funds	26.3	27.9
Local Authority	5.0	8.0
Other - CCLA	4.7	4.7
Strategic Investment programme	12.0	12.0
<b>Total</b>	<b>70.4</b>	<b>69.4</b>

The maturity structure of the investment portfolio was as follows:

Period	31 March 2023 £m	30 September 2023 £m
Instant Access	26.3	27.9
Call Accounts	0.0	0.3
Up to 3 Months	5.0	0.0
3 to 6 Months	19.9	16.0
6 to 9 Months*	2.5	5.5
9 to 12 months	0.0	3.0
Over 1 year	16.7	16.7
<b>Total</b>	<b>70.4</b>	<b>69.4</b>

\*Investments in the 6 to 9 months period reflect normal year end cash flow requirements.

- 6.6 The table below highlights the results of the **short term** investment activities and shows the Council performance against the 1 month SONIA benchmark, a recognised market performance indicator.

Average level of short term investments (up to 1 yr.) 1 Apr to 30 Sep £m	Average interest rate earned %	Average 1 month SONIA (*) rate %	Under achieved interest against SONIA £k
72.3	4.72	4.86	41

\*SONIA (Sterling Overnight Index Average) is administered and published by the Bank of England, and is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.

- 6.7 The average performance for the first of the year is 0.14% below the benchmark. The reason for the underperformance is that the short-term investments we had earlier in the year were at the low rates available at the time. As the year has progressed rates have increased and at 30 September we are now seeing an average weighted investment return of 5.15%, 0.29% above the SONIA benchmark.
- 6.8 With regards to the Council's 2 **long term** investments totalling £16.7m, details of these investments are provided below;

**Church Commissioners Local Authority (CCLA)** - In September 2015, the Council invested £5m, for a minimum period of 5 years in the Local Authority Property Investment fund, managed by CCLA and this enabled 1,643,872 units to be purchased in the fund. The objective of this fund which invests in commercial property throughout the UK, is to create long term returns in the form of capital growth and short term income from quarterly dividend returns. At 31 March 2023 the Council's investment was worth £4.74m and by 30<sup>th</sup> September 2023 this had reduced to £4.68m. The level of dividends received for the first half of

2023/24 generated an annualised return of 5.58% gross of fees compared to 4.07% for the same period in 2022/23. Slower and quite possibly negative rates of economic growth, could result in declines in equity prices in response to earnings news over the next few months.

From April 2018, local authorities were required to comply with the new standard International Financial Reporting Standard 9 (IFRS 9): Financial Instruments. Changes brought by IFRS 9 meant that more financial assets, such as the Council's CCLA investment, would be required to have any annual changes in value (known as "fair value movements") recognised as profit or loss, whereas before movements for such instruments may have been held in a reserve with any movement in value only affecting general fund balances when sold.

Due to the nature of these losses in value being required to be recognised in the revenue accounts of Local Authorities, the government introduced a statutory override to allow for any losses to be reversed out to a reserve. This statutory override will expire in March 2025. Prior to the expiry of this override the Council will need to decide whether it should disinvest from the CCLA to mitigate the risk negative valuations. This decision will be taken by the Director of Finance and Systems in due course, in accordance with delegated powers and the approved Treasury Management Strategy.

- **Strategic Investment Programme** - In August 2019 the Council entered into a £17.6m 5 year loan facility agreement with Queens Holding Limited secured on 4 prominent income producing properties known as Albert Estate within Manchester City Centre. In April 2022 an early repayment instalment of £5.6m was received reducing the value to £12.0m. All interest repayments on the facility have been made in full and on time.
- 6.8 Estimated external investment interest to be earned for 2023/24 of £3.37m is £0.97m above the £2.42m current year budget requirement.
- 6.9 As shown by the interest rate forecasts in section 3, investment return rates are expected to continue to stay at this level for the next 12 months before reducing in the following two years. The Council investment return over the next three years will be determined on these rates and the levels of cash that available to invest.
- 6.10 Whilst it has to be acknowledged that all investments carry some form of risk, the Council's in-house team ensures that this is at all times kept to a minimum, as monies are only placed in low risk institutions with returns set to reflect this strategy.
- 6.11 For reference Appendix A details the Council's investments, as at 30<sup>th</sup> September 2023.

## 7. RISK BENCHMARKING

- 7.1 In accordance with the Code and DLUHC Investment Guidance, appropriate security and liquidity benchmarks are used by the in-house treasury

management team to monitor the current and future potential risk conditions enabling any corrective action to the strategy to be applied if required.

- 7.2 These benchmarks are simple guides to maximum risk (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria.
- 7.3 During the first half of 2023/24 it can be reported that no benchmarks, which were set in the Strategy report in February 2023, were breached as shown from the table below.

<b>Indicator</b>	<b>Target</b>	<b>Actual</b>
<b>Security</b> – potential default rate of the Council’s investment portfolio based on rates issued by the 3 main credit rating agencies.	Max 0.05%	Max 0.03%
<b>Liquidity</b> – investments available within 1 week notice	£5m min.	Achieved
<b>Liquidity</b> – Weighted Average Life of investments (ex CCLA Property Fund)	6 months	This was not breached and as at 30 September was 3 months.
<b>Yield</b> – Investment interest return to exceed 1 month SONIA rate	4.86% (Avg. 1 Month SONIA)	4.76% (All Investments 1 April to 30 Sept)
<b>Origin of investments placed</b> - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	Achieved

## 8. PRUDENTIAL AND PERFORMANCE INDICATORS

- 8.1 In accordance with DLUHC Guidance and the Code, a number of prudential indicators are in place ensuring that the Council’s capital expenditure plans and borrowing remain robust, prudent and sustainable.
- 8.2 These indicators as set out in the Council’s Treasury Management Strategy report for 2023/24 were approved by Council in February 2023 and are monitored and reported through the Council’s bi-monthly monitoring reports. During the half year ended 30th September 2023, the Council has operated within these indicators and no breaches occurred. Further information can be found in Appendix B
- 8.3 Due to the nature of the treasury management function the Council’s in-house team processes multi-million pound transactions on a daily basis and to ensure the Council’s finances are protected and all associated risk kept to a minimum, robust systems and procedures have been put into place. These systems and procedures are continually reviewed by the in-house team to ensure they remain fit for purpose.

## **9. OUTLOOK 2023/24**

- 9.1 Following the Bank of England's September Monetary Policy Committee meeting there is a view that 5.25% will now be the peak in Bank Rate, and will remain the rate until Q3 2024.
- 9.2 At 6.7% in September, CPI inflation remains well above the BoE's 2% target, but is expected to continue to fall sharply, to 4.75% in 2023 Q4, 4.50% in 2024 Q1 and 3.75% in 2024 Q2.
- 9.3 Growth in the UK economy is expected to be flat for the remainder of 2023/24, with some limited growth expected in 2024/25.

## **10. RECOMMENDATIONS**

- 10.1 That the Accounts & Audit Committee & Executive be requested to;
- Note the Treasury Management activities undertaken in the first half of 2023/24.

### **Other Options**

This report is a mandatory report which has been produced in order to comply with Financial Regulations, relevant legislation and provides an overview of transactions undertaken during the first half of 2023/24. There are no other options to consider.

### **Consultation**

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

### **Reasons for Recommendation**

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

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

**Legal Officer Clearance**      ...EM.....



**DIRECTOR'S SIGNATURE**

G. Bentley

APPENDIX A

Breakdown of Investments as at 30 September 2023

Counterparty	Amount (31 March 2023)	Amount (30 Sept 2023)	Long Term Credit Rating
	£	£	
<i>Money Market Fund – instant access</i>			
Aberdeen	3,000,000	3,000,000	aaa
CCLA	6,450,000	3,000,000	aaa
Federated Investors	6,380,000	5,450,000	aaa
Insight Liquidity	3,000,000	3,000,000	aaa
Invesco Aim	1,550,000	5,000,000	aaa
Legal & General	2,900,000	5,400,000	aaa
Morgan Stanley	3,000,000	3,000,000	aaa
<b>Sub total</b>	<b>26,280,000</b>	<b>27,850,000</b>	
<i>Call Accounts</i>			
Lloyds Bank	0	335,000	a+
<b>Sub total</b>	<b>0</b>	<b>335,000</b>	
<i>Term Deposit</i>			
Australia and New Zealand Bank	2,500,000	3,000,000	a+
Development bank of Singapore	3,000,000	3,000,000	aa-
First Abu Dhabi Bank	5,500,000	5,500,000	aa-
National Bank of Kuwait (International)	2,500,000	5,000,000	a+
Nationwide Building Society	0	0	-
Newcastle Building Society	0	0	-
Principality Building Society	0	0	-
Santander Bank	5,500,000	0	a+
Yorkshire Building Society	0	0	-
Barclay Bank PLC	3,000,000	0	-
Cornwall Council	5,000,000	0	-
Lloyds Bank PLC	355,000	0	-
Renfrewshire Council	0	5,000,000	a1
Lancashire County Council	0	3,000,000	nr
<b>Sub total</b>	<b>27,355,000</b>	<b>24,500,000</b>	
<i>Property Funds</i>			
Church Commissioners Local Authority	4,738,790	4,676,816	n/r
<b>Sub total</b>	<b>4,738,790</b>	<b>4,676,816</b>	
<i>Other</i>			
Strategic Investment Programme	12,010,000	12,010,000	-
<b>Sub total</b>	<b>12,010,000</b>	<b>12,010,000</b>	
<b>Total</b>	<b>70,383,790</b>	<b>69,371,816</b>	

**Prudential Indicators – 2023/24**

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. The objectives of the Prudential Code and indicators are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and to support and record local decision making in manner that is publicly accountable.

The prudential indicators cover the three areas in which the Council is required to report and monitor; Capital Expenditure, External Debt, and Affordability. The indicators are approved and set by the Council in February each year as part of the wider budget setting process. These indicators have been restated for monitoring purposes during the year

**Summary as at Mid-Year****Capital Expenditure Indicators**

Since February, the updated indicators for Capital Expenditure show a decrease £50.17m in capital spend in 2023/24. This is in-line with the reprofiling of spend within the programme, as certain schemes will now incur costs in later years. The expenditure for the Investment Strategy shows a similar movement as investments have been reprofiled to match the cashflows of ongoing property developments which the Strategy is funding, in addition to the new investments, approved by IMB, having the majority of their expenditure in the later years of the programme.

**External debt indicators**

The External Debt indicators for Mid-Year are confirmations that the Council are operating within the agreed boundaries for Treasury Management activity as set by Council in February.

**Affordability indicators**

The 'Finance Costs to Net Revenue Stream' indicator has been reassessed since February and the new forecast has been calculated on a different basis than the figures previously presented. This recalculation has been done to bring the indicator in-line more accurately with the intention of the Prudential Code. The new forecast for 2023/24 is a negative 0.9% due to the inflow of interest payments to the Council, i.e. investment income, being higher the outflow of interest payments, i.e. the cost of external borrowing. This is likely to change in future years as the Council's ability to utilise surplus cash balances to avoid additional borrowing will be reduced as the Capital Programme and Asset Investment Strategy commitments increase.

### 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 – Capital Expenditure	2023/24			2024/25	2025/26
	Original Forecast	Current Forecast	Variance	Forecast	Forecast
	£m	£m	£m	£m	£m
<b>Capital Expenditure</b>					
Capital expenditure - General Programme	91.49	87.73	(3.76)	78.36	48.22
Capital expenditure - Investment Strategy	109.09	62.68	(46.41)	47.32	34.04
<b>Capital expenditure - Total</b>	<b>200.58</b>	<b>150.41</b>	<b>(50.17)</b>	<b>125.68</b>	<b>82.26</b>
<b>Capital Financing Requirement (CFR)</b>	<b>579.09</b>	<b>437.95</b>	<b>(141.14)</b>	<b>465.18</b>	<b>492.55</b>

### 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 2023/24 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 2023/24	2023/24			2024/25	2025/26
	Approved Limit	Current Forecast	Variance to Limit	Approved Limit	Approved Limit
	£m	£m	£m	£m	£m
<b>External Debt</b>					
Authorised limit for external debt - Capital Programme	240.00	143.20	96.80	250	260
Authorised limit for external debt - Investment Strategy	375.00	159.90	215.10	450	475
Other long-term liabilities (PFI)	3.40	3.38	0.02	3.0	2.6
<b>Authorised limit for external debt - Total</b>	<b>618.40</b>	<b>306.48</b>	<b>311.92</b>	<b>703.0</b>	<b>737.6</b>
Operational boundary for external debt - Capital Programme	220.00	143.20	76.80	230	240
Operational boundary for external debt - Investment Strategy	375.00	159.90	215.10	450	475
Other long-term liabilities (PFI)	3.40	3.38	0.02	3.0	2.6
<b>Operational boundary for external debt - Total</b>	<b>598.40</b>	<b>306.48</b>	<b>291.92</b>	<b>683.0</b>	<b>717.6</b>
Forecast capital financing requirement (CFR)		<b>437.95</b>			
Actual external debt (£m): at 30/09/23 *		<b>306.48</b>			
Over-borrowed/(Under-borrowed)		<b>(131.47)</b>			
<b>Is Actual Debt below the CFR?</b>		<b>YES</b>			

\* Actual External Debt £306.48m includes external loans £303.10m and PFI Liability £3.38m

Affordability indicators

- **Estimates of financing costs to net revenue stream;** this indicator shows the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the Council’s net revenue stream. This demonstrates the affordability and proportionality of that borrowing by comparing it to the Council’s net revenue stream as a whole.
- **Estimates of net income from commercial and service investments to net revenue stream;** This indicator compares income from commercial investments to the Council’s net revenue stream. As before, this comparison allows for consideration for the Council reliance on that income and its proportionality.

Prudential Indicators - Period 6 2023/24	2023/24			2024/25	2025/26
	Forecast	P6 Forecast	Variance	Forecast	Forecast
	%	%	%	%	%
<b>Affordability</b>					
Financing Costs to net revenue stream - Recalculation*	0.6%	-1.10%	-1.70%	1.30%	2.10%
Net Income for commercial and service investments to net revenue stream	8.5%	8.2%	-0.30%	7.1%	6.8%

\*The ‘Finance Costs to Net Revenue Stream’ PI has been reassessed and calculated on a different basis than the figures presented in the February Budget Report. This recalculation has been done to bring the indicator in-line more accurately with the intention of the Prudential Code and will be used for monitoring purposes during the year with formal changes presented in February 2024.

<b>Affordability - Financing Costs to Net Revenue Stream (Detailed Table)</b>	<b>2023/24 Mid-year Forecast</b>
Net Revenue Stream (£k)	203,991
Net Financing Costs * (£k)	(2,232)
<b>Net Financing Costs to NRS (correct Prudential Indicator)</b>	<b>(1.10)%</b>
Gross Financing Costs (£k)	13,655
Gross Investment Interest Income (£k)	(15,886)
<b>Net Financing Costs (£k)</b>	<b>(2,232)</b>
Using <b>Gross</b> Financing Costs to NRS	6.69%

The forecast for 2023/24 is negative due to the inflow of interest payments to the Council, i.e. investment income, being higher than the Gross Financing Costs (interest payments and MRP), i.e. cost of external borrowing. This is likely to change in future years as the Council's ability to utilise surplus cash balances to avoid additional borrowing will be reduced as the Capital Programme and Asset Investment Strategy commitments increase.

The prudential indicator requires a comparison between Net Financing Costs and the Net Revenue Budget, however this does not demonstrate fully the risk due to the high levels of investment income that the Council generates. The Gross Investment Interest Income and Gross Financing Costs are more appropriate measures of risk as this is the amount of exposure the council needs to meet.





## TRAFFORD COUNCIL

**Report to:** Accounts & Audit Committee – 23rd November 2023  
Executive – 11th December 2023

**Report for:** Information

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

### Report Title

**Treasury Management 2023-24 Mid-Year Performance Report**

### Summary

This report gives Members a summary of the Treasury Management activities undertaken for the first half of 2023/24 as follows;

#### **Debt Activity:**

- The level of external debt fell from £318.1m at 31 March to £303.1m at 30 September 2023,
- Gross loan interest costs totalling £8.4m are to be contained within the current year budget provision,

#### **Investment Activity:**

- The level of investments reduced from £70.4m at 31 March to £69.4m at 30 September 2023,
- Estimated external investment interest to be earned for 2023/24 of £3.39m is £0.97m above the £2.42m current year budget requirement,
- The average rate of return achieved during the period April to September 2023 was 4.72%, or 0.14% below the comparable performance indicator of average 1 Month Sterling Overnight Index Average (SONIA) interest rate of 4.86%.

#### **Prudential indicators:**

- The Council complied with its legislative and regulatory requirements and
- There were no breaches of prudential indicators.

### Recommendations

That the Accounts & Audit Committee & Executive be requested to:

1. Note the Treasury Management activities undertaken in the first half of 2023/24.

Contact person for background papers and further information:

Name: Frank Fallon  
Background papers: None

Relationship Corporate Priorities	Value for Money
Relationship to GM Policy or Strategy Framework	Not applicable
Financial	Treasury Management impacts on the Council's budget in terms of borrowing costs and investment returns. As part of the Council's bi-monthly Revenue monitor reports, the P6 monitor reported an estimated surplus for 2023/24 of £3.64m against the original budget of £2.30m. This surplus will contribute towards the Council's overall budget position.
Legal Implications:	Treasury Management activities are subject to requirements detailed in legislation, Department for Levelling Up, Housing and Communities (DLUHC) guidance, Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and Treasury Management Code of Practice. The report sets out details of compliance in respect of these requirements.
Equality/Diversity Implications	All treasury management transactions undertaken by the Council are carried out with institutions with no known direct links to any illegal regimes or which promote the use of forced labour
Sustainability Implications	The Council, when undertaking any treasury management investment fully supports the ethos of socially responsible investments and will avoid direct investment in institutions with material links to environmentally harmful activities. Opportunities to invest monies in products which both supports sustainable assets and complies with the Council's investment strategy will continue to be explored as and when they become available.
Carbon Reduction	Not directly applicable – See above
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities and these factors have been incorporated into the systems and procedures for this function which are independently tested on a regular basis. Failure to properly manage and monitor the Council's loans and investments could lead to service failure and a loss of reputation. No Treasury Management activity is without risk and the Council's in-house team continually monitor risks to ensure that security of capital sums is maintained at all times and adverse fluctuations in interest rates are avoided.
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

## **Executive Summary**

This report provides Members with a summary of the treasury management activities undertaken during the first half year of 2023/24.

### **Economic position (Section 2)**

- Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%.
- Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in September 2023.
- The Monetary Policy Committee (MPC) has increased the Bank Rate since March 2023 from 4.25% to the current level of 5.25%.

### **Debt (Section 5)**

- Total loan debt fell from £318.1m 31.03.2023 to £303.1m 30.09.2023 a net decrease of £15.0m comprising of:
  - £0.1m Public Works Loan Board (PWLB) and £15.0m of Lender's Option Borrower's Option (LOBO) loans repayments.
  - There were no new loans taken during this period.
- Total loan interest of £8.4m is forecasted to be paid in the year of which £3.7m relates to the Council's capital Strategic Investment Programme and is funded from rental income received. The balance of £4.7m relates to debt taken to fund historical and current capital spend.
- The average rate of interest payable at 31.03.2023 of 2.63% has reduced to 2.55% at 30.09.2023.

### **Investments (See Section 6)**

- The level of investments reduced from £70.4m at 31.03.2023 to £69.4m at 30.09.2023 a net movement of £1.0m.
- The Rate of Return for all investments during the first half of 2023/24 was 4.72% which is below the recognised performance indicator of the 1 month SONIA which was 4.86%. The reason for the underperformance is that the short-term investments we had earlier in the year were at the low rates available at the time. As the year has progressed rates have increased and at 30 September we are now seeing an average weighted investment return of 5.15%, 0.29% above the SONIA benchmark.
- Estimated external investment interest to be earned for 2023/24 of £3.39m is £0.97m above the £2.42m current year budget requirement
- All investments were repaid on time without issue and placed in accordance with the Council's approved strategy.

### **Prudential Indicators and limits (Section 8)**

- No breaches to any of these limits occurred during this period.

## 1. BACKGROUND

- 1.1 This report has been produced in accordance with the requirements of the CIPFA Code of Practice on Treasury Management (2017) which stipulates that the Council receives 3 separate Treasury Management reports on an annual basis as follows;
- 3 year Strategy Statement including the Annual Investment Strategy and Minimum Revenue Provision Policy (issued February),
  - Mid-year Review (this report) and
  - Performance update, covering activities undertaken during the previous financial year
- 1.2 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it highlights the treasury management activities undertaken during the first half year of 2023/24.
- 1.3 For reference CIPFA has defined treasury management as:  
“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
- 1.4 This report comprises of the following sections:
- Major Economic Headlines (Section 2);
  - Interest Rates (Section 3);
  - Treasury Position (Section 4);
  - Borrowing Position (Section 5);
  - Investment Position (Section 6);
  - Risk Benchmarking (Section 7);
  - Prudential and Performance indicators (Section 8);
  - Outlook 2022/23 (Section 9);
  - Recommendations (Section 10);
- 1.5 The treasury management operation ensures;
- The Council’s cash flows are well planned and funded,
  - That all surplus monies are invested in low risk counterparties, providing sufficient liquidity before considering investment return,
  - All new borrowing required for managing the financing of the Council’s multi-million pound capital programme is taken in the form of either long or short term loans or using longer term cash flow surpluses and
  - That debt previously taken is restructured when opportunities arise to meet Council risk or cost objectives.
- 1.6 The Treasury Management Strategy Statement, for 2023/24 was approved by Council on 15 February 2023 and there are no policy changes to this. Details in this report reflect the updated economic situation and actual activities undertaken.

## 2. MAJOR ECONOMIC HEADLINES

2.1 A brief summary of the main economic headlines which occurred during the first half of 2023/24 are outlined below.

- Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in September 2023. The largest downward contribution came from food prices.
- The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, with three increases taking the Bank Rate to 5.25% in August, from 4.25% in March. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%.
- Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.
- Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.
- July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

### 3 INTEREST RATES

- 3.1 The Council's treasury management advisors Arlingclose, provide interest rate forecasts periodically through-out the year and the table below outlines the latest **average** forecasted rates, as issued in September 2023, for the periods stated:

	<b>2023-24 Original Forecast %</b>	<b>2023-24 Revised Forecast %</b>	<b>2024-25 Latest Forecast %</b>	<b>2025-26 Latest Forecast %</b>
Bank Rate	4.50	5.25	4.81	3.63
Investment Rates				
3 month	4.50	5.40	4.89	3.69
1 Year	4.60	5.86	5.30	4.05
PWLB Loan Rates				
5 Year	4.20	5.46	5.10	4.38
20 Year	4.40	5.64	5.40	5.20
50 Year	4.30	5.23	5.11	5.10

- 3.2 The latest forecast sets out a view that the Bank of England keep the current rate of 5.25%, before a slow reduction beginning in the Autumn of 2024 around which point inflation is forecast to reduce to the Bank's target rate of 2%.
- 3.3 Gilt yields and subsequently PWLB rates are expected to stabilise with slow reduction over the next few years.

#### 4. TREASURY POSITION

4.1 The Council's investment and debt positions at the beginning and mid-way through the current financial year are listed in the table below;

	31 March 2023		30 September 2023	
	Principal £m	Average Interest Rate %	Principal £m	Average Interest Rate %
<b>DEBT</b>				
<i>Short term (payable before 31.03.24)</i>				
PWLB	4.3	6.62	4.3	6.68
Market	15.0	4.24	0.0	0.00
<b>Sub-total</b>	<b>19.3</b>	<b>4.77</b>	<b>4.3</b>	<b>6.68</b>
<i>Long term (payable after 31.03.24)</i>				
PWLB	277.8	2.32	277.8	2.32
Market	21.0	4.79	21.0	4.79
<b>Sub-total</b>	<b>298.8</b>	<b>2.49</b>	<b>298.8</b>	<b>2.49</b>
<b>Total debt</b>	<b>318.1</b>	<b>2.63</b>	<b>303.1</b>	<b>2.55</b>
<b>INVESTMENTS</b>				
<i>Short term (less than 1 year duration)</i>				
- Instant access	26.3	4.07	27.9	5.30
- Call accounts	0.0	0.00	0.3	5.14
- Term deposit	27.4	3.92	24.5	4.66
<b>Sub-total</b>	<b>53.7</b>	<b>3.99</b>	<b>52.7</b>	<b>5.00</b>
<i>Long term (greater than 1 year duration)</i>				
- CCLA	4.7	4.65	4.7	5.58
- Strategic Investment programme (SIP)	12.0	n/a	12.0	n/a
<b>Sub-total</b>	<b>16.7</b>	<b>4.65</b>	<b>16.7</b>	<b>5.58</b>
<b>Total Investments</b>	<b>70.4</b>	<b>4.04</b>	<b>69.4</b>	<b>5.05</b>

Information in the above table reflects the;

- level of funds available on a temporary basis for investment purposes which fluctuate on a daily basis due to the timing of precept payments, receipt of grants and spend progress on the capital programme and
- repayment of monies borrowed.

