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TRAFFORD COUNCIL

AGENDA PAPERS FOR ACCOUNTS AND AUDIT COMMITTEE

Date: Thursday, 27 June 2013

Time: 6.30 p.m.

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

AGENDA	PART I	Pages
1. ATTENDANCES		
To note attendances, including Officers and any apologies for absence.		
2. MEMBERSHIP OF THE COMMITTEE 2013/14, INCLUDING CHAIRMAN, VICE-CHAIRMAN AND OPPOSITION SPOKESPERSON		
To note the Membership of the Committee for the 2013/14 Municipal Year, as appointed at the Annual Meeting of the Council held on 22 May 2013, namely:		
Councillors Baugh, Boyes, Brotherton (Opposition Spokesperson), Mrs. Evans (Vice-Chairman), Myers, Ross and Whetton (Chairman).		
3. TERMS OF REFERENCE		
To note the Committee's Terms of Reference as agreed at the Annual Meeting of the Council held on 22 May 2013.		1 - 4
4. MINUTES		
To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 20 March 2013.		5 - 8

5. PRE-AUDITED ACCOUNTS 2013

To consider the following reports of the Executive Member for Finance and the Director of Finance:

- | | | |
|-----|--|-----------|
| (a) | Accounts 2013 - Statutory Financial Accounts for the Year 2012/13 (Pre-Audit) | To Follow |
| (b) | Revenue Budget Monitoring 2012/13 - Period 12 Pre-Audit Outturn (April 2012 to March 2013 Inclusive): <i>Report to the Executive on 24 June 2013</i> | 9 - 60 |
| (c) | Capital Investment Programme 2012/13 Outturn: <i>Report to the Executive on 24 June 2013</i> | 61 - 72 |

6. TREASURY MANAGEMENT ANNUAL PERFORMANCE 2012/13 REPORT

To consider a joint report of the Executive Member for Finance and the Director of Finance.

73 - 84

7. INSURANCE REPORT 2012/13

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

To Follow

8. AUDIT COMMITTEE UPDATE

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

To Follow

9. ANNUAL INTERNAL AUDIT REPORT 2012/13

To note a report of the Audit and Assurance Manager.

85 - 122

10. 2012/13 DRAFT ANNUAL GOVERNANCE STATEMENT

To consider a report of the Audit and Assurance Manager.

To Follow

11. ACCOUNTS AND AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL 2012/13

To receive a report from the Chairman and Vice-Chairman of the Committee.

123 - 140

12. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2013/14

To consider a report of the Audit and Assurance Manager.

141 - 144

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.

THERESA GRANT
Chief Executive

Membership of the Committee

Councillors M. Whetton (Chairman), Mrs. L. Evans (Vice-Chairman), J. Baugh, C. Boyes, B Brotherton, P. Myers and T. Ross

Further Information

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

Ian Cockill, Democratic Services Officer
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This agenda was issued on **Tuesday, 18 June 2013** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH

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ACCOUNTS AND AUDIT COMMITTEE

Statement of Purpose

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

Composition

Membership of the Audit and Accounts Committee shall comprise 7 Members, be politically balanced and shall not include any Members of the Executive. A non voting member, with appropriate skills and experience, may be co-opted on to the Committee with the approval of the Council.

Terms of Reference

Internal and External Audit

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

Risk Management

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

Internal Control Arrangements, Corporate Governance and the Annual Governance Statement

- a) Review the effectiveness of corporate governance arrangements and internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.
- b) Conduct a critical review of the proposed Annual Governance Statement (AGS), the procedures followed in its completion and supporting documentation in order to consider:
 - o how meaningful the AGS is;
 - o the robustness of the evidence and assurances on which the AGS is based; and
 - o whether the AGS discloses adequately the organisations actions for addressing any significant internal control weaknesses disclosed within the statement.
- c) Make recommendations for amendment of the AGS and the associated procedures.