## 5. BORROWING POSITION

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

5.2 The Council needs to ensure that its debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates going out to 2025/26. Whilst this allows some flexibility for limited early borrowing for future years, it also ensures that borrowing is **not undertaken for revenue or speculative purposes**.

5.3 As at 31<sup>st</sup> March 2023, the level of external debt was £318.1m, which was lower than the CFR at £412.0m and reflects that the Council was under borrowed by the difference of £93.9m as at that date. In effect the Council had used surplus cash balances to finance capital expenditure to the value of £93.9m.

5.4 Since March, the Council's forecast under-borrowing has grown by £37.6m to £131.5m. This has been a deliberate policy agreed within Council's Debt Strategy to avoid costly external borrowing where possible. This level of under borrowing is not considered sustainable due to the impact on the Council's cash balances. Therefore, the strategy will be to reduce the level of under borrowing over the next couple of years by using external debt to finance in-year borrowing requirements and when asset strategy investments are repaid these will be replaced by external debt facilities at the time.

This externalisation of this debt will be funded by existing provisions within the Treasury Management and Strategic Investment Programme revenue budgets, and will likely be of sufficient size to reduce the under-borrowing to a similar size as it was at 31st March 2023. The situation will be continued to be monitored, with considerations given to movements in interest rates and future capital plans. The decision to borrow will be taken by the Director of Finance and Systems per delegated powers, and in accordance with the approved Treasury Management and Debt Strategies.

5.4 During the first half of 2023/24, loans to the value of £15.1m were repaid, two LOBO loans of £7.5m each and one PWLB loan of £0.1m, with no new loans being taken. As a result of this the Council's total external loans reduced from £318.1m to £303.1m as per the table below:

Loans	31 March 2023 £m	Borrowed £m	Repaid £m	30 September 2023 £m
Short Term – (less than 1 Year)	19.3	0.0	15.1	4.3



duration)				
Long Term – (more than 1 Year duration)	298.8	0.0	0.0	298.8
<b>Total</b>	<b>318.1</b>	<b>0.0</b>	<b>15.1</b>	<b>303.1</b>

5.3 The table below provides an outline of the Council's loan portfolio as at 30<sup>th</sup> September 2023;

<b>Lender</b>	<b>No. Loans</b>	<b>Interest rate range</b>	<b>Maturity</b>	<b>Total Principal £m</b>
PWLB	18	1.88% to 9.00%	Feb 2024 to Oct 2069	282.1
Market (long term)	3	4.41% to 4.99%	Aug 2042 to Dec 2067	21.0
<b>Total</b>	<b>21</b>			<b>303.1</b>

5.4 As highlighted in the above table the Council holds £21.0m of Market loans, which are held at fixed rates of interest. At the start of the year, the Council held £15.0m of loans with variable rates of interest in the form of Lender's Option Borrower's Option (LOBO) loans. These LOBO loans were repaid in June 2023, in accordance with the Director of Finance and Systems' delegated authority, after a review of the facility position found a repayment to be financially beneficial.

5.5 For 2023/24 the total loan interest costs are currently forecasted to be £8.4m of which £4.7m is being met from the 2023/24 revenue loan interest budget provision together with an application of £3.7m returns generated from the Council's capital Strategic Investment programme.

5.6 The PWLB has 2 main sets of interest rates which Public Sector organisations can borrow funds at referred to as Standard and Certainty rates which offer rates of interest based on:

- Standard rate - prevailing market gilt rate for each respective period plus 100pts (1.00%) and
- Certainty rate - prevailing market gilt rate for each respective period plus 80pts (0.80%).

5.7 In order for the Council to remain eligible to be able to take new PWLB loans at the lower Certainty rate, this is applied for annually by providing a range of information to the PWLB. The in-house treasury management team successfully completed this task in May 2023 thereby enabling savings of £20k p.a. for every £10m borrowed to be achieved should any funds be taken from the PWLB.

5.8 No new borrowing has been undertaken during the first half of the year.

## 6. INVESTMENT POSITION

- 6.1 Whenever the in-house treasury management team places any temporary surplus funds with an external institution, it does so in compliance with the Council's Annual Investment Strategy, approved by Council in February 2023. This follows the same criteria adopted in previous years of **S**ecurity of capital, **L**iquidity and finally obtaining an appropriate level of **Y**ield.
- 6.2 The table below highlights the level of investment transactions carried out during the first half of 2023/24;

<b>Investments</b>	<b>31 March 2023 £m</b>	<b>New £m</b>	<b>Repaid £m</b>	<b>30 Sept. 2023 £m</b>
Instant Access	26.3	234.2	232.6	27.9
Call Accounts	0.0	0.3	0.0	0.3
Term Deposit	27.4	41.5	44.4	24.5
CCLA*	4.7	0.0	0.0	4.7
Strategic Investment programme	12.0	0.0	0.0	12.0
<b>Total</b>	<b>70.4</b>	<b>276.0</b>	<b>277.0</b>	<b>69.4</b>

Note \*Estimated movement in valuation of the funds invested at that date.

- 6.3 The movement in the level of investments as at 31 March 2023 to 30 September 2023 reflects the day to day cash flow activities, including balances applied to fund short term capital spend thereby enabling loan servicing costs to be kept to a minimum.
- 6.4 All the Council's investments maturing during the first half of the financial year were repaid on time without any difficulties.
- 6.5 A breakdown of the Council's temporary investments as at 31 March 2023 compared to 30 September 2023 per each classification of institution is provided below for reference:

<b>Sector</b>	<b>31 March 2023 £m</b>	<b>30 September 2023 £m</b>
UK Banks	11.4	5.3
Non UK Banks	11.0	11.5
Building Societies	0.0	0.0
Money Market Funds	26.3	27.9
Local Authority	5.0	8.0
Other - CCLA	4.7	4.7
Strategic Investment programme	12.0	12.0
<b>Total</b>	<b>70.4</b>	<b>69.4</b>

The maturity structure of the investment portfolio was as follows:

Period	31 March 2023 £m	30 September 2023 £m
Instant Access	26.3	27.9
Call Accounts	0.0	0.3
Up to 3 Months	5.0	0.0
3 to 6 Months	19.9	16.0
6 to 9 Months*	2.5	5.5
9 to 12 months	0.0	3.0
Over 1 year	16.7	16.7
<b>Total</b>	<b>70.4</b>	<b>69.4</b>

\*Investments in the 6 to 9 months period reflect normal year end cash flow requirements.

- 6.6 The table below highlights the results of the **short term** investment activities and shows the Council performance against the 1 month SONIA benchmark, a recognised market performance indicator.

Average level of short term investments (up to 1 yr.) 1 Apr to 30 Sep £m	Average interest rate earned %	Average 1 month SONIA (*) rate %	Under achieved interest against SONIA £k
72.3	4.72	4.86	41

\*SONIA (Sterling Overnight Index Average) is administered and published by the Bank of England, and is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.

- 6.7 The average performance for the first of the year is 0.14% below the benchmark. The reason for the underperformance is that the short-term investments we had earlier in the year were at the low rates available at the time. As the year has progressed rates have increased and at 30 September we are now seeing an average weighted investment return of 5.15%, 0.29% above the SONIA benchmark.
- 6.8 With regards to the Council's 2 **long term** investments totalling £16.7m, details of these investments are provided below;

**Church Commissioners Local Authority (CCLA)** - In September 2015, the Council invested £5m, for a minimum period of 5 years in the Local Authority Property Investment fund, managed by CCLA and this enabled 1,643,872 units to be purchased in the fund. The objective of this fund which invests in commercial property throughout the UK, is to create long term returns in the form of capital growth and short term income from quarterly dividend returns. At 31 March 2023 the Council's investment was worth £4.74m and by 30<sup>th</sup> September 2023 this had reduced to £4.68m. The level of dividends received for the first half of

2023/24 generated an annualised return of 5.58% gross of fees compared to 4.07% for the same period in 2022/23. Slower and quite possibly negative rates of economic growth, could result in declines in equity prices in response to earnings news over the next few months.

From April 2018, local authorities were required to comply with the new standard International Financial Reporting Standard 9 (IFRS 9): Financial Instruments. Changes brought by IFRS 9 meant that more financial assets, such as the Council's CCLA investment, would be required to have any annual changes in value (known as "fair value movements") recognised as profit or loss, whereas before movements for such instruments may have been held in a reserve with any movement in value only affecting general fund balances when sold.

Due to the nature of these losses in value being required to be recognised in the revenue accounts of Local Authorities, the government introduced a statutory override to allow for any losses to be reversed out to a reserve. This statutory override will expire in March 2025. Prior to the expiry of this override the Council will need to decide whether it should disinvest from the CCLA to mitigate the risk negative valuations. This decision will be taken by the Director of Finance and Systems in due course, in accordance with delegated powers and the approved Treasury Management Strategy.

- **Strategic Investment Programme** - In August 2019 the Council entered into a £17.6m 5 year loan facility agreement with Queens Holding Limited secured on 4 prominent income producing properties known as Albert Estate within Manchester City Centre. In April 2022 an early repayment instalment of £5.6m was received reducing the value to £12.0m. All interest repayments on the facility have been made in full and on time.
- 6.8 Estimated external investment interest to be earned for 2023/24 of £3.37m is £0.97m above the £2.42m current year budget requirement.
- 6.9 As shown by the interest rate forecasts in section 3, investment return rates are expected to continue to stay at this level for the next 12 months before reducing in the following two years. The Council investment return over the next three years will be determined on these rates and the levels of cash that available to invest.
- 6.10 Whilst it has to be acknowledged that all investments carry some form of risk, the Council's in-house team ensures that this is at all times kept to a minimum, as monies are only placed in low risk institutions with returns set to reflect this strategy.
- 6.11 For reference Appendix A details the Council's investments, as at 30<sup>th</sup> September 2023.

## 7. RISK BENCHMARKING

- 7.1 In accordance with the Code and DLUHC Investment Guidance, appropriate security and liquidity benchmarks are used by the in-house treasury

management team to monitor the current and future potential risk conditions enabling any corrective action to the strategy to be applied if required.

- 7.2 These benchmarks are simple guides to maximum risk (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria.
- 7.3 During the first half of 2023/24 it can be reported that no benchmarks, which were set in the Strategy report in February 2023, were breached as shown from the table below.

<b>Indicator</b>	<b>Target</b>	<b>Actual</b>
<b>Security</b> – potential default rate of the Council’s investment portfolio based on rates issued by the 3 main credit rating agencies.	Max 0.05%	Max 0.03%
<b>Liquidity</b> – investments available within 1 week notice	£5m min.	Achieved
<b>Liquidity</b> – Weighted Average Life of investments (ex CCLA Property Fund)	6 months	This was not breached and as at 30 September was 3 months.
<b>Yield</b> – Investment interest return to exceed 1 month SONIA rate	4.86% (Avg. 1 Month SONIA)	4.76% (All Investments 1 April to 30 Sept)
<b>Origin of investments placed</b> - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	Achieved

## 8. PRUDENTIAL AND PERFORMANCE INDICATORS

- 8.1 In accordance with DLUHC Guidance and the Code, a number of prudential indicators are in place ensuring that the Council’s capital expenditure plans and borrowing remain robust, prudent and sustainable.
- 8.2 These indicators as set out in the Council’s Treasury Management Strategy report for 2023/24 were approved by Council in February 2023 and are monitored and reported through the Council’s bi-monthly monitoring reports. During the half year ended 30th September 2023, the Council has operated within these indicators and no breaches occurred. Further information can be found in Appendix B
- 8.3 Due to the nature of the treasury management function the Council’s in-house team processes multi-million pound transactions on a daily basis and to ensure the Council’s finances are protected and all associated risk kept to a minimum, robust systems and procedures have been put into place. These systems and procedures are continually reviewed by the in-house team to ensure they remain fit for purpose.

## **9. OUTLOOK 2023/24**

- 9.1 Following the Bank of England's September Monetary Policy Committee meeting there is a view that 5.25% will now be the peak in Bank Rate, and will remain the rate until Q3 2024.
- 9.2 At 6.7% in September, CPI inflation remains well above the BoE's 2% target, but is expected to continue to fall sharply, to 4.75% in 2023 Q4, 4.50% in 2024 Q1 and 3.75% in 2024 Q2.
- 9.3 Growth in the UK economy is expected to be flat for the remainder of 2023/24, with some limited growth expected in 2024/25.

## **10. RECOMMENDATIONS**

- 10.1 That the Accounts & Audit Committee & Executive be requested to;
- Note the Treasury Management activities undertaken in the first half of 2023/24.

### **Other Options**

This report is a mandatory report which has been produced in order to comply with Financial Regulations, relevant legislation and provides an overview of transactions undertaken during the first half of 2023/24. There are no other options to consider.

### **Consultation**

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

### **Reasons for Recommendation**

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

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

**Legal Officer Clearance**      ...EM.....

**DIRECTOR'S SIGNATURE**

G. Bentley

APPENDIX A

Breakdown of Investments as at 30 September 2023

Counterparty	Amount (31 March 2023)	Amount (30 Sept 2023)	Long Term Credit Rating
	£	£	
<i>Money Market Fund – instant access</i>			
Aberdeen	3,000,000	3,000,000	aaa
CCLA	6,450,000	3,000,000	aaa
Federated Investors	6,380,000	5,450,000	aaa
Insight Liquidity	3,000,000	3,000,000	aaa
Invesco Aim	1,550,000	5,000,000	aaa
Legal & General	2,900,000	5,400,000	aaa
Morgan Stanley	3,000,000	3,000,000	aaa
<b>Sub total</b>	<b>26,280,000</b>	<b>27,850,000</b>	
<i>Call Accounts</i>			
Lloyds Bank	0	335,000	a+
<b>Sub total</b>	<b>0</b>	<b>335,000</b>	
<i>Term Deposit</i>			
Australia and New Zealand Bank	2,500,000	3,000,000	a+
Development bank of Singapore	3,000,000	3,000,000	aa-
First Abu Dhabi Bank	5,500,000	5,500,000	aa-
National Bank of Kuwait (International)	2,500,000	5,000,000	a+
Nationwide Building Society	0	0	-
Newcastle Building Society	0	0	-
Principality Building Society	0	0	-
Santander Bank	5,500,000	0	a+
Yorkshire Building Society	0	0	-
Barclay Bank PLC	3,000,000	0	-
Cornwall Council	5,000,000	0	-
Lloyds Bank PLC	355,000	0	-
Renfrewshire Council	0	5,000,000	a1
Lancashire County Council	0	3,000,000	nr
<b>Sub total</b>	<b>27,355,000</b>	<b>24,500,000</b>	
<i>Property Funds</i>			
Church Commissioners Local Authority	4,738,790	4,676,816	n/r
<b>Sub total</b>	<b>4,738,790</b>	<b>4,676,816</b>	
<i>Other</i>			
Strategic Investment Programme	12,010,000	12,010,000	-
<b>Sub total</b>	<b>12,010,000</b>	<b>12,010,000</b>	
<b>Total</b>	<b>70,383,790</b>	<b>69,371,816</b>	



**Prudential Indicators – 2023/24**

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. The objectives of the Prudential Code and indicators are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and to support and record local decision making in manner that is publicly accountable.

The prudential indicators cover the three areas in which the Council is required to report and monitor; Capital Expenditure, External Debt, and Affordability. The indicators are approved and set by the Council in February each year as part of the wider budget setting process. These indicators have been restated for monitoring purposes during the year

**Summary as at Mid-Year****Capital Expenditure Indicators**

Since February, the updated indicators for Capital Expenditure show a decrease £50.17m in capital spend in 2023/24. This is in-line with the reprofiling of spend within the programme, as certain schemes will now incur costs in later years. The expenditure for the Investment Strategy shows a similar movement as investments have been reprofiled to match the cashflows of ongoing property developments which the Strategy is funding, in addition to the new investments, approved by IMB, having the majority of their expenditure in the later years of the programme.

**External debt indicators**

The External Debt indicators for Mid-Year are confirmations that the Council are operating within the agreed boundaries for Treasury Management activity as set by Council in February.

**Affordability indicators**

The 'Finance Costs to Net Revenue Stream' indicator has been reassessed since February and the new forecast has been calculated on a different basis than the figures previously presented. This recalculation has been done to bring the indicator in-line more accurately with the intention of the Prudential Code. The new forecast for 2023/24 is a negative 0.9% due to the inflow of interest payments to the Council, i.e. investment income, being higher the outflow of interest payments, i.e. the cost of external borrowing. This is likely to change in future years as the Council's ability to utilise surplus cash balances to avoid additional borrowing will be reduced as the Capital Programme and Asset Investment Strategy commitments increase.

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 – Capital Expenditure	2023/24			2024/25	2025/26
	Original Forecast	Current Forecast	Variance	Forecast	Forecast
Period 6 2023/24	£m	£m	£m	£m	£m
<b>Capital Expenditure</b>					
Capital expenditure - General Programme	91.49	87.73	(3.76)	78.36	48.22
Capital expenditure - Investment Strategy	109.09	62.68	(46.41)	47.32	34.04
<b>Capital expenditure - Total</b>	<b>200.58</b>	<b>150.41</b>	<b>(50.17)</b>	<b>125.68</b>	<b>82.26</b>
<b>Capital Financing Requirement (CFR)</b>	<b>579.09</b>	<b>437.95</b>	<b>(141.14)</b>	<b>465.18</b>	<b>492.55</b>

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 2023/24 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 -	2023/24			2024/25	2025/26
Period 6 2023/24	Approved Limit	Current Forecast	Variance to Limit	Approved Limit	Approved Limit
	£m	£m	£m	£m	£m
<b>External Debt</b>					
Authorised limit for external debt - Capital Programme	240.00	143.20	96.80	250	260
Authorised limit for external debt - Investment Strategy	375.00	159.90	215.10	450	475
Other long-term liabilities (PFI)	3.40	3.38	0.02	3.0	2.6
<b>Authorised limit for external debt - Total</b>	<b>618.40</b>	<b>306.48</b>	<b>311.92</b>	<b>703.0</b>	<b>737.6</b>
Operational boundary for external debt - Capital Programme	220.00	143.20	76.80	230	240
Operational boundary for external debt - Investment Strategy	375.00	159.90	215.10	450	475
Other long-term liabilities (PFI)	3.40	3.38	0.02	3.0	2.6
<b>Operational boundary for external debt - Total</b>	<b>598.40</b>	<b>306.48</b>	<b>291.92</b>	<b>683.0</b>	<b>717.6</b>
Forecast capital financing requirement (CFR)		<b>437.95</b>			
Actual external debt (£m): at 30/09/23 *		<b>306.48</b>			
Over-borrowed/(Under-borrowed)		<b>(131.47)</b>			
<b>Is Actual Debt below the CFR?</b>		<b>YES</b>			

\* Actual External Debt £306.48m includes external loans £303.10m and PFI Liability £3.38m

Affordability indicators

- **Estimates of financing costs to net revenue stream;** this indicator shows the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the Council’s net revenue stream. This demonstrates the affordability and proportionality of that borrowing by comparing it to the Council’s net revenue stream as a whole.
- **Estimates of net income from commercial and service investments to net revenue stream;** This indicator compares income from commercial investments to the Council’s net revenue stream. As before, this comparison allows for consideration for the Council reliance on that income and its proportionality.

Prudential Indicators - Period 6 2023/24	2023/24			2024/25	2025/26
	Forecast	P6 Forecast	Variance	Forecast	Forecast
	%	%	%	%	%
<b>Affordability</b>					
Financing Costs to net revenue stream - Recalculation*	0.6%	-1.10%	-1.70%	1.30%	2.10%
Net Income for commercial and service investments to net revenue stream	8.5%	8.2%	-0.30%	7.1%	6.8%

\*The ‘Finance Costs to Net Revenue Stream’ PI has been reassessed and calculated on a different basis than the figures presented in the February Budget Report. This recalculation has been done to bring the indicator in-line more accurately with the intention of the Prudential Code and will be used for monitoring purposes during the year with formal changes presented in February 2024.

<b>Affordability - Financing Costs to Net Revenue Stream (Detailed Table)</b>	<b>2023/24 Mid-year Forecast</b>
Net Revenue Stream (£k)	203,991
Net Financing Costs * (£k)	(2,232)
<b>Net Financing Costs to NRS (correct Prudential Indicator)</b>	<b>(1.10)%</b>
Gross Financing Costs (£k)	13,655
Gross Investment Interest Income (£k)	(15,886)
<b>Net Financing Costs (£k)</b>	<b>(2,232)</b>
Using <b>Gross</b> Financing Costs to NRS	6.69%

The forecast for 2023/24 is negative due to the inflow of interest payments to the Council, i.e. investment income, being higher than the Gross Financing Costs (interest payments and MRP), i.e. cost of external borrowing. This is likely to change in future years as the Council's ability to utilise surplus cash balances to avoid additional borrowing will be reduced as the Capital Programme and Asset Investment Strategy commitments increase.

The prudential indicator requires a comparison between Net Financing Costs and the Net Revenue Budget, however this does not demonstrate fully the risk due to the high levels of investment income that the Council generates. The Gross Investment Interest Income and Gross Financing Costs are more appropriate measures of risk as this is the amount of exposure the council needs to meet.



## TRAFFORD COUNCIL

Report to: Accounts & Audit Committee  
Date: 23 November 2023  
Report of: Director of Finance and Systems

### Insurance Performance Report 2022/23

#### Summary

This report provides a summary of insurance performance for 2022/23:

- Gross cost of the insurance activity was £1.141m; comprising £552k of premium costs and £589k for cost of claims. Savings in premiums and claim payments resulted in an underspend of £169k against budget. A balance of £161k was redirected to the Insurance Risk Reserve to address potential sector wide emerging claims leaving a net underspend of £8k
- The provision for outstanding liability claims was £3.316m at 31 March 2023, compared to £3.323m at 31 March 2022, a decrease of £7k.
- Claim numbers increased in 2022/23, 246 new claims across all policy years compared to 209 in 2021/22.
- Claims repudiation rates remains consistently high at 75%

#### Recommendations

That the report be noted.

Contact for access to background papers and further information:

Name: Dave Muggerridge  
Extension: 4534  
Background Papers: None

## 1. Introduction

1.1 This report updates the Committee on the Council's insurance activities for 2022/23, focusing on:

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

## 2. Cost of Insurance

- 2.1 The insurance programme covers a wide range of insurable risks; a summary of policies together with appointed insurers are detailed **Annex 1**.
- 2.2 Premium and claims costs are the main items of expenditure for the insurance budget with an annual provision made which covers the estimated cost of claims. An Insurance Risk Reserve is used to absorb and smooth out any significant pressures during years where claims may exceed the net revenue budget.
- 2.3 The insurance budget is held within Council Wide, however is only reported in detail at year end due to the evolving nature of the way claims histories develop. Table 1 shows details of the budget and actuals, the 2022/2023 net budget of £860k consisted of insurance premiums at £536k, provision for claims of £712k, provision for self-insured loss claims of £100k (largely property related) and income from recharges to schools and trading functions at £488k.
- 2.4 In 2022/23 budget variances included an adverse variance of £16k for premiums, a reduction in prior year claims provision of £155k together with self-insured claims being £68k under budget against a reduction in income from schools of £38k. This resulted in an underspend of £169k, of which £161k was used to top up the Insurance Reserve, following advice from our Actuary (see para 2.8), leaving a net underspend of £8k

<b>Table 1 – Insurance Expenditure for 2022/2023</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>(Under)/ Over Spend £000</b>
<b>Premiums</b>	536	552	16
<b>Provision for Claims</b>	712	557	(155)
<b>Self-insured Loss Claims</b>	100	32	(68)
<b>Gross Cost</b>	<b>1,348</b>	<b>1,141</b>	<b>(207)</b>
<b>Income</b>	<b>(488)</b>	<b>(450)</b>	38
<b>Contribution to/(from) reserves</b>	0	161	161
<b>Net Cost</b>	<b>860</b>	<b>852</b>	<b>(8)</b>



- 2.5 **Insurance Provision** - The Council's Insurance Provision is the amount the Council sets aside to meet claims costs which fall within the Council's elected policy excesses (detailed in **Annex 1**). The level of the provision was £3.3m as at 31<sup>st</sup> March 2023 and is reviewed by an external Actuary on a biennial basis. The Actuary assesses the likely growth of the cost of received claims, together with forecasting potential claims costs of those incurred but not yet reported (IBNR).
- 2.6 **Insurance Risk Reserve** - The Council also maintains an earmarked Insurance Risk Reserve in the event of a catastrophic insurance loss or in the event of many high value claims and this reserve is used to balance any fluctuation in the overall provision level and additional costs associated with historical Municipal Mutual Insurance claims (MMI).
- 2.7 The level of reserve is reviewed on an annual basis and includes sufficient to cover the excess of three large insurance claims £750k, where the Council is required to pay the first £275k/£250k. Plus figures of £500k for potential additional costs associated with MMI claims, a balance of £200k to smooth any fluctuation in provision level and cover any uninsured losses over budget and £250k for emerging claims (see following paragraph).
- 2.8 In 2021/22 a new actuary was appointed to assess our provision. Taking a different stance to the previous actuary, a suggestion was made that the Council should identify a risk reserve to cover potential costs associated with sector wide emerging claims which we may become exposed to as a result of legislative changes. Such advice was considered by officers as a prudent measure, against which ring-fencing further resources needed to be considered alongside other council-wide financial risks. A decision was made to bolster the insurance reserve over a period of time to reach a figure of 50% of the balance suggested by the Actuary, a figure of £250k. The insurance reserve was subsequently topped up by £161k from the in-year underspend to reach the target of £250k.
- 2.9 Insurance Provision and the Insurance Risk Reserve balances at the 2022/2023 year end;

<b>Table 2 – Provision and Reserve Balances</b>			
<b>Provision</b>	<b>£000:</b>	<b>Insurance Risk Reserve</b>	<b>£000:</b>
<b>Balance as at 01/04/2022</b>	<b>(3,323)</b>	<b>Balance as at 01/04/2022</b>	<b>(1,539)</b>
Less Claims Paid	556		
Reassessed Provision	(549)	Contribution to Reserve	(161)
<b>Balance as at 31/03/2023</b>	<b>(3,316)</b>	<b>Balance as at 31/03/2023</b>	<b>(1,700)</b>

### 3. Claims

#### 3.1 Activity

Financial Year	Amount Paid in Claims Across All Policy Years (01/04/1992 to 31/03/2023) £000	Number of New Claims Received and Processed in Year
2022/2023	556	246
2021/2022	582	209
2020/2021	553	284

3.2 Claim payments of £556k were made in 2022/23, a decrease of 5% on 2021/22. One large loss represented 37% of the £556k.

3.3 **Annex 2** provides an overview of our five years claims experience by policy year (01/04/2018 – 31/03/2023) split by the following risks; Employer’s Liability, Highway Injury, Highway Property, Highway Trees and Public Liability.

3.4 **Employer’s Liability** the number of claims remains consistently low, 2 claims received to date for 2022/23, against a yearly average of under 4 claims per year.

3.5 Whilst Employer’s Liability claims numbers are low, they do have the propensity to be extremely costly. We currently have two outstanding claims with an estimated provision of more than £100,000. Specialist solicitors have been appointed to represent Trafford and negotiate settlement on the best terms possible.

3.6 **Highway Injury** - 45 claims were received in 2022/23 against an annual average of 60. However, this risk remains the largest insurable financial risk to the Council, we currently have one claim which exceeds our £275k policy excess, our appointed solicitors are dealing with this matter.

Collaborative working with our Highway colleagues and the One Trafford Partnership combined with a decrease in claims numbers has seen a positive increase in our repudiation rate from 85% to 87%.

3.7 **Highway Property** damage such as that caused to vehicles due to potholes in the carriageway signify the largest number of claims received by the Council; claims made due to potholes/damage in the carriageway. The immediate effects of Covid were a large reduction in received claims. However within 2022/23 we started to see the numbers increase again toward pre-Covid levels; 112 new claims compared to 74 in 2021/22.

Although these claims are typically low in monetary value, our approach to defending them mirrors the same strict approach taken when dealing with personal injury; ensuring our Highway inspection regimes are up to date and documented, we successfully defend 3 of 4 claims.

3.8 **Highway Trees** we received 25 new claims in 2022/23 against a yearly average of 46 over a five-year period. Whilst a reduction in the number of claims has been experienced unfortunately, we have suffered a significant increase in costs due to a Health & Safety Executive investigation into the cause of a serious incident. The HSE investigation has now concluded and they have confirmed that no further action is to be taken against the Council arising from incident. The incident and subsequent investigation is still subject to a Coroner's Inquest to be heard early next year.

As previously reported, a Tree Liability Review was undertaken in 2020 alongside our Insurers. This work has been fundamental in protecting Trafford's legal exposure and contributed towards developing a new risk managed approach to tree inspections together with investment into new tree inspection software, further protecting Trafford's interests in the event of future claims.

3.9 **Public Liability** given the wide risk profile of the Council and the exposures of various departments; claims can be received for a variety of risks. Whilst claims numbers are relatively low, they do represent significant financial burden given the increased levels of compensation awarded to claimants. In 2022/23 we received 17 new claims against a yearly average of 22.

As detailed within last year's report, we have 7 claims relating to safeguarding concerns, which is complex risk for Councils. Public Liability cover is influenced by legislation and the cases made against Trafford and the liability attached will be influenced by Supreme Court appeals in the cases of HXA v Surrey CC and YXA v Wolverhampton CC, set to be heard in Autumn 2023. Given the legal complexities of these cases, usual limitation rules do not apply, therefore, closure of these types of claims will take quite some time and have the potential to be significant. In order to ensure a positive outcome for Trafford, we are working closely with our Social Care colleagues and appointed solicitors.

### 3.10 Defence Rates

Category of Claim	No of Closed Cases between 01/04/2018 and 31/03/2023	No of Closed Cases Defended between 01/04/2018 and 31/03/2023	Defence Rate
Employer's Liability	10	8	80%
Highway – Injury	242	211	87%
Highway – Property	728	540	74%
Highway - Tree	201	157	78%
Public Liability	92	57	62%
<b>Total</b>	<b>1,273</b>	<b>951</b>	<b>75%</b>

## **4 Market update / Outlook**

### **4.1 Property**

We remain in one of the most uncertain property insurance markets in decades, global inflation and economic uncertainty are causing an increase in the cost of capital which impacts claims costs. Furthermore, Insurers are impacted by rising material and labour costs together with labour shortages; all factors which drive up property premium rates.

As a result, Insurers continue to tighten underwriting discipline and limit/reduce cover on high-risk properties; those poorly managed, are vacant or incorporate cladding for example.

During 2022/23, our work with the Estate Management Team continued, we engaged with Insurers to ensure our property risk information is accurate and up to date; surveys of high risk, cladded sites were undertaken.

As valuations form the foundation for accurate coverage and premium levels whilst also providing Insurers with an in-depth knowledge and understanding of our property risks, re-valuations were carried out on all properties with a sum insured in excess of £5m. Although valuations also drive pricing, the danger of potential underinsurance could leave Trafford exposed in the event of a claim. Work is ongoing, to ensure the accuracy and quality of the information relating to the property portfolio and the use of external support is currently investigated to support this process.

This area of work helps to positively and accurately present detailed risk information to the insurance markets within our forthcoming Tender in April 2024, thus achieving wide policy coverage and competitive premium levels.

### **4.3 Liability**

Claims inflation factors such as increased wages, increased care costs and uplifted awards for general damages has impacted liability premium rates as underwriters seek to compensate for higher claims payments, these factors also impact property and motor markets.

Whilst this market is currently relatively stable for both employers and third-party liability, we expect to see continued rate increases in line with higher inflation. It is also anticipated that Insurers will seek to increase premiums to compensate for higher claims payments experienced in recent years.

### **4.4 Motor**

Insurers are seeking premium rate increases and higher excesses due to rising claims costs. This is further driven by supply chain issues and the simple fact that modern vehicles are more expensive to repair, particularly electric vehicles.

Trafford's motor fleet is relatively small with 20 vehicles currently on cover.

#### 4.5 **Cyber**

Placement of Cyber risks/Data losses remains difficult despite some positive movement in the number of insurers underwriting the risk.

Cyber insurance premiums increased by an average of 28% in the first quarter of 2022 compared with the fourth quarter of 2021, according to the Council of Insurance Agents & Brokers (CIAB).

In addition to premium price increases, in an attempt to mitigate losses, Insurers have much stricter underwriting requirements; cyber security protocols such as multi-factor authentication are now mandatory.

Despite rising premium costs and limited policy terms and conditions, work continues with IT colleagues, Brokers, and Cyber underwriters in order to present Trafford as a good risk.

In the meantime, and as over the past 5 years, Cyber risk is managed from the insurance risk reserve balance.

#### 4.6 **Insurance Tender 2024**

Preparations are currently underway to Tender the Insurance programme in April 2024 as our current five-year agreement comes to an end.

As detailed above, we have experienced a hard market in recent years, as insurers have sought to improve profits over the last two years, however competition has started to return to the market.

However, we must counterbalance this market positivity with a view of our own risks and those which are unique to the Public Sector market. As detailed within this report, legislative changes influences claims drivers and trends. There are a number of claims stemming from safeguarding issues and currently there are some high-profile claims awaiting review within the Supreme Court, the outcome of the reviews will directly impact our claims experience and the claims awards allowed to claimants.

Property risks will be under full scrutiny too given the hard market; however, it is hoped that the collaborative work across the Council detailed above will be reflected in Insurers responses.

## Trafford Council Current Insurance Programme






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

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

# Claims History by Policy Year as at 31/03/2023

Annex 2

Class of Business	2018/2019			2019/2020			2020/2021			2021/2022			2022/2023		
	No of Claims	Paid £000	Res £000	No of Claims	Paid £000	Res £000	No of Claims	Paid £000	Res £000	No of Claims	Paid £000	Res £000	No of Claims	Paid £000	Res £000
<b>Employer's Liability</b> 	2	61	10	4	17	195	5	0	30	6	3	181	2	0	7
<b>Highway Injury</b> 	85	163	250	68	121	77	56	72	154	44	36	145	45	0	328
<b>Highway Property</b> 	304	51	1	212	25	19	97	14	3	74	8	1	112	2	62
<b>Highway Tree</b> 	47	59	30	56	49	0	51	33	30	53	10	14	25	26	142
<b>Public Liability</b> 	34	172	16	28	497	17	12	11	0	21	7	47	17	20	157
<b>Total</b>	<b>472</b>	<b>506</b>	<b>307</b>	<b>368</b>	<b>709</b>	<b>308</b>	<b>221</b>	<b>130</b>	<b>217</b>	<b>198</b>	<b>64</b>	<b>388</b>	<b>201</b>	<b>48</b>	<b>696</b>



**Report to:** Accounts and Audit Committee  
**Date:** 23 November 2023  
**Report for:** Information  
**Report of:** Director of Finance and Systems

### **Report Title**

CIPFA Financial Management Code Update

### **Summary**

The Financial Management Code issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) comprises a range of financial standards which need to be achieved to demonstrate sound management of the Council's financial affairs.

It is best practice for the Director of Finance and Systems to satisfy his statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972.

The report provides details of the standards which comprise the Code and an assessment regards conformance with these standards. The report also provides an update on the action plan identified following the first review of the Code which was reported to this Committee in July 2022.

The assessment will also be used to help inform the Council's 2022/23 Annual Governance Statement (AGS) which will be published alongside the Statement of Accounts.

### **Recommendation**

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

### **Contact person for access to background papers and further information:**

**Name:** Graeme Bentley – Director of Finance and Systems  
**Contact:** [graeme.bentley@trafford.gov.uk](mailto:graeme.bentley@trafford.gov.uk)

## Background Papers:

None

## Implications:-

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

### 1. Introduction

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

### 2. Background

- 2.1 CIPFA published The Financial Management Code (FM Code) in October 2019 on behalf of the Ministry of Housing, Communities and Local Government (MHCLG) in the context of increasing concerns about the

financial resilience and sustainability of local authorities. The FM code is not statutory but compliance with the code is obligatory.

- 2.2 The FM Code provides guidance for good and sustainable financial management in local authorities, giving assurance that authorities are managing resources effectively.
- 2.3 The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management (See Appendix 1), which is an essential part of ensuring that public sector finances are sustainable. It brings together elements that are already part of existing statutory guidance:-
  - Role of the Chief Financial Officer in Local Government (S151 Officer)
  - Prudential Code for Capital Finance
  - Code of Practice on Local Authority Accounting in the United Kingdom.

### **3. Financial Management Code - Standards**

- 3.1 The FM Code, which includes 19 standards, clarifies how the Director of Finance and Systems (DOFS) should satisfy his statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972. Importantly it emphasises the collective financial responsibility of the leadership team, including the relevant elected members, of which the DOFS is one member.
- 3.2 It is for the individual authority to determine whether it meets the standards and to make any changes that may be required to ensure compliance. Authorities should be able to provide evidence that they have reviewed their financial management arrangements against the standards and that they have taken such action as may be necessary to comply with them.

### **4. Action Plan**

- 4.1 Within the Code there are 7 sections and 19 standards which have been reviewed as part of the self-assessment.
- 4.2 These were first reviewed and reported to the Accounts and Audit Committee in July 2022 and this report provides an update on the action plan agreed last year and also an annual review of the full Code to determine the extent of continued compliance.
- 4.3 Last year a number of areas were identified where it was felt that further improvement could be made to achieve better compliance with the Code.

## Review of Previous Action Plan:-

Action	Progress
<p>Undertake a review of the skillsets of officers and elected members and offer further training where required. A refresh of FM training for all budget holders. Also need to consider the merit of introducing accountability agreements for budget holders.</p> <p>Need to establish annual reviews of the Council's scheme of delegation and financial procedure rules.</p>	<p>Ongoing:-</p> <p>All qualified accountancy level staff are required to comply with Cipfa's continuing professional development requirements. This is supplemented by bi-annual personal development reviews which identifies training and development opportunities to support individuals in their roles.</p> <p>FM budget holder training is currently in the process of being rolled out. This comprises mandatory training for all budget holders including bespoke training for budget holders responsible for managing demand led budgets (Childrens and Adults Services). Generic online training modules are in the process of being developed and includes Finance for Budget Holders and Year End Finance.</p> <p>Specific member training has been undertaken by the Director of Finance and Systems during 2022/23 and plans are being developed for a more comprehensive programme for 2023/24.</p> <p>A range of training currently available including induction for new members, budget monitoring, treasury management and statutory accounts will be supplemented with more specific updates to be made available to all members via face-to-face sessions and web-based resources.</p> <p>Specific training around the Prudential Code and Treasury Management has been provided to the Accounts and Audit Committee. This will be supplemented with further sessions to support understanding of the Council's overall budget position. All training is now on a dedicated intranet page and made available for all Members.</p>

	<p>The officer scheme of delegation is regularly updated both for the corporate finance area and also for service budget holders.</p> <p>Finance Procedure Rules are reviewed annually.</p>
<p>Continued focus on development of business partnering and commercial skills is required.</p> <p>Develop adequate arrangements for a knowledge sharing and shadowing of key staff to support succession planning</p>	<p>See Above.</p> <p>Succession planning continues to be a key risk and as such remains a high priority on the Service's annual plan with a focus on developing our future finance and senior managers.</p> <p>A recent mini restructure within Financial Management has enabled the creation of two new posts within existing resources (Senior Accountant and AAT Trainee) to aide succession planning</p>
<p>Continued work to develop local indicators to support the Asset Investment Strategy and compliance with the Prudential Code.</p> <p>Need to develop the links between the capital programme and the Council's asset management planning.</p>	<p>A range of local indicators have been developed to supplement the prudential indicators which are now included in the Council's budget setting reports and reported quarterly to the Executive as part of the budget monitoring procedures.</p> <p>The Council's Capital Strategy includes strong links to the Council's estates strategy which identifies the availability of surplus assets and potential capital receipts to support the financing of the capital programme.</p>
<p>Whilst governance structures exist for all the entities regular performance reporting to the Council needs to be embedded to ensure regular updates on company performance are provided to the Investment Management Board, Executive and the Accounts and Audit Committee.</p> <p>This should include the monitoring of all loan covenants on company loans as well as senior debt lending as part of the Asset Investment Strategy. These reports should also be reviewed by an</p>	<p>Updates on the performance of the Council's joint venture companies is reported to the Executive on an annual basis. This supplements the bi-monthly monitoring of the Investment Strategy commitments and performance which is also reported to Executive, Accounts and Audit Committee and the Investment Management Board.</p> <p>Loan covenants are monitored, for example loan to value and cost and interest rate covenants but the reporting of this still needs to improve and made</p>

<p>internal officer group. In addition periodic training should be provided to councillors where appropriate.</p> <p>Any key company risks should also be included on the Strategic Risk Register.</p> <p>The arrangements for Board Meetings need strengthening and formalising with more time to consider reports and brief Board Members.</p> <p>In respect of the PFI scheme arrangements need to be developed to provide effective challenge to the PFI contractor. Also, the PFI ends in 2028 and early review of the contract needs to be understood in order to plan for the end of the scheme.</p>	<p>more transparent to the Investment Management Board.</p> <p>Specific risks are referenced on the Strategic Risk Register.</p> <p>Governance arrangements for the three JV companies with Bruntwood have been developed during the year and more formalised arrangement have been established.</p> <p>The Council is in regular dialogue with DLUHC and the Treasury now it is nearing the end of the PFI scheme. External consultants are being used to hold the private sector provider to account and also a detailed property condition review is being commissioned for Sale Waterside to ensure there is time to remedy any property issues before the asset is handed back to the Council at the end of the PFI period in 2028.</p>
<p>Integrate performance and financial information with a focus on monitoring and achieving continuous improvement.</p>	<p>Attempts have been made to integrate financial and performance reporting but more work still needs to be done in this area.</p>
<p>Key partners should be reviewed to ensure they maintain the same high standards of conduct with regard to financial administration and corporate governance that apply throughout the authority and they contribute to the achievement of the authority's objectives.</p>	<p>The audit and assurance work programme includes coverage of the Council's joint venture companies.</p>
<p>Development of the Asset Management Plan and regular updates on the condition of assets to be provided to CLT. Include refresh of reinstatement valuations for insurance purposes as part of the rolling revaluation programme.</p>	<p>This area still needs further development.</p>
<p>The Capital Strategy needs to consider the longer-term asset</p>	<p>This work is being considered by the Capital Programme Board and the</p>

<p>management plan to ensure resources can be aligned to maintaining an effective asset base. Need to develop asset management planning and the ability to ensure the budget is informed by asset condition.</p>	<p>outcome will be a key priority of the Capital Strategy for 2024/27.</p>
<p>Need to develop a consistent options appraisal methodology - this should comply with the CIPFA guide - Options Appraisal - A Practical Guide for Public Sector Organisations</p>	<p>This area still needs further development.</p>

4.4 A full review of the Code has been undertaken in 2023/24. In the majority of areas a good level of compliance has been identified and these have been assessed as Green meaning that compliance can be evidenced. In a number of areas, Amber and Red ratings have been given and these are summarised below and proposed further actions have been identified to further develop these areas in 2023/24.

The full self-assessment is included in a separate table (See separate attachment, Appendix 2, accompanying this report).

The key areas requiring further action are set out in the table below.

Section and Standard	Further Action
<b>Section 1 - The Responsibilities of the Chief Finance Officer and the Leadership Team</b>	
The chief finance officer should report explicitly on the affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions.	This is a clear risk, given the constraints and difficulty in generating capital receipts. Affordability review of the Cap Prog to be undertaken in the during 2023.
<b>Section 2 - Governance and Financial Management Style</b>	
Enabling transformation: the finance team have input into strategic and operational plans taking into account proactive risk management, clear strategic directions and focus-based outcomes.	There has been an increased focus on operational activity as a result of the protracted statutory audit process which restricts the finance team's ability to fully support a broadening Council agenda. The structure and capacity of the Financial Management Team has been reviewed in 2023/24 to create specific capacity to focus on statutory compliance and allow the service teams to maintain an effective business partnering role.
<b>Section 3 - Medium to Long Term Financial Management</b>	
The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to Members.	Whilst the LA understands its financial sustainability challenges more progress needs to be made towards identification of sustainable budget savings and transformation. Since March 2022 a Finance and Change Board have supported the identification and delivery of savings programmes that have helped achieve a balanced budget position for 2023/24 and positive progress is being made to identifying sustainable plans for 2024/25.