Anti - Fraud and Corruption Arrangements

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

Accounts

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

Access and Reporting

- a) To have the right of access to senior officers and all committees of the Council.
- b) To report directly to the Executive or Council, as appropriate, on matters within these terms of reference.

Delegation

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

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ACCOUNTS AND AUDIT COMMITTEE

20 MARCH 2013

PRESENT

Councillor M. Whetton (in the Chair).

Councillors Mrs. L. Evans (Vice-Chairman), J. Baugh, C. Boyes, B Brotherton, P. Lally and T. Ross.

In attendance

Director of Finance (Mr. I. Duncan),
Head of Partnerships and Performance (Ms. J. Stephenson),
Head of Workforce and Core Strategy (Ms. L. Hooley),
Audit and Assurance Manager (Mr. M. Foster),
Principal Audit and Assurance Team Leader (Mr. J. Miller),
Democratic Services Officer (Mr. I. Cockill).

Also in attendance: Mr. M. Waite, Grant Thornton UK LLP.

38. MINUTES

RESOLVED: That the Minutes of the meeting held on 5 February 2013 be approved as a correct record and signed by the Chairman.

39. PARTNERSHIP WORKING

The Committee received a presentation from the Head of Performance and Partnerships providing an overview of the Trafford Partnership since the Comprehensive Area Assessment in 2009. The presentation provided Members with a number of case studies to showcase Partnership activity and to demonstrate how, working with other local organisations, the Council had created the conditions for success. The Committee was also informed that Trafford Partnership had recently been awarded the 'Public Sector Partnership' award for 2013 by the Local Government Chronicle.

The Committee recognised that there was a need to increase awareness of the Partnership's structure and its accountability, particularly locality boards and noted that it was an issue the service was hoping to explore with Members and work upon to improve. In general, Member engagement was an issue for the Committee as Members sought to identify the ways in which they could get involved.

RESOLVED: That the accomplishments of Trafford Partnership be noted and that the Head of Performance and Partnerships be thanked for an informative presentation.

40. ANNUAL GOVERNANCE STATEMENT 2011/12 - GOVERNANCE ISSUE UPDATE: WORKFORCE PLANNING

Further to the control issues identified in the 2011/12 Annual Governance Statement, the Director of Human Resources submitted a progress report in

delivering improvements and continuing to develop the agenda around workforce planning, leadership, management and workforce development.

The Committee sought clarification over the reporting arrangements for the Employee Survey and the results compared to the previous survey. The Head of Workforce and Core Strategy reported that workshops would help to verify issues identified in the survey. Furthermore, it was recognised that the results and any actions to be taken in response would need to be communicated.

RESOLVED: That the report and progress to date be noted.

41. CERTIFICATION WORK REPORT 2011/12

The Council's External Auditor, Grant Thornton, submitted a report summarising its overall assessment of the Council's management arrangements in respect of the certification process and highlighting a number of matters in relation to individual claims. The report also summarised the key messages from the review.

In respect of the Housing and Council Tax Benefit Claim, the Director of Finance advised the Committee that procedures had been reviewed and a number of training needs had been identified. The District Auditor also assured Members that it was not unusual for Councils to encounter reporting issues for this type of claim.

RESOLVED: That the report and the agreed recommendations to address the key messages of the review be noted.

42. AUDIT PLAN 2012/13

The Council's external auditor, Grant Thornton, submitted the Audit Plan for Trafford Council for the year ended 31 March 2013 which outlined its audit strategy and plan to deliver the audit.

RESOLVED –

- (1) That the external auditor's 2012/13 Audit Plan for the Council be noted.
- (2) That, considering the results of interim audit work, the Committee is encouraged by conclusions regarding the effectiveness of the internal audit service.

43. AUDIT AND ASSURANCE SERVICE - INTERNAL AUDIT OPERATIONAL PLAN 2013/14

The Audit and Assurance Manager submitted a report providing, at a high level, the proposed Internal Audit Operational Plan which identified the work to be undertaken by the service during the year. The report described the Plan's method of compilation and the factors taken into account, including statutory obligations and the objectives of the Council.