	Future uncommitted new investment in key projects should be considered carefully given the Authority's financial position and the impact the high level of borrowing rates are having on the business cases of future proposals.
The authority has an asset management plan that reviews the condition, sufficiency and suitability of assets in the light of business needs, and ambitions of the Medium - Long Term Financial Strategy. The plan should evidence rigorous assessment of asset portfolio in relation to service delivery.	Development of the Asset Management Plan and regular updates on the condition of assets to be provided to CLT. Include refresh of reinstatement valuations for insurance purposes as part of the rolling revaluation programme.
The authority maintains processes to ensure that information about key assets and liabilities in its balance sheet is a sound and current platform for management action.	The Capital Strategy needs to consider the longer term asset management plan to ensure resources can be aligned to maintaining an effective asset base. Need to develop asset management planning and the ability to ensure the budget is informed by asset condition. This work is being considered by the Capital Programme Board and the outcome will be a key priority of the Capital Strategy for 2024/27.
<b>Section 5 - Stakeholder Engagement and Business Cases</b>	
Does option appraisal comply with IFAC/PAIB Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal (Annex C to CIPFA FM Code)	Need to develop a consistent options appraisal methodology - this should comply with the CIPFA guide - Options Appraisal - A Practical Guide for Public Sector Organisations

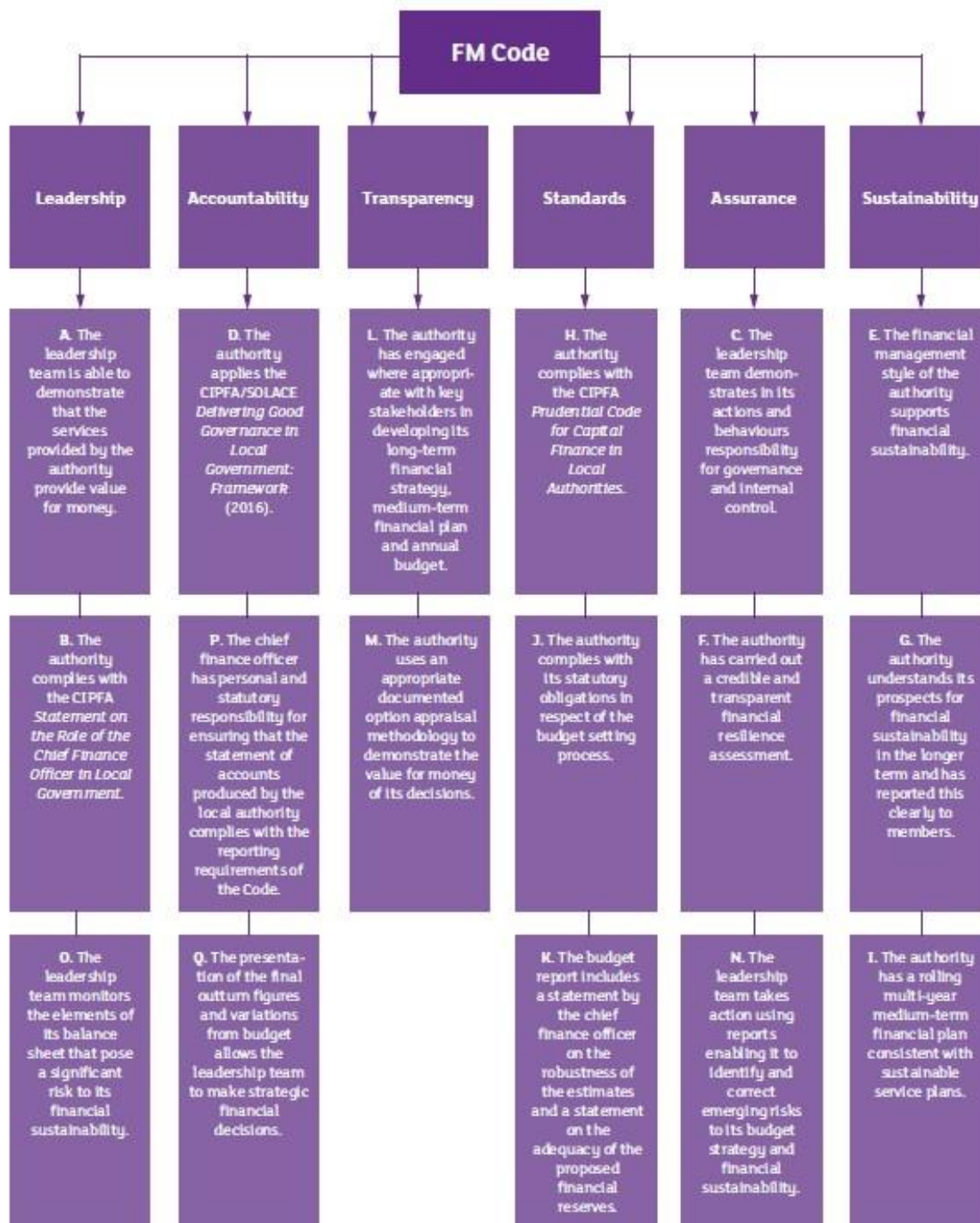
## Principles

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

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

## Standards

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



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**Appendix 2**

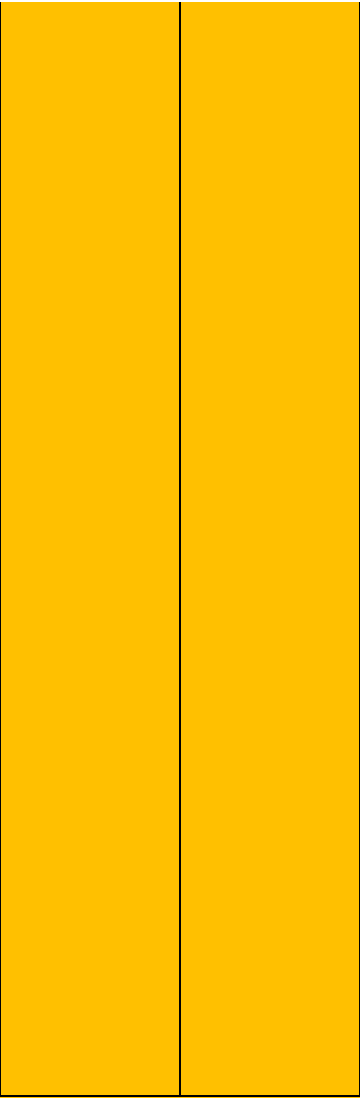
Statement of Standard Practice	Level of Compliance (H/M/L) 22/23	Level of Compliance (H/M/L) 23/24	Current Treatment Trafford	November 2023 Assessment	
<b>Section 1 - The Responsibilities of the Chief Finance Officer ad the Leadership Team</b>					
A	<p>The leadership team demonstrates that the services provided by the authority provide value for money.</p> <p>This includes the following main components</p> <ul style="list-style-type: none"> <li>* The authority has a clear and consistent understanding of what value for money means to it and its leadership team.</li> <li>* There are suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services.</li> <li>* The authority is able to demonstrate the action that is has taken to promote value for money and what it has achieved</li> </ul>	M	H	<p>The Council received a qualified value for money opinion in respect of the provision of Children’s Social Care services from the Council’s external auditors for 2019/20 and potentially will receive one for 2020/21. This was due to the “inadequate” Ofsted inspection result received in January 2020. External Audit however noted that except for the provision of Children’s Social Care services, External Audit had no concerns about the Council’s arrangements to secure economy, efficiency and effectiveness in the use of resources.</p> <p>Compliance is demonstrated by the application of other Standards and Statements in the FM Code. Also robust procurement processes in place through STAR procurement. The Council’s arrangements around financial resilience are robust, including the setting of a balanced budget and performance delivery against this budget and savings programmes.</p> <p>The authority has a clear governance structure, which clearly articulates the decision making roles of the Council, The Executive and othe Committees, Executive</p>	<p>Significant improvement work has been undertaken in Children’s Services and the LA is no longer deemed inadequate.</p>

				<p>Members and scheme of delegation to chief officers. These are reviewed and updated annually by full Council.</p> <p>Arrangements are also in place for Scrutiny and during 2021 a review is being undertaken over the role and effectiveness of this group.</p> <p>As part of the management of risk, regular updates of the key risks is undertaken through reporting a Strategic Risk Register to Corporate Leadership Team and the Accounts and Audit Committee. To strengthen the understanding of Members of the key risks specific risks are presented in detail to each Accounts and Audit Committee. LGA also conducted a independent financial peer review in Nov 2021.</p> <p>An effective internal audit team is in existence which has been able to provide sufficient audit coverage of key systems and controls such that the Audit and Assurance Manager is able to report annually on the effectiveness on the Council's control environment.</p>	
<b>B</b>	<b>The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government</b>				
B1	The Chief Finance Officer in a public service organisation is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.	H	H	The Director of Finance and Systems is a key member of the Senior Leadership Team involved in developing and implementing strategy.	No Change

<p>B2</p>	<p>The Chief Finance Officer must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy.</p>	<p>H</p>	<p>H</p>	<p>All material decisions that require the approval of senior officers or Members must have first been considered by the Director of Finance.          All Council and Executive reports are discussed in advance and agree by the corporate Leadership Management Team.          The Chief Finance Officer leads on the Council's MTFP and ensures that all risks are considered and detailed as part of the MTFP, in conjunction with the other members of the senior leadership team (Executive Members and corporate Leadership Management Team).          A Capital Programme Board has recently been established with the aim to develop the Council's Capital Strategy and oversee and ensure delivery of the annual capital programme.</p>	<p>No Change</p>
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<p>B3</p>	<p>The Chief Finance Officer must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The Chief Finance Officer should regularly review the skillsets of elected members and all officers with budget/financial management responsibility and ensure appropriate support is provided.</p>	<p>M</p>	<p>M</p>	<p>Good financial management is promoted throughout the Authority through regular communication. All managers with budgetary responsibility receive training and regular one-to-one meetings with a member of the Finance team.</p>	<p>Ongoing:-  All qualified accountancy level staff are required to comply with Cipfa's continuing professional development requirements. This is supplemented by bi-annual personal development reviews which identifies training and development opportunities to support individuals in their roles.</p> <p>FM budget holder training is currently in the process of being rolled out. This comprises mandatory training for all budget holders including bespoke training for budget holders responsible for managing demand led budgets (Childrens and Adults Services). Generic online training Modules are in the process of being developed and includes Finance for Budget Holders and Year End Finance.</p> <p>Specific member training has been undertaken by the Director of Finance and Systems during 2022/23 and plans are being developed for a more comprehensive programme for 2023/24.</p> <p>A range of training currently available including induction for new members, budget monitoring, treasury management and statutory accounts will be supplemented with more specific updates to be made available to all members via face-to-face sessions and web-based resources.</p> <p>Specific training around the Prudential Code and Treasury Management has been provided to the Accounts and Audit Committee. This will be supplemented with further sessions to support understanding of the Council's</p>
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overall budget position. All training is now on a dedicated intranet page and made available for all Members. The officer scheme of delegation is regularly updated both for the corporate finance area and also for service budget holders. Finance Procedure Rules are reviewed annually.

B4	<p>The Chief Finance Officer must lead and direct a finance function that is resourced to be fit for purpose. The Chief Finance Officer should regularly review the skillsets of all finance staff with senior budget/financial management responsibility and ensure ongoing appropriate support is provided. The ratio of qualified staff as a proportion of total finance staff ensures that the finance function has the necessary financial competence.</p>	M	M	<p>The finance function is adequately resourced and fit for purpose, although it is a small team with a risk of single points of failure in some areas.</p> <p>A training needs analysis is undertaken annually for all Finance staff.</p> <p>A significant proportion of the team are either qualified or actively studying for a qualification.</p> <p>The age profile of Finance staff is on the high side and this is a potential area of concern in the future. A succession strategy has been developed to introduce trainee roles across all teams. The use of earmarked reserves has been used to enable trainees to shadow a number of key roles.</p>	<p>See Above.</p> <p>Succession planning continues to be a key risk and as such remains a high priority on the Service's annual plan with a focus on developing our future finance and senior managers.</p> <p>A recent mini restructure within Financial Management has enabled the creation of two new posts within existing resources (Senior Accountant and AAT Trainee) to aid succession planning</p>
B5	<p>The Chief Finance Officer must be professionally qualified and suitably experienced. The Chief Finance Officer must be able to demonstrate adherence to professional CPD requirements on an annual basis.</p>	H	H	<p>The Director of Finance and Systems is a member of CIPFA with over thirty years of experience in local government finance. CPD is demonstrated as part of their membership obligations.</p>	No Change
B6	<p>The Chief Finance Officer should promote the highest standards of ethical behaviour in the conduct of financial management. Professionally qualified staff should evidence an ongoing commitment to the principles of objectivity, integrity professional behaviour,</p>	H	H	<p>Professionally qualified staff are required to adhere to the ethical standards of their professional bodies.</p>	No Change

	professional competence, due care and confidentiality.				
B7	To enable financially informed decision making: The Chief Finance Officer should be able to provide the leadership team with sound advice on the key principles of local government finance; and The Chief Finance Officer should be able to demonstrate a sound system which ensures the authority has access to high standards of technical financial advice.	M	M	The Director of Finance and Systems is an integral part of the leadership team and provides sound advice as part of this role. The authority also has access to technical advice through external contracts for funding, taxation, audit and pensions.	Ongoing work in 23/24 - need to review the capital regulations
B8	The chief finance officer should report explicitly on the affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions.	A	M/L	The affordability and risk of the Council's capital investment strategy is an integral part of the Council's annual Budget Report, quarterly budget monitoring reports, MTFP, and Strategic Plan. External specialist expertise, i.e. treasury management advisors, are also used by the Council where required.	<p>A range of local indicators have been developed to supplement the prudential indicators which are now included in the Council's budget setting reports and reported quarterly to the Executive as part of the budget monitoring procedures.</p> <p>The Council's Capital Strategy includes strong links to the Council's estates strategy which identifies the availability of surplus assets and potential capital receipts to support the financing of the capital programme.</p> <p>This is a clear risk, given the constraints and difficulty in generating capital receipts. Affordability review of the Cap Prog to be undertaken in the during 2023</p>
B9	The chief finance officer must establish the reporting and monitoring processes, and integrate the treasury management indicators into the overall financial planning process.	H	H	There is an established process for reporting and monitoring. Treasury Indicators are approved alongside the budget each year.	No Change
<b>Section 2 Governance and Financial Management Style</b>					

C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.				
C1	Alternative Delivery Vehicles - Has the authority appropriate arrangements in place for ensuring effective oversight of and accountability for any alternative delivery mechanisms or Local Authority companies in which it has engaged.	M	M	<p>The Council currently has three joint venture arrangements with Bruntwood concerning three key sites across the Borough; Former Kelloggs HQ site in Old Trafford, Stretford Mall and Stamford Centre, Altrincham. It is also sole shareholder in a Community Interest Company Trafford Leisure. Governance structures exist for the joint venture entities via the Investment Management Board. A separate Board exists for the Leisure CIC.</p>	<p>Updates on the performance of the Council's joint venture companies is reported to the Executive on an annual basis. This supplements the bi-monthly monitoring of the Investment Strategy commitments and performance which is also reported to Executive, Accounts and Audit Committee and the Investment Management Board.</p> <p>Loan covenants are monitored, for example loan to value and cost and interest rate covenants but the reporting of this still needs to improve and made more transparent to the Investment Management Board.</p> <p>Specific risks are referenced on the Strategic Risk Register.</p> <p>Governance arrangements for the three JV companies with Bruntwood have been developed during the year and more formalised arrangement have been established.</p> <p>The Council is in regular dialogue with DLUHC and the Treasury now it is nearing the end of the PFI scheme. External consultants are being used to hold the private sector provider to account and also a detailed property condition review is being commissioned for Sale Waterside to ensure there is time to remedy any property issues before the asset is handed back to the Council at the end of the PFI period in 2028.</p>

C2	The authority has a clear framework for governance and internal control	M	M	<p>Internal controls are tested annually as part of the work of Internal Audit and coverage of the Internal Audit Plan which is reviewed annually by Corporate Leadership Team and also monitored by them on a quarterly basis.</p> <p>The Council's Constitution is updated on a regular basis together with Terms of Reference for all Committees and other partnership arrangements.</p> <p>A formal scheme of delegation exists. A strategic risk register is maintained and updated on a regular basis and reported to the Corporate Leadership Team and Accounts and Audit Committee. Annually the Council approves the overall financial framework and each year balanced budget proposals are presented to Council for approval, together with assessment of the adequacy of reserves and robustness of the budget by the S151 Officer.</p> <p>There are Financial and Contract Procedure Rules which are subject to a full review on a regular basis, these are approved by full Council on an annual basis. These are clear about the respective authorisation limits for authorisation of contracts and the subsequent commitment/incurrence of expenditure.</p> <p>The Accounts and Audit Committee, as part of its Terms of Reference, considers all aspects of audit activity both internal and external audit, and keeps under review the Councils arrangements for Corporate Governance and proposes from time</p>	No Change
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				<p>to time necessary actions to ensure compliance with best practice. A Code of Conduct for Members, is reviewed and approved by Full Council on a regular basis. The authority has in place a clear framework for governance and internal controls through its Code of Corporate Governance. In addition the Council's Asset Investment Strategy is approved along with the Treasury Management Strategy, Capital Strategy and Prudential Indicators.</p>	
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				<p>As part of the council's governance arrangements, an Overview and Scrutiny exists to work as a 'critical friend' to the decision-making Executive. Committees of councillors from all parties agree an independent work programme, for the two Overview and Scrutiny Committees – the Scrutiny Committee and the Health Scrutiny Committee. This work can include:</p> <ul style="list-style-type: none"> <li>How council services are performing</li> <li>Council policies, and how they are being implemented</li> <li>Any issue of local concern</li> <li>Decisions made by the Executive</li> <li>Organisations outside the council, such as the local NHS</li> </ul>	
C3	The leadership team espouses the Nolan principles.	H	H	The leadership exhibit the Nolan principles of public life (Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership)	No Change
C3	The leadership team has established effective arrangements for assurance, internal audit and internal accountability	H	H	<p>There are effective arrangements for assurance, internal audit and internal accountability. Any areas of concern raised through those arrangements are managed robustly and transparently. Internal controls are tested annually as part of the work of Internal Audit.</p> <p>The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government and the CIPFA Statement on the role of the Head of Internal Audit</p>	No Change

C4	The leadership team espouses high standards of governance and internal control.	H	H	The leadership team espouses high standards of governance and internal control and communicates these clearly to all staff.	No Change
C5	The leadership team nurtures a culture of effective governance and robust internal control across the authority.	H	H	<p>Trafford Council has approved and adopted a corporate governance code, consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.</p> <p>A copy of the Authority's code is available at:  <a href="http://www.trafford.gov.uk/about-your-council/budgets-andaccounts/downloadable-documents.aspx">http://www.trafford.gov.uk/about-your-council/budgets-andaccounts/downloadable-documents.aspx</a>.</p> <p>Governance is about doing the right things in the right way for the right people, in a timely, inclusive, open, honest and accountable manner.</p> <p>The Council maintains a governance framework which follows 7 key principles, to provide a structure to support the Council's approach to governance and ensure that arrangements are in place to deliver the intended outcomes for stakeholders.</p> <p>The Council updates its AGS on a regular basis to monitor effectiveness of arrangements and compliance with its corporate governance code.</p> <p>The Leadership team support the Nolan principles and support consistent EPIC values (Empowering, People Centred,</p>	No Change



				Inclusive and Challenging) across the workforce.	
D	<b>The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)</b>				
D1	The authority maintains an effective audit committee	M	M	The Authority has an Overview and Scrutiny Committee and an Accounts and Audit Committee that meet on a regular basis throughout the year. The effectiveness of the Committee is enhanced by appropriate training on key issues like financial management, financial framework and treasury management and prudential code. Regular training includes analysis of the Statement of Accounts and Treasury Management (provided by independent advisors)	Ongoing during 23/24

D2	The audit committee receives and monitors the implementation of internal and external audit recommendations. When threats to the financial sustainability of the authority are identified by auditors the audit committee should ensure that the recommendations are communicated to the leadership team and that the committee are informed of the effectiveness of the leadership team's response.	H	H	An update on the progress of recommendations arising from audit reports is a standing agenda item for the Accounts and Audit Committee. All audit reports and recommendations are considered by the Corporate Leadership Team and Executive Members for the relevant service area..	No Change
D3	The authority has a Public Sector Internal Audit Standard (PSIAS) conformant internal audit function	H	H	The internal audit function is provided and is compliant with PSIAS.	
<b>E</b>	<b>The Financial Management Style of the authority supports financial sustainability</b>				
E1	The organisation has an effective framework of financial accountability that is clearly understood and applied throughout, from the political leaders, elected members to directors, finance officers and front line service managers.	H	H	Financial Regulations and Instructions provide a clear and understandable framework for accountability. They set out financial responsibilities for Directors, Head of Services, Budget Managers, and all employees of the Council and all Elected Members.	Ongoing during 23/24
E2	Finance teams and the organisation they support are actively committed to continuous improvement focused on efficient and effective delivery and organisational performance.	M	M	The Financial Management Team act as effective business partners, working closely with budget holders in a way that delivers accountability, supports performance and enables transformation. Service provision is tailored to the needs of services with changes being made as required. For instance more detailed support is provided in strategic and higher risk areas (demand led budgets and strategic investment programme) Finance teams seek continuous service improvement, examining new methods of working to provide more efficient and effective service delivery.	Attempts have been made to integrate financial and performance reporting but more work still needs to be done in this area.

E3	Enabling transformation: the finance team have input into strategic and operational plans taking into account proactive risk management, clear strategic directions and focus-based outcomes	M	M/L	While Finance have input into strategic and operational plans, this is not necessarily always at an early enough stage to support and enable transformation. Improvements have been made in early engagement to support business case savings plans. The Finance function will continue to be engaged in the new Transformation and Change programme to deliver sustainable savings plans	There has been an increased focus on operational activity as a result of the protracted statutory audit process which restricts the finance team's ability to fully support a broadening Council agenda.  The structure and capacity of the Financial Management Team has been reviewed in 2023/24 to create specific capacity to focus on statutory compliance and allow the service teams to maintain an effective business partnering role.
E4	Managers understand they are responsible for delivering services cost effectively and are held accountable for doing so. Financial literacy is diffused throughout the organisation so that decision takers understand and manage the financial implications of their decisions.	M	M	Budgets and financial approval limits are clearly delegated to budget holders. Meetings are held monthly with cost centre managers to ensure implications of decisions are understood and that managers are responsible for those decisions.	Ongoing
E5	The financial management of the authority has been critically evaluated	H	H	Internal Audit reviews core financial controls on an annual basis and has also undertaken an audit of financial planning and budget monitoring and forecasting, both of which received substantial assurance. The LGA conducted an independent financial peer review in November 2021.	No Change
<b>Section 3 - Medium to Long Term Financial Management</b>					
F	<b>The authority has carried out a credible and transparent Financial Resilience Assessment.</b>				

F1	Financial resilience is tested against best and worst case scenarios which cover a wide range of financial demographic and social challenges.	H	M	Financial resilience is tested and modelled against various scenarios when reviewing the Council's MTFP, capital strategy and treasury management strategy. The MTFP includes some flexing tools for inflation and payawards and sub modelling is done for business rates and council tax and interest rates. The robustness assessment in the Budget Report sets out more detail on the key variables and assumptions and the impact of changes in the underlying budget.	MTFP projections need to be more aligned to demographic growth projections. During 23/24 an external resilience review will be commissioned to help in any lobbying and to further aid Members understanding of the Council's financial position.
F2	The authority uses independent objective quantitative measures to assess the risks to its financial sustainability.	H	H	Key objective measures are used to assess financial stability and risks. The authority benchmarks itself against regional and comparable authorities using the latest CIPFA Financial Resilience Index. The outputs of this exercise are considered in the draft and final budget reports.	No Change
F3	Decision making by the authority demonstrates a sound understanding of the risks associated with its strategic business partners.	M	M	Key partners are evaluated before entry into formal arrangements.	Ongoing - IA work on JV Co.s planned for 23/24 The audit and assurance work programme includes coverage of the Council's joint venture companies
F4	Are the Council's finance systems and process assessed for resilience and stability	M	M	Effective finance systems are in place and considered robust and fit for purpose.	Plans will start to be developed during 23/24 for the replacement of the finance system.

<p><b>G</b></p>	<p><b>The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to Members.</b></p>	<p>H</p>	<p>M/L</p>	<p>The Council produces a Strategic Plan, MTFP and Investment Strategy that cover a 3-year period. These include range of assumptions for economic factors and service related factors. The current high levels of uncertainty around future funding for local government make producing a meaningful long-term plan very challenging. This risk to financial planning is clearly set out in the budget reports (draft and final) agreed by the Leadership Team and Members. The budget report also includes a risk assessment of the key financial risks the Council faces and suitable mitigation. The MTFP model include the level of inflation, pay inflation, service demand pressures, the effect on council tax base, business rates income, government funding changes, and a range of capital implications. The adequacy of reserves is considered frequently (draft, final and close down) to deal with the risks identified. The Council has a robust approach to risk management with various earmarked risk reserves, with clear lines of escalation, supported by specific project and programme risk registers</p>	<p>Whilst the LA understands its financial sustainability challenges more progress needs to be made towards identification of sustainable budget savings and transformation. Since March 2022 a Finance and Change Board have supported the identification and delivery of savings programmes that have helped achieve a balanced budget position for 2023/24 and positive progress is being made to identifying sustainable plans for 2024/25.</p> <p>Future uncommitted new investment in key projects should be considered carefully given the Authority's financial position and the impact the high level of borrowing rates are having on the business cases of future proposals</p>
<p><b>H</b></p>	<p><b>The authority complies with the CIPFA Prudential Code or Capital Finance in Local Authorities</b></p>				

<p>H1</p>	<p>The authority is aware of its obligations under the Prudential Code. The authority has prepared a suitable capital strategy. The authority has a set of prudential indicators in line with the Prudential Code. The authority has suitable mechanisms for monitoring its performance against the prudential indicators that it has set.</p>	<p>M</p>	<p>M</p>	<p>The Council is aware of its obligations under the Prudential Code and has assessed itself as compliant with those obligations. Like the Financial Management Code, there are many areas of compliance where the guidance allows for the Council to decide what an appropriate fit is; and there is not a single way to be compliant. The Council works closely with its Treasury Management advisers Link Asset Management to ensure that it complies</p> <p>An annual Capital Strategy (Prudential Indicators, Investment Strategy and Minimum Revenue Provision) report is produced each year as part of the Budget Report to Council. An annual members training session is also delivered with the support of our external advisors.</p> <p>The Council has a 3 year Capital Strategy and within that prudential indicators are set in line with the Code. The Capital Strategy sets out the high level plans, with individual decisions made about investments or capital schemes through separate reports to members.</p> <p>There are effective mechanisms in place to monitor performance against the Code, with bi-monthly updates on capital expenditure and half yearly updates on prudential indicators and treasury management activity reported to Executive.</p>	<p>ongoing - additional training to be given to Members during 23/24</p>
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H2	The authority has an asset management plan that reviews the condition, sufficiency and suitability of assets in the light of business needs, and ambitions of the Medium - Long Term Financial Strategy. The plan should evidence rigorous assessment of asset portfolio in relation to service delivery.	M/L	L	A condition survey is carried out on a regular basis by external consultants, which provides a total cost and prioritisation to inform the Property Strategy and MTFP. Regular reviews of station/fleet numbers and locations are undertaken to assess the asset portfolio against service requirements. Information on the reinstatement costs of our portfolio needs to be refreshed in order to ensure appropriate insurance levels are maintained	Development of the Asset Management Plan and regular updates on the condition of assets to be provided to CLT. Include refresh of reinstatement valuations for insurance purposes as part of the rolling revaluation programme. This area still needs further development
H3	The authority maintains processes to ensure that information about key assets and liabilities in its balance sheet is a sound and current platform for management action.	M/L	L	The Capital Strategy forms an essential part of the authority's integrated revenue, capital and balance sheet planning. A report on prudential indicators included in the annual Capital Strategy report	The Capital Strategy needs to consider the longer term asset management plan to ensure resources can be aligned to maintaining an effective asset base. Need to develop asset management planning and the ability to ensure the budget is informed by asset condition. This work is being considered by the Capital Programme Board and the outcome will be a key priority of the Capital Strategy for 2024/27.
I	<b>The authority has a rolling multi-year medium term financial plan consistent with sustainable service plans.</b>				
I1	The authority has in place an agreed medium term financial plan	H	H	The Council has in place an agreed 3-year MTFP that is formally set annually as part of the annual Budget report. This plan is consistent with the capital strategy and refreshed annually to reflect relevant strategic priorities, commitments, service demand pressures, underlying assumptions, and emergent issues and to agree future savings targets. This ensures that the Council always has a 3-year budget, allowing for sufficient time to	No change

				<p>time to plan and deliver any required savings.</p> <p>The MTFP is regularly reviewed throughout the year with reports being taken to Executive and Council where there are material changes required to the MTFP.</p>	
12	<p>The Medium Term Financial Plan should make reference to other organisational plans (e.g. workforce planning) and performance measures to demonstrate an alignment between service and financial planning.</p>	H	H	<p>Cost drivers and demand are considered within each Directorate and used to form the basis of pressures identified and mitigations/savings put forward to the MTFP.</p> <p>The MTFP includes the best assessment of each Directorate of what their demand pressures will be. Each Directorate has an annual service plan. These service plans are driven by the Council's Corporate Plan and the MTFP in terms of the delivery of key projects but also into the MTFP in relation to specific savings programme required to be delivered.</p> <p>Whilst other plans (e.g. workforce planning) are central to the MTFP, this link is not explicit in published documents. Resources are aligned as appropriate to Corporate Plan priorities and reference as such is included in draft and final budget plans. The need to align financial reporting and service/corporate has been identified as an area for improvement.</p>	No change
13	<p>The authority has benchmarked the performance of its services against appropriate comparators.</p>	M	M	<p>The Authority uses CIPFA (Resilience Index) and benchmarking services and has developed a local comparison method (RA/RO) to consider</p>	<p>Recently commissioned comparison of core balance sheet benchmarking undertaken</p>



				performance against other authorities.	
14	To inform the Leadership Team's decisions the authority has a single document tracking progress in the delivery of planned savings over the period of the Medium Term Financial Plan.	H	H	<p>Updates on progress in the delivery of savings is included within the bi-monthly budget monitoring reports reported to CLT, Executive and Council. Savings are RAG rated and those which are considered at high risk of not being achieved are reported and reviewed on by CLT on a monthly basis.</p> <p>Any savings determined to be unachievable on an ongoing basis are adjusted for in future MTFP and alternative savings are sought during the year.</p> <p>The role of the Strategic Delivery Group supported by Finance Team includes the development and challenging of savings programme as part of the wider budget preparations.</p>	No change
15	The authority publishes it plans for the use of reserves over the over the period of the Medium Term Financial Plan The level of reserves at 31st March in any one year should not be fall below the level previously agreed. The authority should demonstrate adherence to the most recent guidance on reserves from CIPFA's Local Authority Accounting Panel	H	H	<p>The adequacy of the level of financial reserves levels is reviewed during the preparation of the draft and final Budget Reports to Council over the period of the MTFP and in addition during the closedown of the accounts. The minimum level of General Fund Reserve is reviewed annual at final budget stage. The assessment is based on an assessment of financial risks and the extent to which specific provisions are available to meet known and expected liabilities. Reserve levels are monitored throughout the year via the bi-monthly budget monitoring.</p>	No change

Section 4 - The Annual Budget					
J	<p>The authority complies with its statutory obligations in respect of the budget setting process</p> <p>This includes that :</p> <ul style="list-style-type: none"> <li>· The authority has set a balanced budget for the current year.</li> <li>· The authority is likely to be able to set a balanced budget for the forthcoming year.</li> </ul> <p>The authority is aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so.</p>	H	H	<p>The Council understands its obligation in respect of the budget-setting process and the budget has to date been approved by Council by the required deadlines.</p> <p>The Council has set a balanced budget for the current year (2022/23), and is currently developing a balanced budget for 2023/24.</p> <p>The Council is aware of the circumstances under which it should issue a section 114 notice and how it would go about doing so. This includes latest guidance issued by CIPFA in light of COVID-19.</p>	No change
J1	<p>The annual report proposing the budget includes an analysis of the success/failures in achieving the spending plans of the previous year and of departures from the planned use of reserves and balances.</p>	H	H	<p>The budget reports (draft and final) include sections referencing the in year monitoring estimated outturn position. Plans for future years are adjusted taking into consideration in year pressures and unachievable savings.</p> <p>A review of reserves is also undertaken and reported during the bi-monthly monitoring and reported in both the draft and final budget reports.</p>	No change
K	<p><b>The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.</b></p>	H	H	<p>The budget report includes a statement by the Director of Finance (S151 Officer) on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.</p>	No change
Section 5 - Stakeholder Engagement and Business Cases					

L	<b>The authority has engaged with key stakeholders in developing its long term financial strategy, medium term financial plan and annual budget.</b>	M	H	The financial strategy is aligned to the Council's corporate plan and this is reviewed on an annual basis when setting the following year's budget. Stakeholder engagement is undertaken with a range of stakeholders including public consultation on emerging budget proposals, staff consultation on any impacts on staff and equality impacts assessments in line with the Public Sector Equalities Duty.	This was attempted during 22/23 but not deemed to add any overall value. Instead the layout of the budget monitoring report was updated.
M	<b>The authority uses a documented option appraisal methodology to demonstrate the VFM of its decisions</b>				
M1	Does option appraisal comply with IFAC/PAIB Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal (Annex C to CIPFA FM Code)	M	M	<p>Included within the capital strategy is a methodology for prioritising capital projects for inclusion to the Capital Programme.</p> <p>Option appraisal complies with the principles, but this is not formally documented.</p> <p>The Council does not currently have a consistent process for undertaking and documenting option appraisals. These are undertaken on a case-by-case basis, influenced by the scale of investment and also the requirements of external funders. For all projects these covers as a minimum the 3-year MTFP period and for larger scale investment these are usually based on a whole life cycle basis.</p> <p>In considering a number of development projects, the Council also undertakes a development appraisal from a commercial developer and investment advisor to assess overall scheme viability, as well as financial modelling from a Council perspective</p>	This area still needs further development.

M2	The accounting treatment of material decisions is considered and demonstrated as part of the formal option appraisal process.	H	H	The accounting treatment and impact is determined at the time of the decision.	No change
<b>Section 6: Monitoring Financial Performance</b>					
<b>N</b>	<b>The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability</b>				
N1	Financial monitoring reports for high risk budgets are: - Scrutinised by the leadership team of the organisation on (as a minimum) monthly basis. - Financial monitoring reports for steady state/low risk budgets are: - Received by budget holders on a monthly basis - Received (in aggregate) by the leadership team on a regular basis (in aggregate) by the leadership team.	H	H	Bi-Monthly financial monitoring reports are provided to Directorate Management Teams, Corporate Leadership Team, Executive and Accounts and Audit Cttee, and identify significant variances and corrective actions being taken. The reports cover the position to date and the forecast for the remainder of the financial year. It also includes progress against savings targets and planned use of/contributions to earmarked reserves.  High risk budget areas (largely demand led social care) are monitored on a monthly basis within appropriate service areas and monthly forecsat against savings programme are reported to CLT and identify corrective action being taken.	No change
N2	The reports are provided to the leadership team in a timely manner and in a suitable format	H	H	Reporting to officers on high risk budgets is on a monthly basis and all budgets reported monthly. Managers are able to access information on demand. Reports have been developed with budget holders to provide them with the correct level of information.	No change

N3	The leadership team is happy with the reports that it receives and with its ability to use these reports to take appropriate action	H	H	<p>The leadership team are happy with the reports it receives and with its ability to use these reports to take appropriate action.</p> <p>The format of the reports and information contained within the reports has been amended following suggestions from officers and Elected Members to make improvements to the reports. Amendments in the past included a one page Executive Summary with detailed analysis being moved to supporting annexes in order to provide a full audit trail of considerations in the forecast</p>	No change
N4	Timely time financial and performance information is available to managers via the appropriate systems. The systems are engineered to provide relevant data at a sufficiently accurate level. The organisation ensures that information is appropriately tailored and streamlined to avoid the risk of 'data overload'.	H	H	<p>Managers are able to access financial information on demand via the Council's SAP financial management system.</p> <p>Reports have been developed with budget holders to provide them with the correct level of information.</p> <p>Finance business partners are available to provide support and analysis.</p>	No change
N5	<p>All Financial monitoring reports include:</p> <ul style="list-style-type: none"> <li>• The name of the budget holder responsible for the information presented</li> <li>• Accruals based financial information</li> <li>• Include the approved budget against which monitoring is taking place.</li> <li>• A forecast for the remainder of the budget period,</li> <li>• Service performance information and - is shown, for instance by reconciliations, to be consistent with the aggregate position for the authority.</li> </ul>	H	H	Financial reports include all of the required financial information	No change

N6	Financial monitoring reports for high risk budgets are: • Scrutinised by the leadership team of the organisation on (as a minimum) monthly basis. Financial monitoring reports for steady state/low risk budgets are: • Received by budget holders on a monthly basis • Received (in aggregate) by the leadership team on a regular basis (in aggregate) by the leadership team.	H	H	High cost/risk budgets are reviewed on a monthly basis. These are reviewed by Service Managers, DMT, for example by a Children's Care High Cost and Adults Placement. Less volatile and lower cost budgets employ self-service by budget managers using the SAP FM system, supported by finance where required.	No change
N7	The authority has arrangements which allow annual service budgets to be recalibrated in response to unforeseen developments.	H	H	In-year budget realignments can be approved by either the Director of Finance and Systems, Senior Management Team or Executive Committee (depending on value)	No change
N3	At the financial monitoring period end the leadership team receives a set of financial statements with forecast outturn for the year ahead	H	H	The leadership team and Executive receive regular budget monitoring information as described above. Impact on future years is considered during the preparation of the draft and final budget	No change
N4	There are appropriate arrangements in place for reporting and managing the financial performance of each of the organisation's delivery partnerships and collaborative arrangements.	M	M	The Council currently has three joint venture arrangements with Bruntwood concerning three key sites across the Borough; Former Kelloggs HQ site in Old Trafford, Stretford Mall and Stamford Centre, Altrincham. It is also sole shareholder in a Community Interest Company Trafford Leisure.	Commenced during 22/23
N5	There are appropriate arrangements in place for the project management and cost control of capital projects.	M	M	Capital projects are monitored on a monthly basis.	Commenced during 22/23
<b>O</b>	<b>The authority monitors the elements of its balance sheet which pose a significant risk to its financial stability</b>				
O1	Unplanned and planned use of reserves are reported [quarterly] to the management team of the organisation and to Council.	H	H	Movements in reserves are in budget monitoring reports. Any unplanned use of reserves is only reported where significant (eg Asset Investment Programme) minor movements are not considered	No change

				during the monthly monitoring. Reference is made to the use of budget support reserve should estimates forecast an overall budget pressure.	
O2	The authority has identified the elements of its balance sheet that are most critical to its financial sustainability	H	H	The Council has historically considered its reserves position, investments and borrowing, and debt levels as most critical to its financial sustainability. These are reported on a regular basis (budget monitoring, draft and final budget reports, Treasury Management Strategy, Prudential Indicators)	No change
O3	Management accounts include either a full balance sheet or an appropriate level of balance sheet information to meet business needs and evidence of monitoring of material items	H	H	Management accounts reporting is currently only explicitly made on the reserves elements of the balance sheet. Aspects of the balance sheet are, however by default included such as provisions (bad debts for Council Tax, Business Rates), provisions for rates appeals) are considered as part of the forecasting. This is considered appropriate as part of the management accounts. Other balance sheet analysis of areas of significant risk (debt, investments) is included in the appropriate reports (Treasury Management updates) A balance sheet analysis is included in the annual Statutory Accounts and narrative foreword.	No change

O4	The authority has put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet	H	H	<p>Mechanisms are in place to monitor all of these critical elements of the balance sheet.</p> <p>The monitoring of reserves is outlined below.</p> <p>Borrowing and investments and Treasury Management are monitored and reported as part as the bi-annual Treasury Management Strategy monitoring reports reported to Executive and Accounts and Audit Cttee.</p> <p>Aspects of the balance sheet are not specifically included in the bi-monthly budget monitoring reports, other than reserve levels, however by default some elements are included such as provisions (bad debts for Council Tax, Business Rates), provisions for rates appeals) are considered as part of the forecasting.</p>	No change
O5	Cash flow is managed through application of Treasury Management in the Public Services: Code of Practice and Cross- Sectoral Guidance Notes (CIPFA, 2017).	H	H	<p>Robust and comprehensive treasury management processes, mitigating risk, adhering to the Treasury management guidance required. Prudential Code requirements are adhered to in order to provide the risk management of treasury activity.</p>	No change
<b>Section 7 - External Financial Reporting</b>					
P	The Chief Finance Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom.				



P1	<p>The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom.</p> <p>This includes the following :</p> <ul style="list-style-type: none"> <li>* The authority's leadership team is aware of the CFO's responsibilities in terms of the preparation of the annual financial statements.</li> <li>* The authority's CFO is aware of their responsibilities in terms of the preparation of the annual financial statements.</li> <li>* These responsibilities are included in the CFO's role description, personal objectives and other relevant performance management mechanisms.</li> <li>* The authority's financial statements have hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.</li> </ul>	H	H	<p>The authority's leadership team and the CFO are aware of the CFO's responsibilities in terms of the preparation of the annual financial statements.</p> <p>These responsibilities form part of the CFO's role description and personal objectives. The authority's financial statements have been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom, and have been consistently given an unqualified opinion by external auditors. The annual accounts are reviewed and signed by the Director of Finance. The accounts are presented in a format for users to understand the Council's financial performance, position, and cash flows</p>	No change
Q	<b>The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.</b>				
Q1	<p>The authority's leadership team is provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget. The information in these reports is presented effectively.</p>	H	H	<p>The presentation of the final outturn position to the Corporate Leadership Team and Executive compares the outturn to the revised budget and explains the reasons for any key variances from budget.</p> <p>The report sets out the impact of these variances on general balances and earmarked reserves and makes proposals for further contributions to/or from these. The report also sets out the impact of key variances on the MTFP/future years budgets and any mitigating action being taken.</p>	No change



## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 23 November 2023  
**Report for:** Discussion  
**Report of:** Audit and Assurance Manager

### Report Title

**Strategic Risk Register 2023/24 (November 2023 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 2023 for each risk unless otherwise stated.

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

- 2.1 CLT 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, progress made in managing each risk and further plans.
- 2.3 In terms of changes since the last strategic risk update there has been three changes in the risk scores:
  - Risk 1 (Medium Term Financial Strategy) which shows an increase from a risk score of 20 (High) to 25 (High).
  - Risk 14 (Business Continuity Planning) which shows an increase from a risk score of 6 (Low) to 9 (Medium).
  - Risk 13 (Joint Ventures) which shows a decrease from a risk score of 15 (Medium) to 10 (Medium).
- 2.4 The risk charts in section 2.6 show an analysis of the current strategic risks. The charts analyse the levels of risk exposure in terms of impact and likelihood. The number of strategic risks for each risk level is shown. There are 16 strategic risks which are set out in Section 3.
- 2.5 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. Future updates to the Committee in early 2024 are expected to include risk management updates on cyber security and also the climate change emergency.

## 2.6 Comparison of Risk Levels June 2023 and November 2023

**IMPACT**

**Risk Levels – June 2023**

Very High(5)			7	4	
High (4)		2		1	1
Medium (3)		1			
Low (2)					
Very Low (1)					
	Very Low (1)	Low (2)	Med. (3)	High (4)	Very High (5)

**LIKELIHOOD**

**IMPACT**

**Risk Levels – November 2023**

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

**LIKELIHOOD**

<b>High Risk</b>
<b>Medium Risk</b>
<b>Low Risk</b>

### 3. Strategic Risks (November 2023)

Red (High Risk)	Amber (Medium Risk)	Green (Low Risk)
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Risk Number 1	Likelihood (L)	Impact (I)	Risk Score (L x I) High Medium Low	Change in Risk Score
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 (compounded by the current high levels of inflation) 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 reset potentially in 2025/26 and uncertainty of the sharing arrangements of the 100% GM retention scheme. (Finance & Systems / Finance and Governance).	5	5	25 High	↑ Increase in Risk Score
<b>Corporate Priorities</b>	All			
<b>Existing Controls and Risk Mitigation</b>	<p>Regular budget bi-monthly monitoring to the Executive, covering all aspects of the Council’s budget, including revenue, capital programme and investment strategy, prudential indicators, reserves, collection fund and school budgets.</p> <p>A Finance and Change Programme established (2022) to enhance our structured response to the significant budget issues and to provide strategic direction and proactive governance around the management of our Finance and Change programme.</p> <p>Recurrent pressures identified from in-year budget monitoring are fed into the Medium Term Financial Strategy (MTFS) and as such are reflected within the 2024/25 budget and later years.</p> <p>Implementation and compliance of CIPFA Financial Management Code.</p> <p>A robust Medium Term Financial Strategy and Plan covering a detailed period of 3 years and plus 2 at high level to accommodate a time period of 5 years to highlight the longer term uncertainty and delays in the Fairer Funding review and business rates reset. The MTFP is updated on a regular basis throughout the year and is a key tool in preparation of the draft and final budget papers.</p> <p>Review of earmarked reserves on a triannual basis (draft and final budget preparation and closedown). Review covers adequacy and robustness of each reserve.</p>			

<p><b>Update (Oct 2023)</b> (Recent actions, performance updates, developments, emerging issues etc).</p>	<p>In respect of 2023/24 the Period 4 estimated outturn is a net overspend of £1.75m. Significant pressures are being felt in Childrens Placements and Home to School Transport. Higher than anticipated inflation has resulted in excess costs of the local government pay award, however higher interests rates have resulted in a favourable return on investments of surplus cash above budget. It is imperative that the adverse outturn is reduced to avoid any undue call on the limited earmarked reserves. Various contingency budgets remain in place and will be released as the year progresses. Further management action may need to be considered, above that already in place, to contain the forecast overspend and updates will be considered at period 6.</p> <p>The Draft Budget for 2024/25 and MTFs for 2025/27 is scheduled for presentation to Executive on 15<sup>th</sup> November 2023.</p> <p>There is a remaining budget gap of £6.41m in 2024/25, £12.75m 2025/26 and £10.64m in 2026/27.</p> <p>The Director of Finance is required by law to report independently to the Executive and Council his own opinion as to the robustness of the budget estimates and the adequacy of the financial reserves. His opinion will be presented in the final report, however the risk of a S114 notice is expected to increase, due to the rising demand pressures in social care services and the continuing impact of the high levels of inflation on the Council.</p> <p>The Council has minimal financial headroom to absorb financial pressures meaning the likelihood of a S114 remains a real concern during 2024/25, especially if it is unable to contain expenditure within budget during the current financial year and make further tangible progress to delivering further transformational savings required to balance the 2024/25 budget.</p> <p>This pattern is not unique to Trafford, with a recent survey by the Special Interest Group of Municipal Authorities identifying that 26 of their 47 member authorities could issue a Section 114 notice in the next two years, with five currently deciding whether to issue one imminently.</p> <p>Whilst good progress has been made towards reaching a balanced budget position for 2024/25 there is still a significant amount of work to do to achieve this. The Executive have already identified plans to make further progress to do this and these will need developing before the final budget is presented to Council for approval in February 2024.</p> <p>It is important that the focus of the Finance and Change Programme remains on balancing the budget over the medium term. Given the reliance on “corporate” solutions in previous years, more focus will inevitably need to be placed on the making savings on more forward facing services to meet future budget gaps.</p> <p>A key strategy to achieve financial sustainability is to focus on addressing the current funding shortfall when compared to other local authorities and the Council needs to lobby for a rebalancing of this position to Government. Without significant progress here the Authority is highly unlikely to be able to balance budgets through service transformation alone.</p> <p>Until the Autumn Statement is announced on 22<sup>nd</sup> November 2023, the level of overall Government support will not be known, although given the overall economic outlook and continued high levels of inflation and borrowing costs, it is</p>
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	<p>unlikely that the Government will have little room for manoeuvre. <b>With this in mind the overall risk score has been increased to 25, reflecting an increased likelihood of a less than generous settlement.</b></p> <p>In respect of the school budgets and the Dedicated Schools Grants, whilst these are kept separate from the Council's budget, they are showing a growing High Needs deficit position, such that by the end of 2023/24 this could be as high as £9.4m, and as high as £44.43m by 2026/27.</p> <p>Without new interventions the high needs deficit is forecast to continue to increase over the MTFS period and is not financially sustainable. This creates a significant and unresolved financial risk to the Council. The Council is actively engaged with the Department for Education and is part of the Northwest SEND Change Programme Partnership to identify mitigations which may reduce the growth in costs.</p>			
<p><b>Further Actions Required / Planned</b></p>	<p>All existing management action needs to continue for the foreseeable future in managing the adverse outturn position in the current financial year. It is essential that the Council minimises the draw down from its limited earmarked reserves to maintain a cushion to support the financial planning for 2024/25 onwards. The Corporate Leadership Team will consider further measures that may be required to avoid any deterioration in the estimated outturn in advance of the Period 6 budget monitoring report when a more mature in-year position is known.</p> <p>The outlook beyond 2023/24 is still extremely challenging and the Finance and Change Board will need to continue to develop plans to identify robust saving to address the remaining budget gap for 2024/25 onwards. It is also essential in the run up to the 2023 Autumn Statement that the Council continues to lobby government to highlight not just the precarious financial position that all of local government is facing, but also the unique challenges it faces as a consequence of being one of the lowest funded local authorities in the country.</p> <p>Officers need to continue to work with the DfE and regional partners to identify solutions to control the rising DSG deficit.</p>			
<p><b>Risk Number 2</b></p>	<p>Likelihood (L)</p>	<p>Impact (I)</p>	<p>Risk Score (L x I)</p> <p>High Medium Low</p>	<p>Change in Risk Score</p>
<p><b>Climate Change Emergency (Place / Sustainability and Climate Change)</b></p>	<p>5</p>	<p>4</p>	<p>20 High</p>	<p>↔ No Change</p>
<p><b>Corporate Priorities</b></p>	<p>Addressing our Climate Emergency</p>			



<p><b>Existing Controls and Risk Mitigation</b></p>	<p>Climate Change can be addressed firstly through adaption - actions that 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. It should be noted that The UK accounts for around 2% of global emissions and Trafford will be a small fraction of that. Alone Borough actions cannot possibly hope to affect Climate change – however our effectiveness will come via influencing and leadership to affect wider change.</p>
<p><b>Update (October 2023)</b> (Recent actions, performance updates, developments, emerging issues etc).</p>	<p>Work has been completed on two studies for the greening of Trafford Park; these were reported to the Executive in March 23. A Strategic Partnership established between key actors, meeting on 27.10.23 to agree combined offer of decarb support for Businesses.</p> <p>First phase of feasibility on the Civic Quarter Heat Network has been completed – with Consultants presenting their findings on 5 June. A grant of £209k from the Government was secured in October 23 for the next phase of detailed feasibility.</p> <p>Launch of Energy Company Obligation phase 4 funded Home Energy Improvements – now fully launched and promoted, planned additional promotion through AHSC.</p> <p>Programme of active travel schemes also underway.</p> <p>Programme of urban tree planting and woodland creation agreed with City of Trees for the 23/24 planting season under Defra and Forestry Commission funded programmes including Northern Forest, Trees for Climate and Grow Back Greener.</p> <p>Approval of Longford Park NLHF Delivery Phase bid including Longford Brook de-culverting and SUDS scheme, with further work alongside UU and EA, plus successful Defra/Natural England ‘Lost Wetlands’ feasibility funding for Natural Flood Management and Nature Recovery at the former William Wroe Golf Course site.</p> <p>Partnership work commenced via GMCA Environment Team’ Adaptation workstream and working group, looking at hazard mapping across GM to help GM councils understand risk and impact, which will inform future work in Trafford.</p> <p>Partnership work with GMCA, GMEU, Natural England and The Wildlife Trusts on the GM Local Nature Recovery Strategy and preparation for mandatory Biodiversity Net Gain in 2024.</p> <p>Undertaken a Green Trafford Park study looking at how SUDS and Green Infrastructure opportunities across Trafford Park. On the back of this we are developing a Green Infrastructure Plan and engaging with United Utilities Green Recovery Fund.</p>