RESOLVED: That the 2013/14 Internal Audit Operational Plan be approved.

44. STRATEGIC RISK REGISTER - 2012/13 QUARTER 4

The Audit and Assurance Manager submitted a report providing an update on the strategic risk environment for quarter four, 2012/13, including the arrangements in place to manage each of the strategic risks.

The report highlighted changes since the last update to Committee on 26 September 2012 (Minute No. 18 refers), including the addition of a further risk relating to the implementation of the Local Welfare Assistance Scheme.

In discussion of the risk register, Members indicated that a shortage of secondary school places had been identified nationally. The Committee was assured by the Audit and Assurance Manager that this would be monitored as part of the existing risk regarding the demand for both primary and secondary school places.

RESOLVED –

- (1) That the updated Strategic Risk Register be noted.
- (2) That, in light of the recently publicised issue of a future national shortage of school places, any potential risk of exposure be reflected in future analysis of the strategic risk environment.

45. RISK MANAGEMENT POLICY STATEMENT AND STRATEGY

The Audit and Assurance Manager submitted a report providing the updated Risk Management Policy Statement and Strategy for review and approval. The report also highlighted work underway or planned to ensure adequate processes and supporting guidance on risk management were in place across the Authority.

RESOLVED –

- (1) That the Council's updated Risk Management Policy Statement and Strategy be approved.
- (2) That the Committee notes that updated guidance supporting the Risk Management Strategy will be publicised across the Council.

46. ANTI-FRAUD AND CORRUPTION UPDATE

The Audit and Assurance Manager submitted a report providing an update on actions underway and planned to support the Council's Anti-Fraud and Corruption Strategy.

RESOLVED: That the report be noted.

47. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

The Audit and Assurance Manager submitted a report providing the Committee with details of the annual review of the effectiveness of the Council's internal audit

Accounts and Audit Committee
20 March 2013

function, as required by the Accounts and Audit Regulations 2011. The report also included information in respect of the new Public Sector Internal Audit Standards to be introduced from 1 April 2013.

RESOLVED: That, on the basis of the evidence provided, the Committee supports the conclusion that Trafford Council continues to operate adequate and effective arrangements for Internal Audit.

48. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2012/13

The Audit and Assurance Manager submitted a report outlining the work of the Committee over the past Municipal Year. The work programme had been flexible and as well as covering all the items planned at the start of the year, other items had been added through the year.

RESOLVED –

- (1) That the 2012/13 work programme be noted.
- (2) That the Committee also notes that its Annual Report and proposed work plan for 2013/14 will be considered at the next meeting.

49. ACKNOWLEDGEMENTS

Since it was the last meeting of the Municipal Year, the Chairman thanked Members and officers for their valued input throughout the year. Having regard to the work they had covered, Members joined with the Chairman to express appreciation for the manner in which complex matters had been presented.

The meeting commenced at 6.30 p.m. and finished at 8.59 p.m.

TRAFFORD COUNCIL

Report to: Executive

Date: 24 June 2013

Report for: Information

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

Report Title:

Revenue Budget Monitoring 2012/13 – Period 12 pre-audit Outturn (April 2012 to March 2013 inclusive).

Summary:

The revenue budget for 2012/13 is £155.395m and the pre-audit outturn is £152.931m. This is an underspend of £(2.464)m, (1.6)%, for the year, and a favourable movement on the February forecast of £(1.054)m (summary tables by Directorate and Portfolio at paragraph 1).

Excluding Council-Wide budgets, the service expenditure outturn is £(1.460)m less than budgeted, or (1.1)%.