<p><b>Further Actions Required / Planned</b></p>	<p>Planned actions include:</p> <p>Develop and begin delivery of a One Trafford Partnership Decarbonisation Plan – plan now in progress, but awaits full completion.</p> <p>Local area Energy Plan to be developed further - GMCA are developing a Strategic Outline Business Case that seeks to identify funding and finance, Trafford is collaborating on the project.</p> <p>Deliver Public Sector Decarbonisation Scheme on Altrincham Leisure Centre – works underway and due for completion in summer 2024.</p> <p>Prepare a pipeline of projects to decarbonisation the corporate estate - Partington and Stretford Leisure centres decarbonisation are part of the PSDS 3c bid (circa £3.5m).</p> <p>Net Zero Trafford Park: Develop a delivery plan based on the Greening &amp; Low Carbon Trafford Park studies - Target is to establish a Trafford Park Climate Alliance by 31.03.24.</p> <p>(Note – it is planned that a progress update will be provided to the Accounts and Audit Committee at a future meeting in early 2024).</p>			
<p><b>Risk Number 3</b></p>	<p>Likelihood (L)</p>	<p>Impact (I)</p>	<p>Risk Score (L x I)</p> <p>High Medium Low</p>	<p>Change in Risk Score</p>
<p>Trafford Council must ensure that it and 3<sup>rd</sup> 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.</p> <p>The following areas of risk have been identified:</p> <ul style="list-style-type: none"> <li>• Compliance risks</li> <li>• SAR delays</li> <li>• FOI compliance</li> <li>• Data breaches</li> <li>• Mandatory Training</li> </ul> <p>(Legal and Governance) / Finance and Governance)</p>	<p>4</p>	<p>5</p>	<p>20 High</p>	<p>↔ No Change</p>
<p><b>Corporate Priorities</b></p>	<p>All</p>			

<p><b>Existing Controls and Risk Mitigation</b></p>	<ul style="list-style-type: none"> <li>• Reviews of data incidents: to identify problem areas; and to implement controls to mitigate against reoccurrence.</li> <li>• Mandatory Data Protection and Information Security training modules are in place.</li> <li>• ‘Basic’ data protection training is in place for staff who do not process personal data in the course of their roles.</li> <li>• DSP Toolkit submission for 2024. This annual activity forms part of the IG annual work plan.</li> <li>• The Council has a Senior Information Risk Owner (SIRO) and Data protection Officer (DPO) to provide independence on the effectiveness of the Council’s data protection controls.</li> <li>• A revised security incident management policy to account for the legislative changes has been produced and available to staff on the IG intranet.</li> </ul>
<p><b>Update (October 2023)</b> (Recent actions, performance updates, developments, emerging issues etc).</p>	<ul style="list-style-type: none"> <li>• Reviews of data incidents: to identify problem areas; and to implement controls to mitigate against reoccurrence. <ul style="list-style-type: none"> <li>○ Data breach reports continue to be reviewed and authorised by the Head of Legal &amp; Governance to ensure overview and consistency of outcomes and recommendations.</li> </ul> </li> <li>• Mandatory Data Protection and Information Security training modules are in place.</li> <li>• ‘Basic’ data protection training is in place for staff who do not process personal data in the course of their roles. <ul style="list-style-type: none"> <li>○ The service continues to work with the Workforce and Core Strategy to maximise engagement and overall compliance with the mandatory training across the Council.</li> <li>○ HR now includes compliance data in the monthly workforce report and dashboard. The reporting is reviewed by CLT and DMT, providing greater oversight and accountability across the Council.</li> <li>○ The Council is procuring a new eLearning system for implementation in April 2024. The aspiration is that this will interact with existing systems, drawing through live data which will enable compliance to be more accurately monitored and promoted.</li> <li>○ The service has been working with Workforce and Core Strategy to understand and identify responsibility for the training requirements of shared NHS and school staff in respect of data security matters.</li> </ul> </li> <li>• DSP Toolkit submission for 2023. This annual activity forms part of the IG annual work plan. <ul style="list-style-type: none"> <li>○ The Council’s 2023 submission was prompt and within timescale.</li> </ul> </li> </ul>

- The Council was assessed as approaching standards, indicating that the minimum legal standards were met. In collaboration with IT, an action plan was developed and following re-submission, the Council is now assessed as meeting standards. The Council is now meeting more than just the basic legal requirements.
- Discussion and preparation will commence with key stakeholders across the Council to ensure prompt submission for 2024.
- Resources and structure of the team has been reviewed with a view to improving resilience and support for the service.
  - The service redesign is progressing and once complete, will address the current lack of capacity to implement significant change.
  - Staff consultation on the service redesign commenced on 2<sup>nd</sup> October 2023 and once complete, associated recruitment activity will stabilise the team and introduce resource at manager, senior and administrative levels.
  - Once the new structure of the team is embedded, the full review will be completed and a full programme plan developed and implemented to address identified areas of risk and measures to control/mitigate those risks.
- The IAB to be reviewed in respect of role and remit and to be re-established.
  - This will be progressed following completion of the service redesign.
  - Outline plan/initial thoughts: propose each department nominates an IG Champion to take ownership of all IG issues within the department, full terms of reference to be agreed, information campaign to pitch requirements to service leads, selection/recruitment and post recruitment training for IGCs.
- Timeliness of FOI requests in 2022-2023 against the annual target of 95% set by the ICO:
  - Q1 – 78%
  - Q2 – 73%
  - Q3 – 72%
  - Q4 – 73%
- Timeliness of FOI requests in 2023-2024 against the annual target of 95% set by the ICO:
  - Q1 - 70%
  - Q2 - 67% (figure not yet finalised)

FOI Received 2022/23	2022										2023	
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	
Allocated	0	0	0	0	2	0	1	1	2	6	6	
Completed within 20 w/d	83	86	78	60	58	56	50	68	48	82	68	
Completed outside 20 w/d	27	21	21	19	22	22	21	18	20	27	22	
% Completed within 20 w/d	75%	80%	79%	76%	71%	72%	69%	78%	69%	71%	71%	
Completed	110	107	99	79	80	78	71	86	68	109	90	
Completion Rate	100%	100%	100%	100%	98%	100%	99%	99%	97%	95%	94%	
<b>Total Received</b>	<b>110</b>	<b>107</b>	<b>99</b>	<b>79</b>	<b>82</b>	<b>78</b>	<b>72</b>	<b>87</b>	<b>70</b>	<b>115</b>	<b>96</b>	

FOI Received 2023/24	2023										2024	
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	
Allocated	5	5	8	12	25	36	60	-	-	-	-	
Completed within 20 w/d	65	76	76	73	77	57	9	-	-	-	-	
Completed outside 20 w/d	32	21	21	15	11	4	0	-	-	-	-	
% Completed within 20 w/d	64%	75%	72%	73%	68%	59%	13%	-	-	-	-	
Completed	97	97	97	88	88	61	9	-	-	-	-	
Completion Rate	95%	95%	92%	88%	78%	63%	13%	-	-	-	-	
<b>Total Received</b>	<b>102</b>	<b>102</b>	<b>105</b>	<b>100</b>	<b>113</b>	<b>97</b>	<b>69</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

- Not all SAR and FOI requests are processed centrally by the IG team. The Place and Children's Social Care Directorates process their own enquiries which are sent out in the name of individual Directors. The individual requests and supporting information are not held centrally but are held on the systems used by those directorates. There is currently no mechanism in place to secure oversight of these processes, deadlines and timelines of responses being provided by individual directorates.
  - As part of the Microsoft 365/Dynamics 365 migration process, discussions are underway between key stakeholders across the Council and as part of those discussions, digital solutions are being explored to improve and automate processes where possible to accurately measure and improve performance.
- Records management.
  - As part of the Microsoft 365/ Dynamics 365 migration process, discussions were undertaken between key stakeholders across the Council in respect of retention policies and data archiving policies insofar as they relate to digital data.
  - The ICT service captured SharePoint retention requirements from services across the Council as part of this ongoing work.
  - The Council engaged an external consultant to refresh the Corporate Retention Policy and maintains this engagement to ensure timely and accurate updates.

<b>Further Actions Required / Planned</b>	<ul style="list-style-type: none"> <li>• Mandatory Data Protection and Information Security training modules – work continues to maximise compliance across the Council as identified above.</li> <li>• DSP Toolkit submission for 2024 – work will be commenced to ensure prompt compliance with the 2024 submission.</li> <li>• The service redesign continues to be progressed and recruitment activity as part of that process will address the current lack of resource, skill and workforce stability, which is impacting upon the ability to implement significant change. Steps are being taken as identified above to improve performance within current resource capabilities.</li> <li>• The service must develop the review of the IG team function and monitor this on a regular basis.</li> <li>• The service must explore the creation of IG champions across the Council to emulate the function of the IAB and the merits of its reestablishment.</li> <li>• Work is ongoing in connection with the Microsoft 365/ Dynamics 365 migration process as identified above.</li> <li>• Quarterly reporting on Data matters to CLT to be restarted.</li> </ul>			
<b>Risk Number 4</b>	<b>Likelihood (L)</b>	<b>Impact (I)</b>	<b>Risk Score (L x I)</b>  High Medium Low	<b>Change in Risk Score</b>
<b>Demand for school places under-estimated and/ or additional school places are not delivered to satisfy increased demand.</b>  <b>(Children’s Services / Children’s Services).</b>	4	5	20 High	↔ No Change
<b>Corporate Priorities</b>	Reducing health inequalities / Supporting people out of poverty			
<b>Existing Controls and Risk Mitigation</b>	<ul style="list-style-type: none"> <li>• Thorough review based on GP population data undertaken each year taking into account migration, recent and planned housing developments.</li> <li>• The Education and Early Years Capital Report, giving the analysis of and projecting the increased demand for school places is now being implemented and is updated annually.</li> <li>• Briefings to Leader, Portfolio Holder and Corporate.</li> </ul>			

<p><b>Update (October 2023)</b> (Recent actions, performance updates, developments, emerging issues etc).</p>	<p><b>Primary Places:</b> In the normal admissions round for entry into reception in September 2023 there were sufficient places for our residents with surplus places in all areas. This is also projected to be the same for entry to reception in September 2024.</p> <p>However the surge of in-year applications continues to have an impact on primary places and has created pressure in the secondary sector as children move up.</p> <ul style="list-style-type: none"> <li>• In Year 6 every school in Sale East is full and additional children have been admitted above the published admission number. There are only 2 vacancies remaining in Year 2.</li> <li>• In Year 3 every school in Sale West is full and additional children have been admitted above the published admission number. There are only 4 vacancies remaining in Year 6.</li> <li>• In Year 6 every school in Altrincham is full and additional children have been admitted above the published admission number.</li> <li>• This means that there are insufficient places in these year groups in Sale and Altrincham.</li> <li>• After implementation of a range of measures to increase capacity, Sale and Altrincham now have vacancies in every other year group.</li> <li>• 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.</li> </ul> <p><b>Secondary Places:</b> In the normal admissions round for entry into Y7 in September 2023 there was just enough capacity to offer a place to everyone who applied. However, 191 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. 110 of these places were in other areas of Trafford. At the end of the allocation every secondary school in Trafford was full and many schools allocated places above their published capacity.</p>
<p><b>Further Actions Required / Planned</b></p>	<p><b>Actions</b> School Places &amp; Capital Board and Place Shaping Board have oversight of school place planning and school expansion projects. Key activity to mitigate risk:</p> <ul style="list-style-type: none"> <li>• Capital scheme underway at Altrincham College to create an additional 60 places per year group. This was originally scheduled to deliver places from September 2024, but project challenges mean this may now be September 2025.</li> <li>• School rebuild monies secured for Sale High School and Stretford Grammar School.</li> <li>• Capital scheme at Firs Primary School to create 30 additional places per year group now open in Sale West.</li> <li>• Permanent expansions completed at Templemoor Infant School and Moorlands Junior School in Sale East creating 30 additional places per year group from September 2023. All these places now open, with the exception of YR and Y1 as these places are not currently needed.</li> </ul>

	<ul style="list-style-type: none"> <li>Permanent expansion completed at Willows Primary School in Altrincham creating 15 additional places per year group from September 2023. Places now open in Y3, Y4, Y5 and Y6. Places not yet opened in key stage one as not currently needed.</li> <li>Additional 30 temporary places continue for school year 2023/24 in Y6 bulge class at Broomwood Primary School in Altrincham.</li> <li>Additional 30 temporary places continue for school year 2023/24 in Y5 bulge class at Woodheys Primary School in Sale West.</li> <li>Feasibility study and scoping underway for permanent expansion proposal at Broadoak School in Partington to create 60 additional places per year group from September 2025, with 30 additional places in temporary accommodation from September 2024.</li> <li>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.</li> <li>Annually review catchment areas for primary schools to ensure that the available places are targeted most effectively.</li> <li>Regular meetings with DfE Place Planning Teams to monitor sufficiency and impact of inbound migration.</li> <li>Exploration of provision of new secondary school in Sale/Altrincham area took pace but not feasible.</li> <li>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.</li> <li>Tailored application advice for Altrincham and Sale parents in the transfer cohort for September 2023 helped secure Y7 places for Trafford residents and robust communication strategy developed. This was replicated for September 2024 cohort.</li> </ul>				
<b>Risk Number 5</b>		<b>Likelihood (L)</b>	<b>Impact (I)</b>	<b>Risk Score (L x I)</b> High Medium Low	<b>Change in Risk Score</b>
<b>Leisure Services – Leisure Investment Programme</b> <b>(Place/ Authority wide)</b>		4	5	20 High	↔ No Change
<b>Corporate Priorities</b>	Reducing Health Inequalities / Addressing our climate crisis				
<b>Existing Controls and Risk Mitigation</b>	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. Subsequent Executive budget monitoring reports have increased this budget to £56.2m to include for grant funding of £1.3m from Sport England and £2.8m funding relating to the Public Sector Decarbonisation Scheme (PSDS), both relating to Altrincham Leisure Centre. Following the completion of RIBA stage 4 in March 2023, the capital refurbishment budget for Altrincham excluding grant funded PSDS is £20m and in line with the budget agreed by the Executive.				



	<p>The revenue budget approved by Council in February 2022 included support to Trafford Leisure (CIC) of £1.1m for a full range of leisure provision for 2022/23 and over the medium term. This includes an ongoing annual revenue budget of £700k supported by use of reserves accumulated from prior years. This also includes the identification and funding of revenue costs to support business disruption during the leisure centre refurbishment programme. Due to increases in interest rates, affecting the cost of borrowing related to the redevelopment schemes, it is likely that additional subsidy from the Council will be required in future years. To mitigate this risk the Council is working with Trafford Leisure on an ongoing basis to reduce this subsidisation, which has seen the forecasted subsidisation of 22/23 reduced from £1.2m to a final deficit position of £325k. This is a reduction in the forecasted deficit of £865k.</p> <p>To further mitigate this risk, the Council is working to reduce the ongoing subsidisation of Trafford Leisure through developing a revised operating agreement that will ensure the necessary governance and reporting mechanisms are in place including, legal and financial agreements, property leases and service standards. Service outcomes will be aligned to the wider strategic objectives of the Council.</p>
<p><b>Update (October 2023)</b> (Recent actions, performance updates, developments, emerging issues etc).</p>	<p>Sport England (SE) have confirmed £1.3m of grant funds. In October 2023 SE were approached for a further £300k to improve additional out of scope items including reverberation issues at Altrincham Leisure Centre.</p> <p>The Department for Levelling Up has confirmed £18.3m of grant funding to support the refurbishment of Partington Sports Village.</p> <p>In October the Council were successful in another grant award. This was a total of £263k from the government's Swimming Pools Fund (phase 1 revenue), which will support the in-year position.</p> <p>A phase 2 application has now been submitted in support of capital costs associated with swimming pools at Sale, Stretford and Urmston.</p> <p>PSDS applications for Leisure sites including Stretford and Partington have also been submitted to support the Council's investment and carbon reduction savings and outcomes.</p> <p>A successful planning application was received for the proposal to place an additional 3G football pitch on Partington Sports Village. This has further been supported by final approval from the Football Foundations Board of Trustees for the grant. This is a grant award of £800k towards the total project cost of £1.04m. The 3G pitch will support the health and wellbeing outcomes for the locality and provide an additional revenue for Trafford Leisure. The delivery of this scheme is ahead of schedule and due for completion.</p> <p>In February 2023, the Council executive approved Stretford Leisure Centre to follow Altrincham Leisure centre in the phasing of the leisure investment programme, and that it progresses to the next stage of pre-construction (public consultation and RIBA stage 3). Full project budget is £20m. Work on the revised business case is currently in play to include a design on budget that doesn't materially impact on the business plan and ability to repay the borrowing</p>

	<p>costs. Options have been worked up that consider the cost and impact on design and business case depending on the outcome of the pending PSDS application. We aim to have a business case ready for decision by November.</p> <p>Work to progress the revised Operating Agreement between Trafford Leisure and the council is ongoing with engagement of TL board.</p>				
<b>Further Actions Required / Planned</b>	<p>The council has agreed on a deficit position for Trafford Leisure in 23/24 and this includes an agreement on Pay Award to support the attainment of Trafford Leisure as a Real Living Wage employer.</p> <p>A key risk across the investment period has been the financial impact on Trafford Leisure and the ability to maintain business continuity of service provision during the works through a robust displacement programme. With phasing on the Leisure Investment programme now confirmed and using the 23/24 agreed budget position, an independent Leisure Consultant (Max Associates) will be conducting a 5-year business plan across the leisure estate. This will help provide assumptions on the subsidy required over this period.</p>				
<b>Risk Number 6</b>		<b>Likelihood (L)</b>	<b>Impact (I)</b>	<b>Risk Score (L x I)</b> High Medium Low	<b>Change in Risk Score</b>
<b>Economic Uncertainty (Place / Authority-wide)</b>		4	4	16 High	↔ No Change
<b>Corporate Priorities</b>	All				
<b>Existing Controls and Risk Mitigation</b>	<p>The Council has developed three new Corporate Priorities and as such there has been a requirement to amend the Inclusive Economy and Recovery Plan to reflect the new Corporate Priorities. The new Plan, the Inclusive Economy Delivery Plan, (considered and agreed by the Executive on the 20 February 2023) maintains the Council's commitment to support businesses to grow and for communities to develop and become resilient. The new Plan has a strong focus on addressing the causes and effects of poverty on residents and seeks to strengthen support for the VCFSE Sector in their support for the most vulnerable residents. As part of supporting businesses within the borough, a successful bid was made under the UK Shared Prosperity Fund Communities and Place Intervention theme which seeks finance to carry out a range of projects across Trafford.</p> <p>As part of the Council's support for businesses, a key focus of activity will be updating the Council's Invest in Trafford website to provide guidance and information to businesses on adapting to new ways of working through Brexit transition with a particular focus on attracting inward investment and exports. As part of the preparedness funding received from Government to help mitigate the effects of Brexit, a series of activities have been identified to spend</p>				

	remaining Brexit finances which will help ensure that businesses and communities in Trafford benefit from any new opportunities that are presented.			
<b>Update (October 2023)</b> (Recent actions, performance updates, developments, emerging issues etc).	The Council has been awarded c£1.8m of Shared Prosperity Fund monies over the next two years to deliver against activity identified in Trafford's Communities and Place Investment Plan, delivering a range of projects to support businesses and communities. This complements the Inclusive Economy Delivery Plan which is monitored on a monthly basis.			
<b>Further Actions Required / Planned</b>	Delivering against the actions contained within the Inclusive Economy Delivery Plan will be a key focus over the next two years and the successful delivery against the Plan's actions will be key in mitigating the risks around economic uncertainty.  The Plan is a 'live' document and may be amended over time as circumstances changes and new issues arise.			
<b>Risk Number 7</b>	<b>Likelihood (L)</b>	<b>Impact (I)</b>	<b>Risk Score (L x I)</b>  High Medium Low	<b>Change in Risk Score</b>
<b>Impact of Statutory Inspections (Authority-wide)</b>  Ofsted have conducted Inspections of Local Authority Children Services since 2018 using an agreed framework which is now well established. Local Authority Adult Social Care Departments will be subject to an inspection regime from the Care Quality Commission (CQC) commencing from December 2023, using a newly developed framework. It is also proposed that Integrated Care Systems will be subject to CQC inspection under the 2022 Health and Care Act with each Integrated Care Board (ICB) being reviewed to consider how health and social care work together. This is not yet in place but may come on stream during 2024/5 – a draft framework has been issued by the CQC.  In addition Area SEND inspections for Local Areas (in respect of children and young people with Special educational Needs and Disability including Alternative Provision for education) were introduced in April. This replaced the previous SEND inspection framework and is a partnership inspection conducted by CQC and Ofsted and is an inspection of education, health and care systems.  Although these inspections are carried out independently of each other, there is natural overlap between. Should the outcome of a statutory inspection deem a service to be rated inadequate, then it	3	5	15 Medium	↔ No Change

<p>can have significant reputational risk for the Council (and health partners). It will also have significant financial impact on the Council's Medium Term Financial Plan if additional resources are required to rectify areas identified as requiring immediate improvement by the inspection regime.</p> <p>Ultimately, if the inspections identify systemic failings in service delivery and practice, then the Government has, in certain circumstances, powers to mandate that appointed Commissioners are sent into the Council to directly oversee the functions identified as being inadequate.</p>				
<b>Corporate Priorities</b>	All			
<b>Existing Controls and Risk Mitigation</b>	<ul style="list-style-type: none"> <li>• Significant experience of the Ofsted and SEND inspection framework in Children and Young People Services. Systems and processes in place to embed service improvement and management of inspection processes,</li> <li>• Governance in place to ensure activity takes place to demonstrate compliance and continuous improvement in all areas of Children's services.</li> <li>• Children's Services have been inspected and are no longer judged to be Inadequate.</li> <li>• A partnership SEND Ambitions plan has been co-produced and reflects the system wide improvement activity and is inclusive of strengthened wide system governance including health arrangements.</li> <li>• Adult Social Care have carried out a self-assessment against the proposed CQC framework. A Quality Lead has been appointed to oversee the CQC inspection readiness activity linked to existing continuous improvement programme – Improving Lives Every day. An additional staff member has also been seconded into the Quality team to conduct case file audits, working closely with the Quality Lead and Principal Social Worker.</li> <li>• The risks will be monitored and covered in future budget setting and monitoring reports.</li> </ul>			
<b>Update (October 2023)</b> (Recent actions, performance updates, developments, emerging issues etc).	<p>In advance of the formal CQC inspection the adult social care service completed a peer challenge review in September 2023 from the LGA to test the robustness and accuracy of the self-assessment. The outcome of the review has been shared through a draft report and will be used to develop an action plan for any areas requiring improvement in advance of the formal CQC inspection.</p> <p>Trafford Local Area SEND inspection took place 2<sup>nd</sup> – 20<sup>th</sup> October 2023 and the letter will be published 8<sup>th</sup> December 2023. Our SEND Ambitions Plan is being reviewed following the inspection to ensure the findings of the inspection are responded to on a system wide basis.</p>			
<b>Further Actions Required / Planned</b>	See above.			