Activity	Draft Outturn £m	Period Movement £m
Social Services clients & need	1.1	-
Suppressed income	0.2	(0.1)
Street lighting electricity costs	0.2	-
Vacancy & running cost management	(2.4)	(0.3)
Treasury Management	(0.5)	(0.1)
New grant & rephased projects	(0.7)	(0.3)
New Contingency budgets	(0.4)	(0.3)
Forecasted outturn	(2.5)	(1.1)
 LD Pool (Annex 2, Section 5)	 1.5	 0.7

The main variances for the year are:

- £1.048m net additional demographic pressure, either by way of the number and/or need of clients in both Children and Adult Social Care;
- £(1.579)m relating to savings in staff costs, mainly where posts have been left vacant in anticipation of staff restructures or future savings plans;
- £(0.731)m of general in-year management savings and/or austerity measures as part of budgetary control to mitigate other pressures;
- £(0.481)m of interest savings; either by pro-actively avoiding relatively high debt charges in the short term, or by way of increased cash balances primarily due to the rephasing of the capital programme, and capital grants received in advance;
- £(0.322)m savings on specific Children’s Centres commissioned projects;
- £(0.220)m net contingency budgets following year-end adjustments, primarily

due to exceptional general debtor collection performance.

- £(0.170)m seventeen Right to Buy sales of ex-Council Houses;
- £(0.009)m net other individual variances.

The main movements since the last report are:

- £(0.220)m net contingency budgets following year-end adjustments, primarily due to exceptional general debtor collection performance.
- £(0.090)m – nine Right-to-Buy sales of ex-Council Houses by Trafford Housing Trust in the final quarter of the financial year;
- £(0.049)m – additional savings in staffing, £(0.033)m and placement costs £(0.027)m, offset by minor increases in running costs of £0.011m within Children's Social Care;
- £(0.089)m – further savings identified within Children's Centre projects;
- £(0.061)m – net reduction in client costs within Adult Social Services;
- £(0.194)m – reduction in running costs, £(0.155)m and additional income, £(0.039)m across the Environment Transport and Operations Directorate;
- £(0.084)m – minor movements across the Economic Growth and Prosperity, £(0.050)m and Transformation & Resources, £(0.034)m Directorates;
- Other minor net movements across all other services of £(0.267)m.

In addition to the above, it is noted that the end of year balance on the Learning Disability Pool has moved in the period by an adverse £0.7m to a total of £1.5m. This contrasts with the savings plan initiated at the beginning of the year to achieve an end of year balance of around £0.9m. Attention is drawn to Annex 2 Section 2 which discusses this matter further.

The budgeted savings target of £12.2m has been achieved, with 99% of original projects delivered on target and the remaining element made good with new and/or amended projects or management action.

Service balances brought forward from 2011/12 were a net £(2.633)m. After the pre-audited outturn for the year, there is a net surplus of £(3.567)m to be carried forward to 2013/14 (Table 5).

The forecast level of General Reserve at year end is £(10.6)m. After taking into account future planned commitments the long term balance is £(6.8)m, £(0.8)m above the minimum level of £(6.0)m.

The forecasted Council Tax surplus, relating to the Council only, as at 31 March 2013 is estimated to be £(0.005)m. Pro-active management provided for additional income generated in year of £(0.230)m, however, this was absorbed by back dated valuations and discount awards.

Recommendation(s)

It is recommended that:

- a) The pre audited outturn be noted;
- b) The General Reserve and Collection Fund balances and commitments are noted and confirmed.

Contact person for access to background papers and further information:

Head of Financial Management Extension: 4302

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Revenue expenditure to be contained within available resources in 2012/13.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	Not applicable
Health and Safety Implications	Not applicable

Finance Officer ClearanceID

Legal Officer ClearanceMJ

Director of Finance Signature

Budget Monitoring – Summary Financial Results

1. Based on the pre-audit outturn for the year, the Council will underspend its budget by £(2.464)m, (1.6)%, for 2012/13 (Tables 1 & 2), which is a favourable movement of £(1.054)m from last month (paragraph 4).
2. The overall variance includes a net underspend on the five Directorate budgets of £(1.460)m, (1.1)%, and a net underspend on Council-wide budgets of £(1.004)m, (4.0)%. The details of service variances can be found in Annexes 1 to 5, and for Council-Wide, Annex 6.

Table 1: Budget Monitoring results by Directorate	Year end Forecast (£000's)	Percent -age %	Period Movement £(000's)	Annex
Children & Young People	(649)	(2.5)%	(249)	1
Communities & Wellbeing	202	0.4%	(73)	2
Environment, Transport & Operations	(147)	(0.5)%	(194)	3
Economic Growth & Prosperity	(149)	(4.4)%	(50)	4
Transformation & Resources	(717)	(3.6)%	(34)	5
Total Service Variances	(1,460)	(1.1)%	(600)	
Council-wide budgets	(1,004)	(4.0)%	(454)	6
Draft outturn variance (period 12)	(2,464)	(1.6)%	(1,054)	

Table 2: Budget Monitoring results by Executive Portfolio Holder	Year end Forecast (£000's)	Percent- age %	Period Movement £(000's)
Supporting Children & Families	(579)	(2.6)%	(243)
Education	(70)	(2.2)%	(6)
Adult Care, Health & Wellbeing	202	0.4%	(73)
Highways & Environmental	(238)	(0.8)%	(208)
Safe, Strong Communities	91	3.6%	14
Economic Growth & Prosperity	(149)	(4.4)%	(50)
Transformation & Resources	(600)	(3.8)%	(3)
Finance	(1,121)	(3.8)%	(485)
Draft outturn variance (period 12)	(2,464)	(1.6)%	(1,054)

Key Outturn Variations and Period Movements

3. The key variances for the year are:
 - £1.048m net additional demographic pressure, either by way of the number and/or need of clients in both Children and Adult Social Care;
 - £(1.579)m relating to savings in staff costs, mainly where posts have been left vacant in anticipation of staff restructures or future savings plans;
 - £(0.731)m of general in-year management savings and/or austerity measures as part of budgetary control to mitigate other pressures;
 - £(0.481)m of interest savings; either by pro-actively avoiding relatively high debt charges in the short term, or by way of increased cash balances

primarily due to the rephasing of the capital programme, and capital grants received in advance;

- £(0.322)m savings on specific Children's Centres commissioned projects;
- £(0.220)m of net contingency budgets, primarily due to exceptional general debtor collection performance which has reduced the bad debt provision;
- £(0.170)m seventeen Right to Buy sales of ex-Council Houses;
- £(0.009)m net other individual variances.

4. The key variances contributing to the period movement of a favourable £(1.054)m are:

- £(0.220)m of net contingency budgets, primarily due to exceptional general debtor collection performance which has reduced the bad debt provision;
- £(0.090)m - nine Right-to-Buy sales of ex-Council Houses by Trafford Housing Trust in the final quarter of the financial year;
- £(0.049)m – additional savings in staffing, £(0.033)m and placement costs £(0.027)m, offset by minor increases in running costs of £0.011m within Children's Social Care;
- £(0.089)m – further savings identified within Children's Centre projects;
- £(0.061)m – net reduction in client costs within Adult Social Services;
- £(0.194)m – reduction in running costs, £(0.155)m and additional income, £(0.039)m across the Environment Transport and Operations Directorate;
- £(0.084)m – minor movements across the Economic Growth and Prosperity, £(0.050)m and Transformation & Resources, £(0.034)m Directorates;
- Other minor net movements across all other services of £(0.267)m.

MTFP Savings and increased income

5. The Budget included for £(12.2)m of savings and increased income. Nearly all of the original projects delivered on target and the remaining elements were made good with new and/or amended projects or management action. Further details of the achievements against the savings target for each Directorate are shown in Annexes 1 to 6 below.