Risk Number 8		Likelihood (L)	Impact (I)	Risk Score (L x I) High Medium Low	Change in Risk Score
Breach of health and safety legislation leading to prosecution under the Corporate Manslaughter Act and other Health and Safety Regulations.		3	5	15 Medium	↔ No Change
<b>(Strategy and Resources / Finance and Governance)</b>					
Corporate Priorities	All				
Existing Controls and Risk Mitigation	<ul style="list-style-type: none"> <li>• Corporate Health and Safety Management System in place</li> <li>• Corporate Health and Safety Policy and guidance</li> <li>• ‘Your Safety, Your Wellbeing’ health and safety initiative in place to support effective health and safety management.</li> <li>• Six month and annual report to CLT/ JCP and Council. Quarterly JCC reports</li> <li>• Health and Safety Improvement Plan reviewed annually</li> <li>• Robust incident monitoring and investigation</li> <li>• Competent HSU advisory service</li> <li>• Proactive services and school audit programme</li> <li>• Specialist fire safety and moving and handling support in place.</li> <li>• Ongoing programme of staff training</li> <li>• Monitoring arrangements for contractors including the One Trafford Partnership</li> <li>• Delivery of employee health and wellbeing</li> </ul>				

<p><b>Update (October 2023)</b> (Recent actions, performance updates, developments, emerging issues etc).</p>	<ul style="list-style-type: none"> <li>The Trafford Internal Security Review Group has completed an assessment (including incident data analysis) of physical security measure improvements at Trafford Town Hall and Sale Waterside. A report made recommendations for a number of physical improvements at both locations which have now been agreed. The programme of works includes improvements at TTH Multistorey car park, TTH Reception turnstiles, TTH Staff entrance, Sale Waterside reception desk, interview rooms at both sites, improved CCTV provision at both sites and access pass system upgrades.</li> <li>The Schools Capital Team have coordinated extensive surveys of the potential presence of RAAC (Reinforced Autoclaved Aerated Concrete) in schools where the Council is the responsible body with programmes of investigation in 2019, 2021 and recently in 2023 following the DfE communications. No schools, where Trafford is the responsible body for the school building, have been identified with confirmed or suspected RAAC.</li> </ul>				
<p><b>Further Actions Required / Planned</b></p>	<ul style="list-style-type: none"> <li>Continued delivery of the schools' health and safety SLA audit programme and service audits as prioritised under the 'Your Safety, Your Wellbeing' initiative.</li> <li>Delivery of the programme of security physical improvements works at TTH and Sale Waterside as highlighted through the Trafford Internal Security Review Group</li> </ul>				
<p><b>Risk Number 9</b></p>		<p>Likelihood (L)</p>	<p>Impact (I)</p>	<p>Risk Score (L x I)</p> <p>High Medium Low</p>	<p>Change in Risk Score</p>
<p>The Council does not fulfil its statutory duties and all accompanying policy requirements in terms of identifying and safeguarding vulnerable children.</p> <p>(Children's Services / Children's Services)</p>		<p>3</p>	<p>5</p>	<p>15 Medium</p>	<p>↔ No Change</p>
<p><b>Corporate Priorities</b></p>	<p>Reducing health inequalities / Supporting people out of poverty</p>				

<b>Existing Controls and Risk Mitigation</b>	<p>Ambitions for Children Board and Ambitions Plan</p> <p>Chief Executive and Lead Member Assurance Meetings in place</p> <p>TSSP Governance strengthened.</p> <p>Policy, Procedures and Guidance in Place</p> <p>Performance Management, Quality Assurance &amp; Supervision Framework in place</p> <p>Investing in Our People Strategy developed and continually reviewed.</p> <p>Organisational Development Programme in relation to Social Work Practice and Oversight in place.</p>
<b>Update (October 2023)</b> (Recent actions, performance updates, developments, emerging issues etc).	<p>The OFSTED ILAC inspection over 3 weeks in November and December 2022 across the range of Early Help &amp; Children' Social Care services judged that the service was no longer Inadequate. This was published in January 2023. The report highlights many areas of good and improving practice. However, there were 6 specific recommendations. An Action Plan highlighting how we are progressing these recommendations was submitted to OSFETD on 12<sup>th</sup> May 2023. This has been updated in October 2023.</p> <p>In February 2023 the Improvement Notice was lifted as a result Trafford are no longer subject to statutory intervention although our year of support continues.</p> <p>The Improvement Board has been replaced by an Ambitions for Children Board which is chaired by Leader of the Council. This Board has now met on 2 occasions. A refresh of the Ambitions Plan has been undertaken alongside the Performance Scorecard which incorporates the areas highlighted during the inspection.</p> <p>A Quality Assurance framework is in place which brings together a focus on performance, identifies trends and patterns which is then supported by the implementation of the workforce development strategy. This is underpinned by Directorate and Service Plans that brings a focus on improving quality of practice, performance and engagement with stakeholders.</p>
<b>Further Actions Required / Planned</b>	<p>Ambitions for Children Board first meeting to take place.</p> <p>Specific Improvement Plans have been developed to cover the issues raised in the OFSTED Inspection which are relevant to safeguarding, assurance meetings are being established to ensure continued focus and line of sight.</p> <ul style="list-style-type: none"> <li>• Quality of Out of Hours provision (Emergency Duty Team) – Stockport have been commissioned to undertake a Peer Review and Options Appraisal for this service which has commenced.</li> <li>• Support to homeless 16/17-year-olds – DULUC re-visit planned for November 2023</li> <li>• Supervision</li> </ul>

Risk Number 10		Likelihood (L)	Impact (I)	Risk Score (L x I) High Medium Low	Change in Risk Score
<p>A successful Cyber Security Attack could lead to sensitive data being compromised, denial of access to the Council's computing services or severe degradation or loss of control of those services.</p> <p>(Finance &amp; Systems / Finance and Governance)</p>		3	5	15 Medium	↔ No Change
Corporate Priorities	All				
Existing Controls and Risk Mitigation	<ul style="list-style-type: none"> <li>The Council has partnered with an experienced security provider (The Networking People (TNP)) who provide consultation, strategy, and technical steer on all aspects of ICT Security. TNP have detailed processes for data security which are accredited to ISO27001. Their Information Security Management System (ISMS) is audited annually to ensure continuing compliance.</li> <li>The Council continues to maintain its compliance to data and cyber security frameworks such as the Payment Card Industry (PCI) Framework and the Data Security and Protection Toolkit.</li> <li>All Desktop Services are now running Windows 10 which is locked down to a Trafford standard build to avoid further deployment of non-standard software.</li> <li>Encryption defence is installed on all devices.</li> <li>Use of memory sticks and external devices is restricted, and any device will be encrypted.</li> <li>Enforcement of an Acceptable Use Policy across the Council.</li> <li>The Council continues to maintain the best practices set out by Central Government and keeps abreast of current Security trends via 3<sup>rd</sup> party consultancy and membership of external bodies e.g., Northwest Warning, Advice and Reporting Point (WARP).</li> <li>The Council has partnered with an external company to provide online mandatory training courses that all staff must take and pass within a given time frame. These courses include but are not limited to: Data Protection Act 1998; Fraud Awareness; Freedom of Information Act 2000 &amp; Information Security.</li> <li>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.</li> <li>IT Managers have attended the National Cyber Security Centre / iNetwork Cyber Resilience Training Programme.</li> <li>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.</li> </ul>				



	<ul style="list-style-type: none"> <li>• The IT &amp; 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 in the final stages of implementation with the majority of the Council's data now being backed up via the cloud solution.</li> <li>• 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 upgrading, replacing, or decommissioning unsupported applications but this will be an ongoing activity.</li> <li>• Creation of an internal Cyber Security Team and recruitment to the two posts was completed in December 2022.</li> </ul>
<p><b>Update (October 2023)</b> (Recent actions, performance updates, developments, emerging issues etc).</p>	<p>An up-to-date Unsupported Software Register has been created and the Cyber Security team have begun working with the other IT teams to identify, assess, and maintain software which carries the biggest risks regarding unsupported software.</p> <p>The newly acquired Vulnerability Management Solution has enabled the IT team to undertake high level vulnerability scanning on both network infrastructure and web applications. Server upgrades are underway based on recommended improvements and upgrades identified by the solution.</p> <p>Opportunities to improve the Council's e-mail security were identified by the Cyber Team and changes have been implemented that have improved the Council's E-mail status from "Medium Risk" to 'Well Configured'. This is an example of the continual improvements being made to the Council's Cyber Security posture now that the Cyber Team is in place.</p>
<p><b>Further Actions Required / Planned</b></p>	<p>The business case for investment in an Automated Policy and Compliance Manager solution is to be developed and considered.</p> <p>Investigations into Identity Access Management will be progressed focussed on our Microsoft Active Directory environment.</p> <p>Further progress will be made with implementing the Council's Security Information and Event Management (SIEM) tool on our incumbent product called FortiSiem. A second phase will transfer to the Microsoft Sentinel tool which will provide a more integrated solution.</p> <p>Windows Auto Patching is to be tested and a business case for implementation considered. Windows Auto Patching is a cloud service which automates the process of updating devices. The tool could potentially reduce the work needed to plan and implement Windows updates.</p>

	<p>A Cyber Security Awareness Month will be run during November 2023 throughout the Council. The campaign aims to educate staff and Councillors on the multitude of cyber risks to improve awareness and to instil best practice. Activities will be based on the biggest risks of Phishing; Ransomware; Social Engineering; and Mobile Security. Workshops are planned, content is being designed and formatted, and other methods of obtaining active engagement from users have been considered such as weekly quizzes.</p>				
<b>Risk Number 11</b>		<b>Likelihood (L)</b>	<b>Impact (I)</b>	<b>Risk Score (L x I)</b> High Medium Low	<b>Change in Risk Score</b>
<b>Asset Investment Strategy (Finance &amp; Systems / Finance and Governance).</b>		3	5	15 Medium	↔ No Change
<b>Corporate Priorities</b>	All				
<b>Existing Controls and Risk Mitigation</b>	<p>Approval of acquisitions and investments is made by the Investment Management Board following technical due diligence by external property advisors CBRE, supplemented by cost consultants, valuers and legal advice.</p> <p>Performance monitoring will be undertaken for all investments on a regular basis, looking at the current market conditions, tenant strength and also an annual valuation of the asset. Monitoring is reported to both the Executive and the Investment Management Board.</p> <p>Annual provision will be set aside from the rental income for repayment of debt, together with an element transferred to a risk reserve.</p> <p>In the event of an adverse movement in asset values then consideration will be given to make further charges to the revenue budget.</p> <p>Compliance with the Prudential Code and adherence to statutory guidance.</p> <p>The Council has three joint ventures with Bruntwood and governance arrangements have been developed for these. A Partnership Board exists with equal representation from the Council and JV partner. Cashflow and business plan information is also regularly reported to the Board. Information is also provided separately to the Council's Executive on the trading performance of each Company.</p>				

<p><b>Update (October 2023)</b> (Recent actions, performance updates, developments, emerging issues etc).</p>	<p>As part of the annual budget setting an updated Investment Strategy was approved by the Council in February 2023. This included a number of relatively minor amendments and maintained the key objective of the Strategy to support regeneration with a priority to in-borough projects.</p> <p>The most recent budget monitor reported to Executive in September 2023 reported an improvement to the current year net income which is now forecast at £5.9m (compared to a budget of £5.7m) with a total level of committed investments of £350m; this included a number of new investments that have been approved by the Investment Management Board in recent months.</p> <p>Security of the Council's investments remains the overriding priority and is why the Strategy focussed on lower-risk assets. The investment properties were acquired for longer term income stream stability and whilst this remains strong there are a small number of properties which are currently the subject to rent reviews in line with lease agreements. The post-Covid working environment, interest rate rises and economic uncertainty have combined to increase the risk environment for the Asset Investment Strategy over the last 12 months. The overall risk score remains currently unchanged given the existing controls but this could change.</p> <p>The income streams from the investment, with the Council's joint venture partner Bruntwood, in Stretford Town Centre is impacted by the town centre regeneration scheme and therefore borrowing costs related to the acquisition of the asset are being financed from the earmarked risk reserve and will be for a temporary period until the redevelopment is completed.</p>				
<p>Further Actions Required / Planned</p>	<p>To continue to review the impact the range of investments is having on the Council's cashflows and borrowing strategy, particularly in light of increases in the Council's borrowing rates from the PWLB over the latter part of 2022/23.</p> <p>To continue to review the risk position with regard to each investment asset in light of the wider economic environment.</p> <p>To continue to seek new opportunities to support further regeneration and to provide additional income to achieve budget targets.</p> <p>A number of potential investment opportunities are currently subject to due diligence and final approval for a number of schemes will be sought from Investment Management Board over the next few months.</p>				
<p><b>Risk Number 12</b></p>		<p>Likelihood (L)</p>	<p>Impact (I)</p>	<p>Risk Score (L x I)</p> <p>High Medium Low</p>	<p>Change in Risk Score</p>

<b>Loss / absence and retention of staff within the organisation. (Strategy and Resources / Finance and Governance).</b>		<b>3</b>	<b>5</b>	<b>15 Medium</b>	<b>↔ No Change</b>
<b>Corporate Priorities</b>	All				
<b>Existing Controls and Risk Mitigation</b>	<ul style="list-style-type: none"> <li>▪ People Strategy framed around employee journey and 4 pillars, Attract &amp; Recruit, Engage &amp; Sustain, Grow &amp; Develop and Sustain.</li> <li>▪ CLT Monthly Workforce Report.</li> <li>▪ HRBP continuous review of leadership structure and creation of new senior management roles and interim arrangements to ensure sufficient breadth of leadership capacity and succession.</li> <li>▪ Executive Search Framework in place.</li> <li>▪ Succession planning strategy implemented for business critical &amp; senior posts.</li> <li>▪ Strengthening of the senior leadership team- introduction of new Corporate and Directorate level posts to strengthen leadership capacity.</li> <li>▪ Opportunity for permanent recruitment for critical posts, with relocation available to ensure the widest candidate base.</li> <li>▪ Smart working styles and flexible working.</li> <li>▪ Recognition of high performers through various schemes (Cheers for Peers, EPIC Star &amp; Time to Shine Awards)</li> <li>▪ Access to SOLACE development programme for rising stars to aid succession planning and talent management.</li> <li>▪ Fully funded Leadership and management development/qualification available e.g. Operational Manager to MBA Level.</li> <li>▪ Health &amp; Well-being strategy in place.</li> <li>▪ ‘Your Safety, Your Wellbeing’, campaign launched to refocus on the steps we should all be taking to finish the working day, safe and well every day.</li> <li>▪ Robust wellbeing offer with tools support in place, which is a current review and refresh is being undertaken.</li> <li>▪ Support (OD) to design bespoke personal development plans for senior leaders identified at “risk” or potential for the future/ready for growth.</li> <li>▪ Coaching strategy &amp; offer in place to support personal and professional development with one to one development and wellbeing coaching available to senior managers alongside executive coaching.</li> <li>▪ b- Heard Engagement Survey and analysis of results at senior leadership level supports to identify areas of attention and focus.</li> <li>▪ Leaders Let’s Talk Sessions relaunched in face to face to support senior leadership engagement alongside annual leadership summit.</li> <li>▪ Performance Mgt framework in place (Check-in’s) supporting conversations around wellbeing, performance and career development.</li> </ul>				
<b>Update (October 2023) (Recent actions, performance updates,</b>	<ul style="list-style-type: none"> <li>▪ Refresh of the people strategy and engagement sessions (including senior managers) ongoing.</li> </ul>				

developments, emerging issues etc).	<ul style="list-style-type: none"> <li>▪ Development of a more formalised succession planning approach is to take place. With the aims of identifying a pool of talent along with development plans to step up into positions as required and adopts a proactive/planning approach.</li> <li>▪ HR toolkit Training for Managers is being developed focusing on supporting and developing training around some of the key policies e.g. attendance management, investigatory skills, Fixed term Contract Training.</li> <li>▪ Wellbeing (as identified in the b-heard 2022 survey for senior managers as an area of focus) was a key theme at October's Leadership Summit, and themes will be carried forward into the new leaders Let's Talk 2024 sessions.</li> <li>▪ Introduction of a new Level 7 Executive Leadership Programme (supported through the apprenticeship levy) with a Public and North-West Focus to support those wishing to Leap into executive leadership.</li> <li>▪ Mutual Aid (if required) and Succession Plans/Interviews in place for key roles that have been/soon to be vacated e.g. Emergency Planning Officer and Strategic Health and Safety Officer.</li> </ul>				
<b>Further Actions Required / Planned</b>	<ul style="list-style-type: none"> <li>▪ Pilot Cohort (Level 7 Executive leadership programme) to be planned once programme fully developed and dates confirmed.</li> <li>▪ Relaunch of People strategy, Planned late 2023/early2024.</li> <li>▪ Outline and deploy training to support succession and talent development at a senior level.</li> <li>▪ Framework &amp; approach developed and embedded (talent and succession) along with senior leadership development programme to support those identified as potential/ready for growth.</li> <li>▪ Actions developed and implemented from bespoke Senior Leadership b-Heard workshop.</li> <li>▪ Continued focus on wellbeing at Leaders Let's Talk Events 2024</li> </ul>				
<b>Risk Number 13</b>		<b>Likelihood(L)</b>	<b>Impact(I)</b>	<b>Risk Score (L x I)</b>  High Medium Low	<b>Change in Risk Score</b>
<b>Joint Venture partner fails to deliver services to the required standard or fails to deliver required efficiency savings.</b>		2	5	<b>10 Medium</b>	↓ <b>Decrease in Risk Score</b>
<b>(Place / Environment and Regulatory Services)</b>					
<b>Corporate Priorities</b>	All				
<b>Existing Controls and Risk Mitigation</b>	<ul style="list-style-type: none"> <li>• Contract commenced on 4<sup>th</sup> July 2015.</li> <li>• Task and Finish Working Group reported to Exec in Feb 2019.</li> <li>• Appraisal into future service delivery models conducted in July 2019</li> <li>• Review of all council governance on the contract has been undertaken.</li> <li>• Governance structure in place to oversee service delivery at a strategic and operational level.</li> <li>• Business Continuity Plan in place but is being reviewed to reflect current issues.</li> </ul>				

<b>Update (October 2023)</b> (Recent actions, performance updates, developments, emerging issues etc).	<ul style="list-style-type: none"> <li>• 7 year review of all contract services to improve systems, processes and communication within the contract – Update to Council presented September 23, met with support from all sides.</li> <li>• Uplift in performance noted as part of the 7 year Review particularly in waste.</li> <li>• Take over of Amey has lessened the risk of parent company changes. New management showing commitment to invest and commitment to the leader and senior officers.</li> <li>• Reviewed the work programme which includes service improvement plans, cyclical plans for all transactional services, health and safety risk assessments and methods of working. refresh of all business continuity plans to ensure services are maintained in the event of planned or unplanned events.</li> <li>• Reorganisation of Client team has been completed. This has strengthened resilience and knowledge base and increased capacity to deliver projects.</li> <li>• As part of 7 year review complete reorganisation by TUPE of recycling team back from Amey on June 1<sup>st</sup> 2023. Moved likelihood risk down to 2 from 3.</li> </ul>			
<b>Further Actions Required / Planned</b>	7 year Review to be finished with improved governance for the contract taking into account improved working relationship. Rebate mechanism to be finalised for Capital and legal agreement to be ratified by Christmas 2023.			
<b>Risk Number 14</b>	<b>Likelihood(L)</b>	<b>Impact(I)</b>	<b>Risk Score (L x I)</b>  <b>High</b> <b>Medium</b> <b>Low</b>	<b>Change in Risk Score</b>
<b>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)</b>	<b>3</b>	<b>3</b>	<b>9</b>	<b>↑ Risk Increased</b>
<b>Corporate Priorities</b>	All			
<b>Existing Controls and Risk Mitigation</b>	Corporate Business Continuity Plan and Policy in place, updated 2022. All services provided a Business Continuity Service Lead (BCSL) as a Single Point of Contact. BCSL's offered and received a one to one session to complete Business Impact Analyses (BIAs) and Business Continuity Plans (BCPs). CLT sighted on all work undertaken and have full agreement. Testing of plans undertaken, and recommendations shared with BCSL's. Business continuity shared portal established, and all plans and documents stored on a SharePoint.			

<p><b>Update (Oct 2023)</b> (Recent actions, performance updates, developments, emerging issues etc).</p>	<p>Service leads have been contacted in April in order to progress the 2023 update of the Business Impact assessments and Business Continuity Plans – as both need to be ‘living’ documents taking account of changes in circumstance and risk.</p> <p>The lessons of the ‘Mighty Oak Exercise’ on a national power outage need to be factored into this process. Services who were unable to complete BIAs and BCPs in 2022 have been approached to facilitate completion this year.</p> <p>In September 2023 the Emergency Planning Manager who has day to day oversight of Business Continuity left the Council. Whilst responsibility for Business Continuity rests with individual services, this lack of oversight inevitably increases the risk that procedures will not be completed in a timely fashion. Accordingly the risk score has been increased.</p>				
<p><b>Further Actions Required / Planned</b></p>	<p>Further consideration regards progressing action plan in respect of audit recommendations made.</p> <p>Annual review of all BIAs and BCPs will need to be completed and signed off by relevant senior officers.</p> <p>Interviews have taken place for a replacement Emergency Planning Manager – but a replacement officer is yet to be confirmed.</p>				
<p><b>Risk Number 15</b></p>		<p><b>Likelihood (L)</b></p>	<p><b>Impact (I)</b></p>	<p><b>Risk Score (L x I)</b>  High Medium Low</p>	<p><b>Change in Risk Score</b></p>
<p><b>Significant disruption as a consequence of health protection incidents and winter pressures (Authority-Wide)</b></p>		<p>2</p>	<p>4</p>	<p>8 Low</p>	<p>↔ No Change</p>
<p><b>Corporate Priorities</b></p>	<p>Reducing health inequalities</p>				
<p><b>Existing Controls and Risk Mitigation</b></p>	<p>We no longer have any dedicated resources to reduce the risk of Covid, or to respond to any outbreaks. However, by and large we are now seeing high levels of both acquired and natural immunity, and we are continuing to offer regular vaccination to high risk groups. We continue to support care homes and front line workers with infection prevention control measures, and in the absence of a new variant with high morbidity/mortality and high rates of vaccine escape, we are moving into endemic management.</p>				
<p><b>Update (October 2023)</b> (Recent actions, performance updates, developments, emerging issues etc).</p>	<p>Since the last update in February 2023, all dedicated resources for management of Covid-19 have been withdrawn.</p> <p>The risk score remains at low to medium, recognising the continued risk of new COVID variants and potential challenges next winter. Rates continue to fluctuate, although in the summer the risk of co-infection with co-circulating flu and other infections, reduces.</p>				

	<p>All project level risks have been reviewed, with residual risks assigned to appropriate owners. Business continuity plans have also been revised.</p> <p>New hybrid working practices have been established to support ways of working for our staff especially when feeling unwell or following a positive COVID test.</p>			
<b>Further Actions Required / Planned</b>	As predicted in February, with the reduction in dedicated resources along with the reduction in rates, the likelihood of a significant outbreak has reduced but the impact, should this occur, would be high.			
<b>Risk Number 16</b>	<b>Likelihood (L)</b>	<b>Impact (I)</b>	<b>Risk Score (L x I)</b> High Medium Low	<b>Change in Risk Score</b>
<b>Failure of the Adult Safeguarding Systems and Processes to prevent an adult at risk of abuse or neglect from being harmed or a failure of the council to adequately safeguard an adult at risk from neglect or abuse. (Adult Services / Adult Social Care)</b>	2	4	8 Low	↔ No Change
<b>Corporate Priorities</b>	Reducing health inequalities, Supporting people out of poverty			
<b>Existing Controls and Risk Mitigation</b>	<p>A range of mitigating controls have been put in place including:</p> <ul style="list-style-type: none"> <li>Establishing a Safeguarding Hub June 2021 to create one central point for all safeguarding referrals into Adult Social Care. The Safeguarding Hub also represents ASC at multi-agency meetings such as the Daily Risk Meeting, MARAC, MAPPA, and Prevent for consistency of approach.</li> <li>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.</li> <li>A devoted Adult Protection phoneline for members of the public to directly contact social care to raise safeguarding concerns.</li> </ul>			



	<ul style="list-style-type: none"> <li>• Daily Risk Meetings, for the optimum management of individual cases, takes place with ASC, GMP, Children Social Care, Mental Health, and Achieve (Drug &amp; Alcohol Service). This enhanced information sharing provides a multi-agency review of cases.</li> </ul>
<p><b>Update (October 2023)</b> (Recent actions, performance updates, developments, emerging issues etc).</p>	<p>ASC had a 5 day LGA Peer review September this year. Currently we have not received the full report, but we have been given a presentation with initial findings. A number of questions were raised by the peer review team relating to safeguarding operational practice in terms of the operational model and whether our current model is the best use of resources and adequately supports the safeguarding work in the locality teams. There is likely to be more detail on the peer review team's findings in the full report that is due mid November. However, given the questions raised ASC has put in a bid to LGA for 5 days consultancy in November/December to conduct a feasibility review of operational safeguarding. The review will look at quantitative and qualitative data to give an independent in depth review of our operational practice model.</p> <p><b>Strategic safeguarding</b> The new safeguarding adults board manager and board chair are both now in post. Work is underway to identify priority work in relation to strategic safeguarding to ensure a well-functioning safeguarding adults board.</p>
<p><b>Further Actions Required / Planned</b></p>	<p>Further actions may be identified for operational safeguarding following the LGA 5 day consultancy feasibility review.</p> <p>Actions will be identified for strategic safeguarding and a plan of work mapped out.</p>

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## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 23 November 2023  
**Report for:** Information  
**Report of:** Audit and Assurance Manager

### Report Title

**Audit and Assurance Report for the Period July to September 2023.**

### 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](mailto:mark.foster@trafford.gov.uk)

**Background Papers:** None

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**TRAFFORD**  
**COUNCIL**

# **Audit and Assurance Service Report July to September 2023**

**Date:** **November 2023**

## **1. Purpose of Report**

This report summarises the work of the Audit and Assurance Service between July 2023 and September 2023 and highlights progress against the 2023/24 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 2023/24.