Council Tax

6. The brought forward surplus on the Collection Fund, relating to the Council, at 31 March 2012 was £(0.294)m, of which £0.200m was planned to support the 2012/13 budget. Pro-active management of the taxbase in terms of identifying properties and bringing them into taxation as early as possible, as well as management of the extent of exemption and discount awards generated a further £(0.230)m.
7. However, this prospective surplus of £(0.324)m has been reduced by an increase in the value of backdated valuations and discount awards, £0.256m, and an adjustment in the required amount to be set aside for bad debt £0.063m, reducing the end of year surplus to £(0.005)m. The lack of a surplus

had been forecasted at the time of establishing the 2013/14 budget plans, and the traditional use of a small amount of surplus to support the budget was withdrawn.

8. The trend of back-dated valuations and discounts has changed from reducing to increasing, and will pose a real challenge in avoiding a deficit when combined with the implications of the introduction of the Council Tax Support Scheme to replace Benefits, other changes brought about by Welfare Reform and the already tight margins the Council has set in terms of collection rates.

Table 3: Backdated Council Tax Valuations	(£000's)
2008/09	265
2009/10	201
2010/11	175
2011/12	178
2012/13	256

Reserves

9. The table below shows the forecast balance on the General Reserve at 31 March 2013 and also includes for the transfers and future commitments agreed by Council on 20 February 2013 as part of the 2013/14 Budget, and adjustments made as a consequence of the end of year accounts process. The forecasted balance at year end is £(10.643)m, which includes for a transfer from the insurance reserve of £(2.6)m. After taking into account future plans the uncommitted balance is £(6.8)m, £(0.8)m above the agreed minimum level of £(6.0)m.

Table 4 : General Reserve Movements	(£000's)
Outturn Report Balance 31 March 2012	(9,802)
- Reversal of PCT support in 2011/12 LD Pool	(400)
Adjusted balance brought forward 31 March 2012	(10,202)
General base budget support 2012/13	994
Further Authorised use in 2012/13	
- Planned use for one-off projects in 2012/13	1,578
- Internal costs of the Biomass Appeal expenditure	137
- Increase in Equal Pay Provision	500
- Council-wide budgets underspend	(1,004)
Transfer from Insurance Reserve	(2,646)
Balance 31 March 2013 (pre-audit)	(10,643)
Commitments after 31 March 2013:	
- Planned use for 2013/14 Budget	1,015
- One-off projects from 2012/13 brought forward	98
- Planned use for one-off projects 2013/14	701
Balance 31 March 2014	(8,829)
- Planned use for 2014/15 Budget	2,000
Projected balance after known commitments	(6,829)

10. Service balances brought forward from 2011/12 were a net £(2.633)m. After the pre-audited outturn for the year, there is a net surplus of £(3.567)m to be carried forward to 2013/14 (Table 5). Some of this surplus is already committed to rephased projects, including the investment costs for 2013/14 budget savings proposals, and the remainder is anticipated to support future budgets.

	B/f April 2012 (£000's)	Forecast Movement in-year (£000's)	Forecast Balance (£000's)
Table 5: Service balances			
Children & Young People	(1,210)	(284)	(1,494)
Communities & Wellbeing	(135)	202	67
Environment, Transport & Operations	(200)	(239)	(439)
Economic Growth & Prosperity	(79)	(234)	(313)
Transformation & Resources	(1,009)	(379)	(1,388)
Total All Services (Surplus)/Deficit	(2,633)	(934)	(3,567)

Recommendations

11. It is recommended that:

- a) The pre audited outturn be noted.
- b) The General Reserve and Collection Fund balances and commitments are noted and confirmed.