## **2. Planned Assurance Work**

Key elements of the 2023/24 Work Plan, produced in March 2023, 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 2023**

Work in the quarter included progressing a number of financial systems audits in addition to issuing final reports for planned school audits.

A number of draft reports were produced covering a range of services and functions and details of subsequent final reports issued will be included in the next Audit and Assurance update. All audit opinion reports produced in the period are listed in Section 5 and other key areas of audit work undertaken referred to in Section 6.

## **4. Summary of Assurances July to September 2023**

There were 9 internal audit opinion reports produced in the period (4 final reports and 5 draft reports). (See Section 5 for a listing of reports issued and summary of findings).

In respect of the 4 final reports issued, "Substantial" or "Reasonable" levels of assurance were provided for all reviews (3 of which were Substantial and 1 Reasonable). Where any recommendations have been made, agreed action plans are in place to implement these.

## 5. Summary of Audit & Assurance Opinions Issued – July to September 2023

(See Appendix 2 for details of Audit opinion levels, report levels and report status)

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION R/AG -Date Issued	COMMENTS
<b>FINAL REPORTS ISSUED</b>		
<b>Level 1 Reports:</b>		
<b>Sale Waterside Arts Centre (Strategy and Resources) / (Leisure, Arts, Culture and Heritage)</b>	<b>Reasonable</b> (24/8/23)	It was reported that day-day operations are working as intended with adequate and effective administrative procedures in place. Agreed actions for development relate to strategic issues in terms of priorities to support cultural activity whilst considering revenue generation to improve financial resilience. As part of the recently approved Cultural Strategy, the building of relationships with strategic funding bodies was included with a view to identifying and bidding for external income/funding streams. The Centre has had success in attaining recent commercial sponsorships and is also considering the introduction of individual membership schemes.
<b>Springfield Primary School (Children's Services) /(Children &amp; Young People)</b>	<b>Substantial</b> (4/8/23)	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 couple of recommendations were made to enhance existing documented procedures in the school's financial procedures manual in relation to purchasing processes and the maintenance of the inventory.
<b>Broadheath Primary School (Children's Services) / (Children &amp; Young People)</b>	<b>Substantial</b> (25/9/23)	A good standard of governance and internal control arrangements were found to be in place. The school has a detailed financial procedures manual setting out its processes. A small number of recommendations were made which included ensuring up to date details of Governors' interests were included on the school website in accordance with DfE guidelines.
<b>Brentwood School (Children's Services) / Children and Young People)</b>	<b>Substantial</b> (29/9/23)	A good standard of governance and internal control arrangements were found to be in place. A key risk acknowledged by the school was in relation to future potential budget pressures which it is continuing to monitor. Staffing arrangements have been revised recently to ensure there are adequate resources to support financial management at the school.
<b>DRAFT REPORTS</b>		
<b>Level 4 Reports:</b>		
<b>Accounts Payable (Finance and Systems) / (Finance, Change and Governance)</b>		As at the end of September 2023, an initial draft report setting out findings from the review was produced, to be shared with the Service for discussion and agree management responses to be reflected in a final report.
<b>Purchase Cards (Finance and Systems / Finance, Change and Governance).</b>		As at the end of September 2023, an initial draft report setting out findings from the review was produced, to be shared with the Service for discussion and agree management responses to be reflected in a final report.
<b>Level 3 Reports:</b>		
<b>Children's Social Care Payments (Children's Services)</b>		An initial draft report setting out the findings from the review was shared with relevant service managers. A final report is due to be

/ (Children and Young People)	reported as part of the October to December Audit and Assurance update report.
<b><u>Level 2 Reports:</u></b>	
<b>Cleaning Services (Strategy and Resources) / (Finance, Change and Governance)</b>	A draft report setting out the findings from the review was shared with the Service. A final report is to be issued and is due to be reported as part of the October to December Audit and Assurance update report.
<b><u>Level 1 Reports:</u></b>	
<b>Oldfield Brow Primary School (Children's Services) / (Children and Young People)</b>	A draft report setting out findings from the review was shared with the Headteacher in September 2023. A final report is to be issued and is due to be reported as part of the October to December Audit and Assurance update report.

## **6. Other Audit and Assurance Work**

In addition to the progression of internal audit reviews, other work undertaken during the period has included the following:

- At the request of STAR Procurement Services, input to the review of their processes regards Risk Based Sourcing (outcomes and reporting from this work to be reflected in the next Audit and Assurance update).
- Continuing to support the National Fraud Initiative (an update on progress will be included in the next Audit and Assurance update with overall outcomes reflected in the Annual Head of Internal Audit Report 2023/24).
- Ongoing support to facilitate the review of the Council' strategic risk register (an update report is due to be provided to CLT and the Accounts and Audit Committee in November 2023).
- Issue of cyber security guidance to schools as part of the weekly Trafford schools ebulletin to assist schools in managing risks. This included providing links to guidance provided by the DfE, National Cyber Security Centre and Salford Council Internal Audit Services.

## **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 quarter, all 17 recommendations made have been accepted. For the year to date up to 30 September 2023, 30 of the 31 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**

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

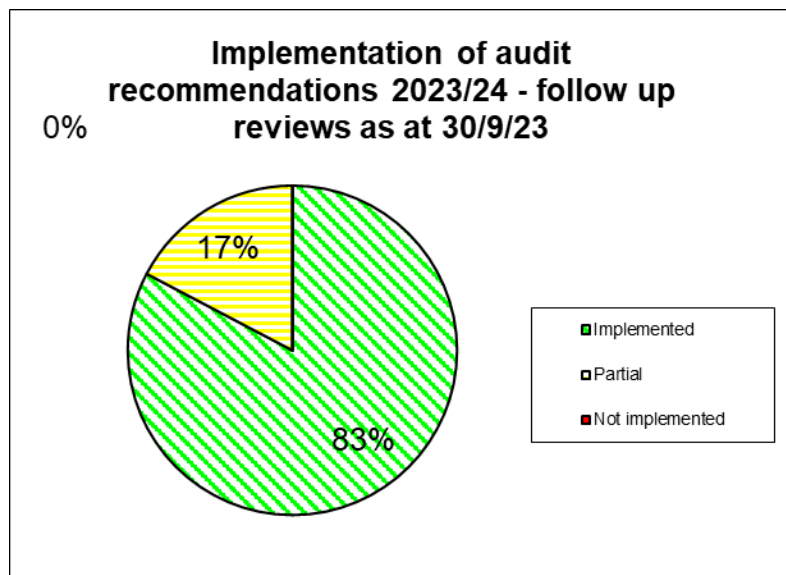
Draft reports for 2 audits which included follow up of previous recommendations were produced (See Section 5 – Accounts Payable and Purchase Cards). Details of progress made in implementing previous recommendations will be reported once the final reports have been issued and will be included in the next Audit and Assurance update for October to December 2023.

In respect of 2 school audits previously completed, the relevant schools were requested to provide an update on progress in implementing audit recommendations made. The following details were reported:



- St. Mary's CE Primary (Sale) - All of the 3 previous recommendations had been implemented.
- Stretford Grammar School - 8 of the 9 previous recommendations had been implemented with the remaining recommendation in progress.

An overall analysis of audit recommendations followed up in 2023/24 to date is shown on the following chart. This is based on follow ups during the first half of 2023/24 covering a total of 52 recommendations.



## **8. Performance against Audit & Assurance Annual Work Plan**

### **Progress to date:**

Appendix 1 shows a summary of work completed as at 30 September 2023 against planned in respect of the 2023/24 Operational Internal Audit Plan.

As part of the Internal Audit Plan, a target of 30 audit reports was set (comprising opinion reports, consultancy reports and grant sign-offs) to be completed in 2023/24 to final or draft stage. Based on progress to date, it is expected that this target is on track to be achieved - As at the end of the 1st half of the year, a total of 16 reports (53% of the annual target) had been produced to final or draft stage (11 final audit opinion reports and 5 draft audit opinion reports).

The next update on progress against the 2023/24 Internal Plan, including reports issued, will be included in an update for Quarter 3 which will be shared with the Accounts and Audit Committee in February 2023.

## **9. Planned Work for October to December 2023**

### **Areas of focus include :**

- Issue of final reports for audits in progress including Accounts Payable, Purchase Cards, Children's Social Care Payments, Cleaning Services, Safety at Sports Grounds and Oldfield Brow Primary School. Issue of draft report for audit of Adults' Social Care Payments. Progress other audit reviews as listed in Appendix 1.
- Complete grant certification work in respect of the 2022/23 Disabled Facilities Grant.
- In liaison with other services, continue to co-ordinate the review of data matches from the latest National Fraud Initiative exercise.
- As part on ongoing internal audit planning, in liaison with relevant Directorates, consider timing for some of the remaining reviews in the Internal Audit Plan that have not yet commenced.
- In liaison with CLT, report on a further update of the strategic risk register with an update report due to be shared with the Accounts and Audit Committee in November 2023.

**2023/24 Operational Plan: Planned against Actual Work (as at 30 September 2023)**

<b><u>Category</u></b>	<b><u>Planned work</u></b>	<b><u>Work completed (as at 30/9/23)</u></b>	<b><u>2023/24 IA Plan</u></b>
Financial Systems	<p>Completion of fundamental financial systems audit reviews</p> <p>Audit Opinion Reports planned to be issued include the following:</p> <ul style="list-style-type: none"> <li>- Treasury Management</li> <li>- Adult Social Care Payments</li> <li>- Children’s Social Care Payments</li> <li>- Business Rates</li> <li>- Accounts Receivable/Debt Recovery</li> <li>- Budgetary Control</li> <li>- Accounts Payable</li> <li>- Adult Direct Payments</li> </ul>	<ul style="list-style-type: none"> <li>-Final report issued 20/4/23</li> <li>-In progress</li> <li>-Draft findings shared</li> <li>-</li> <li>-</li> <li>-</li> <li>-Draft findings produced</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>-Completed</li> <li>-Draft report to be issued Q3</li> <li>-Final report to be issued Q3</li> <li>-Audit to commence Q3</li> <li>-Audit to commence Q3</li> <li>-Timing to be agreed</li> <li>-Final report to be issued Q3</li> <li>-Follow-up of previous report in Q4.</li> </ul>
Governance	<p>Corporate Governance / AGS – to liaise with Legal and Governance, including providing comment on processes supporting the AGS, and its content with reference to the CIPFA/SOLACE Governance framework and guidance.</p> <p>Advice / assurance in respect of governance issues and ongoing liaison with services to consider further audit reviews.</p>	<p>-Work to date has included liaising with Legal and Governance providing feedback on, and input to, the content of the Final AGS issued in September 2023.</p>	<p>-Support in planning AGS process for 2023/24. Other advice as required.</p>
Corporate Risk Management	<p>Facilitating, and reviewing the effectiveness of, the maintenance of the Council’s strategic risk register.</p> <p>Actions to support the Council’s Risk Management Strategy including provision of guidance, independent review of existing risk management arrangements and, where applicable, recommend areas for development.</p> <p>Audit Opinion Reports to be issued include the following:</p> <ul style="list-style-type: none"> <li>- Corporate health and safety (Strategy and Resources/Authority-Wide)</li> </ul>	<p>-Facilitated strategic risk update report presented to Accounts and Audit Committee in June 2023 and commenced further update in September 2023</p> <p>(See Service Advice/Project Support below re risk management guidance)</p> <ul style="list-style-type: none"> <li>- Final report issued 8/6/23</li> </ul>	<p>-Further strategic risk updates to the November 2023 and March 2024 Accounts and Audit Committee.</p> <p>-Completed</p>

	- <b>Business Continuity Follow-up review (Authority-wide)</b>	- In progress	-Follow-up update to be obtained by Q4
<b>Anti-Fraud and Corruption</b>	<p><b>Co-ordinate the Council's activity in respect of the National Fraud Initiative (NFI) in accordance with Cabinet Office requirements. Contributing to investigations of referred cases of suspected theft, fraud or corruption.</b></p> <p><b>Other work to support the Anti-Fraud and Corruption Strategy, including working with other relevant services to review existing strategy, policies and guidance.</b></p>	<p>-Ongoing progress in liaison with other services in relation to NFI and any associated investigation work.</p> <p>-</p>	<p>-Update on outcomes from NFI work and any associated investigations to be provided with Q3 Audit and Assurance update report.</p> <p>-Planned work to be confirmed by Q3.</p>
<b>Procurement / Contracts/ Value for money</b>	<p><b>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).</b></p> <p><b>Audit Opinion Reports to include:</b>  <b>STAR:</b></p> <ul style="list-style-type: none"> <li>- <b>STAR billing and income collection procedures (Lead Council – Tameside Council)</b></li> <li>- <b>Social Value (Lead: Trafford Council)</b></li> <li>- <b>Risk Based Sourcing (Lead: Trafford Council) *</b></li> </ul> <p><b>Other:</b></p> <ul style="list-style-type: none"> <li>- <b>Parking Enforcement</b></li> <li>- <b>Joint Ventures (Bruntwood)</b></li> </ul>	<p>-In progress</p> <p>-</p> <p>- Advisory report with draft findings shared with STAR</p> <p>-</p> <p>-</p>	<p>-Draft report to be issued Q3</p> <p>-Rescheduled to end of Q4 at request of Service.</p> <p>-Final advisory report issued in October 2023.</p> <p>-Rescheduled to 2024/25 at request of Service.</p> <p>-Audit Planning to commence in Q3</p>
<b>Information Governance / Information, Communications and Technology</b>	<p><b>ICT and Information governance audit reviews and advice.</b></p> <p><b>Planned audit coverage is subject to review. Currently planned:</b></p> <ul style="list-style-type: none"> <li>- <b>Post implementation review of the IT Service Management application, Freshservice.</b></li> <li>- <b>Other reviews to be added to plan later in 2023/24. (Also see below re Service Advice)</b></li> </ul>	<p>-In progress</p> <p>-</p>	<p>- Draft report to be issued Q3</p> <p>-To be agreed by Q4</p>

<p style="text-align: center;">Page 176</p>	<p><b>Schools</b></p> <p><b>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:</b>  <b>At least 10 school audits to be undertaken during the year (Children's Services). Audits include:</b></p> <ul style="list-style-type: none"> <li>- Brentwood</li> <li>- Broadheath Primary</li> <li>- Springfield Primary</li> <li>- Oldfield Brow Primary</li> <li>- Broomwood Primary</li> <li>- Lostock High School</li> <li>- St. Ann's RC Primary</li> <li>- Blessed Thomas Holford</li> <li>- Templemoor Infant</li> <li>- All Saints Catholic Primary</li> </ul> <p><b>Follow-up of progress for school audits completed in 2022/23:</b>  <b>Follow-up audit:</b>  <b>-Trafford Alternative Education</b></p> <p><b>Management updates to be received from 10 schools on progress made in implementing previous recommendations.</b></p>	<ul style="list-style-type: none"> <li>-Final report issued 29/9/23</li> <li>-Final report issued 25/9/23</li> <li>-Final report issued 4/8/23</li> <li>-Draft report shared</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> </ul> <p>-Final report issued 22/6/23</p> <p>-Follow-up progress updates completed for 6 schools to date (See Section 7 and previous Q1 update report)</p> <p>(Also see Service Advice/Project Support below)</p>	<p style="text-align: center;">..</p> <ul style="list-style-type: none"> <li>-Completed</li> <li>-Completed</li> <li>-Completed</li> <li>-Final report to be issued Q3</li> <li>-Audit to commence Q3</li> <li>-Audit to commence Q3</li> <li>-Audit to commence Q3</li> <li>-Audit to commence Q3</li> <li>-Audit to commence Q4</li> <li>-Audit to commence Q4</li> </ul> <p>-Completed</p> <p>-Updates to be received from 4 other schools in Q3&amp;Q4.</p>
<p><b>Assurance – Other Strategic and Service Risks</b></p>	<p><b>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.</b></p> <p><b>Audit opinion reports to include the following:</b></p> <ul style="list-style-type: none"> <li>- Supporting Families (Children's Services)</li> <li>- Home to School Transport (Children's Services)</li> <li>- Adult Safeguarding (Adult Services)</li> <li>- Deprivation of Liberty Safeguards (Adult Services)</li> <li>- Safety at Sports Grounds (Place)</li> </ul>	<ul style="list-style-type: none"> <li>-Final report issued 28/4/23</li> <li>-</li> <li>-</li> <li>-</li> <li>-In progress</li> </ul>	<ul style="list-style-type: none"> <li>-Completed</li> <li>-Timing to be agreed</li> <li>-Timing to be agreed</li> <li>-Timing to be agreed</li> <li>-Draft report issued Q3</li> </ul>

	<ul style="list-style-type: none"> <li>- Outdoor Advertising (Place)</li> <li>- Let Estates (Place)</li> <li>- Building Control (Place)</li> <li>- Housing Standards (Place)</li> <li>- Tree Unit (Place)</li> <li>- Licensing (Place)</li> <li>- Sale Waterside Arts Centre (Strategy and Resources)</li> <li>- Bereavement Services (Strategy and Resources)</li> <li>- Cleaning Services (Strategy and Resources)</li> <li>- Schools' Catering (Strategy and Resources)</li> <li>- Blue Badges (Strategy and Resources)</li> <li>- Recruitment Services (Strategy and Resources)</li> </ul> <p>Other reviews planned to commence by the end of Q4 2023/24 with reports to be issued in 2024/25:</p> <ul style="list-style-type: none"> <li>- School Places/Admissions (Children's Services)</li> <li>- Hayeswater Contact Centre (Children's Services)</li> <li>- Section 106 / Community Infrastructure Levy (Place)</li> </ul>	<ul style="list-style-type: none"> <li>-Final report issued 25/5/23</li> <li>-Final report issued 13/4/23</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> <li>-Final report issued 24/8/23</li> <li>-Final report issued 17/5/23</li> <li>-Draft findings shared</li> <li>-</li> <li>-</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>-Completed</li> <li>-Completed</li> <li>-Timing to be agreed</li> <li>-Timing to be agreed</li> <li>-Timing to be agreed</li> <li>-Timing to be agreed</li> <li>-Completed</li> <li>-Completed</li> <li>-Final report to be issued Q3</li> <li>-Audit to commence Q4</li> <li>-Audit to commence Q4</li> <li>-Audit to commence Q4</li> </ul>
<p>Grant Claims checks / Data Quality</p> <p style="text-align: center;">177</p>	<p>Internal audit checks of grant claims / statutory returns and other checks as required.</p> <p>Audit and Assurance to be advised through the year of grant claims, review work and other returns to be checked/signed off. To include:</p> <ul style="list-style-type: none"> <li>- Disabled Facilities Grant</li> <li>- Other</li> </ul>	<ul style="list-style-type: none"> <li>-In progress</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>-Grant check/sign off completed Oct 2023.</li> <li>-To be advised of other returns during 2023/24.</li> </ul>
<p>Service Advice / Project Support</p>	<p>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.</p>	<p>Work undertaken up to 30/9/23:</p> <ul style="list-style-type: none"> <li>-Cyber Security guidance issued to schools through the Trafford school's weekly newsletter in July 2023.</li> <li>-Risk management guidance updated on intranet in April 2023 to reflect updates to the strategic risk register reporting format.</li> </ul>	<ul style="list-style-type: none"> <li>-Completed</li> <li>-Completed</li> </ul>

## APPENDIX 2

### POINTS OF INFORMATION TO SUPPORT THE REPORT:

#### Audit Opinion Levels (RAG reporting) :

##### Opinion – General Audits

**Substantial Assurance**

**Reasonable Assurance**

**Limited Assurance**

**Low or No Assurance**

**Green**

**Green**

**Amber**

**Red**

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

#### Report Status:

##### Draft reports:

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

##### Final reports:

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

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#### Breadth of coverage of review (Levels 1 to 4)

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

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

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 23 November 2023  
**Report for:** Information  
**Report of:** Audit and Assurance Manager

### Report Title

**Accounts and Audit Committee – Work Programme – 2023/24**

### Summary

**This report sets out the work plan for the Committee for the 2023/24 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 2023/24 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](mailto: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
21 June 2023	Agree Committee's Work Programme and consider training in 2023/24					
	- 2022/23 Head of Internal Audit Annual Report -External Assessment of Internal Audit	- External Audit Progress Report	- Strategic Risk Register Report	- 2022/23 Draft Annual Governance Statement - Accounts and Audit Committee 2022/23 Annual Report to Council		-2022/23 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn Reports
27 September 2023	Training briefing – Understanding the Prudential Indicators.					
180	- Internal Audit Monitoring Report (Q1 2023/24)	- 2021/22 Audit Completion Report	- Strategic risk update: School Places.	- 2022/23 Annual Governance Statement	- Counter Fraud Team Update Report	-Annual Statement of Accounts 2021/22 -Treasury Management update (Annual Performance Report 2022/23) - 2023/24 Budget Monitoring, project updates and Prudential Indicator Reports (Period 4)



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
23 November 2023	- Internal Audit Monitoring Report (Q2 2023/24)	- 2021/22 Auditor's Annual Report	- Strategic Risk Register Report.  (See Financial Management – Insurance Performance 2022/23)			- Treasury Management : 2023/24 Mid-Year Performance Report - 2022/23 Insurance Performance Report -Financial Management Code Update - 2023/24 Budget Monitoring, project updates and Prudential Indicator Reports, Period 6 (This report to be circulated to Members after the meeting)

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
7 February 2024	- Internal Audit Monitoring Report (Q3 2023/24)	-Audit Strategy Memorandum 2022/23	- Strategic risk update: Cyber Security		(Anti-Fraud and Corruption update, within Internal Audit monitoring report)	- Update: Annual Statement of Accounts 2022/23 - Treasury Management Strategy - 2023/24 Budget Monitoring, project updates and Prudential Indicator Reports (Period 8) - Procurement update (STAR)
19 March 2024	- 2024/25 Internal Audit Plan - Internal Audit Charter and Strategy	- External Audit Progress Report	- Strategic Risk Register Report - Strategic risk update: Climate change (to be confirmed)	- Report on arrangements for 2023/24 Annual Governance Statement		- 2023/24 Budget Monitoring, project updates and Prudential Indicator Reports (Period10) -Accounting Policies

**Accounts and Audit Committee Training / briefing sessions**

Further sessions in 2023/24 to include:

- Treasury Management (Session to be arranged ahead of the February 2023 Committee meeting)
- Further briefings alongside future Budget Monitor reports to be agreed.  
(Feb 2024 when the P8 Budget Monitor is presented – Suggestions include Reserves, Major Investments and School Budgets/Dedicated Schools Grant)
- 2022/23 Financial Outturn / Statement of Accounts (date tbc)

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