TRAFFORD MBC

Report to: CYP – Directorate Management Team
 Date: 15th May 2013
 Report for: Information
 Report author: Finance Manager for CYPS

Report Title

**Revenue Budget Monitoring 2012/13 – Provisional Outturn Position.
 (April 2012 to March 2013 inclusive)**

1. Outturn Position

- 1.1 The current approved revenue budget for the year is £25.515m, net of the Dedicated Schools Grant (DSG) which totals £128m. The final outturn is £24.866m which is £(0.649)m under the approved budget. This is a favourable movement of £(0.249)m compared to last month.
- 1.2 Appendix 1 details by both department and variance area the final outturn as compared to the approved revenue budget. The main outturn variances are:
- An overspend within the Children’s Social Care on placement budgets of £0.434m.
 - Slippage and suspension of projects relating to Children’s Centres of £(0.493)m.
 - A reduction in youth remand placements £(0.071)m.
 - Other savings of £(0.519)m as a result of additional income and grants, vacancy management and general cost management.

2. Service carry-forward reserve

- 2.1 At the beginning of April 2012 the Directorate had accumulated balances of £(1.210)m carried forward from the previous financial year’s underspend. The Directorate plans to use these balances to support the general revenue budget. The table below shows the movements in the reserve this year:

Table 1: Utilisation of Carry forward Reserve 2012/13	(£000's)
Balance brought forward 1 April 2012	(1,210)
Specific expenditure assigned against the reserve re: invest to save	114
Specific expenditure delayed in 2011/12 and committed from 2012/13	251
P12 Final Outturn	(649)
Balance at 31st March 2013	(1,494)

2.2 The carry forward reserve has been accumulated over a number of years mostly as a consequence of vacancies arising in project areas, either because of recruitment issues or rephasing of those projects. Such project expenditure is not a feature of core business any more, and the likelihood that the carry forward reserve will benefit from such cash savings in the future is very much reduced.

2.3 The reserve will partly be used to invest in specific projects which will be of benefit in 2013/14 and future years. There will also be a contingency element to offset the possibility of increased pressures on demand led placements.

3 MTFP Savings and increased income

3.1 The Budget included £(12.2)m of savings and increased income, of which £(2.550)m relates to the CYPs Directorate. All of the planned savings were achieved during the year:

	Budget target (£000's)	End of Year Forecast (£000's)	Variance (£000's)
Increased and new income	0	0	0
Transformation savings	(1,660)	(1,660)	0
Other savings	(890)	(890)	0
Total	(2,550)	(2,550)	0

4 Management Action to control expenditure and achieve a balanced budget

4.1 The budget has been monitored to ensure that pressures have been managed effectively. There is a continuous review of all placements to ensure the most effective provision is provided.

5 Performance Progress

5.1 The Ofsted 2011 Assessment of Children's Services within Trafford rated us as 'Performs Excellently' the highest grading available. This maintains the position that was achieved in 2010. The rating takes into account the totality of services for children in Trafford bringing together external scrutiny and performance measures for social care, health and educational services.

5.2 April 2010 Ofsted/CQC Inspection of safeguarding and Looked after Children's Services. Of 33 grades awarded 29 were good, 1 outstanding and 3 adequate. The inspection highlighted the effectiveness of the multi-agency service, the

quality of support provided for children, young people and families, ambitious, effective, committed leadership and management and good involvement and engagement with young people and partners. Overall our services were judged good with good capacity to improve. An unannounced inspection of referral and assessment services in April 2011 provided positive assurance with 12 strengths, only 3 areas for development and no areas for priority action.

5.3 An important objective in CYPS is to continue to improve educational outcomes as, in our increasingly knowledge based society, this provides young people with the best chance of taking up the wide range of further and higher education, and employment opportunities available. The results from Summer 2012 maintained, and surpassed, the high standards set in previous years at every age level and represent Trafford's best ever set of results:

- 75% of children at Early Years Foundation Stage achieved the measured standard – up from 70% the previous year – compared to 64% nationally.
- At age 11, over 86% of pupils achieved Level 4 or above in English and Mathematics, up from 84% the previous year ;
- At 16, 71.9% of pupils in Trafford achieved 5 x A* - C grades at GCSE including English and Mathematics, up from 69.4%, significantly higher than the national level of 58.3%. The Trafford increase is all the more notable when seen against a backdrop of plateauing of pass rates nationally.

5.4 Trafford's DSG rate per pupil is relatively low compared to authorities nationally but Trafford does delegate 91.4% of the gross DSG to schools. This is the highest percentage amongst Trafford's statistical neighbours

Period 12 Final Outturn revenue expenditure and income variances and movements from Period 11 monitoring report

The following tables detail the main variances from the revenue budget to the final outturn, and the movements since the last monitoring report in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	Full Year Budget (£000's)	P12 Final Outturn (£000's)	P12 Outturn variance (£000's)	P11 Outturn variance (£000's)	P11 to P12 movement (£000's)	Ref
Supporting Children & Families Portfolio						
Children's Social Services	14,644	14,925	281	235	46	CYPS 3
Children with Complex & Additional Needs	2,206	2,083	(123)	(43)	(80)	CYPS 3
Support Services to CYP	6,953	6,951	(2)	68	(70)	CYPS 8
Multi Agency Referral (MARAS)	1,742	1,826	84	99	(15)	CYPS 5
Commissioning	1,386	1,230	(156)	(128)	(28)	CYPS 5
Youth Offending Service	744	673	(71)	(64)	(7)	CYPS 6
Children's Centres	3,948	3,356	(592)	(503)	(89)	CYPS 7
Early Intervention Grant	(9,288)	(9,288)	0	0	0	
Sub-total	22,335	21,756	(579)	(336)	(243)	
Education Portfolio						
Dedicated Schools Grant	0	(2,186)	(2,186)	(1,757)	(429)	CYPS1,2
Transfer to Dedicated Schools Grant Reserve	0	2,186	2,186	1,757	429	
Education Early Years' Service	2,236	2,166	(70)	(64)	(6)	CYPS 4
Connexions Service	944	944	0	0	0	
Sub-total	3,180	3,110	(70)	(64)	(6)	
Total	25,515	24,866	(649)	(400)	(249)	

Business Reason / Area (Subjective analysis)	P12 Outturn variance (£000's)	P11 Outturn variance (£000's)	P11 to P12 movement (£000's)	Ref
DSG Reserve B/Fwd.	(171)	(171)	0	
Increase in DSG Income	(1,548)	(1,548)	0	CYPS1
School In Year Adjustments	(435)	(250)	(185)	CYPS2
Redundancies & Maternity	(184)	(150)	(34)	CYPS2
SEN	118	108	10	CYPS2
Teaching Packages	(186)	0	(186)	CYPS2
Early Years PVI Places	106	90	16	CYPS2
Pupil Referral Units	(50)		(50)	CYPS2
Other minor variances	(7)	(7)	0	CYPS2
DSG projected Underspend	(2,357)	(1,928)	(429)	
Transfer to DSG Reserve	2,357	1,928	429	

Page 20

Business Reason / Area (Subjective analysis)	P12 Outturn variance (£000's)	P11 Outturn variance (£000's)	P11 to P12 movement (£000's)	Ref
Non DSG				
Social Care staffing pressures due to cover arrangements	16	14	2	CYPS 3
Additional Grant Funding	(283)	(187)	(96)	CYPS 3
Placements Budget	441	468	(27)	CYPS 3,6
Sale West Development Centre	35	35	0	CYPS 8
Delays in appointments of staff	(256)	(246)	(10)	CYPS 7
Savings in Children's Centre Projects	(322)	(233)	(89)	CYPS 7
Serious Case Review	20	20	0	CYPS 5
Other staffing variances	(90)	(65)	(25)	CYPS 4,5
Other minor variances	(210)	(206)	(4)	CYPS 3,4,5,7,8
Total Net Underspend Non DSG	(649)	(400)	(249)	

NOTES ON PROJECTED VARIANCES

Variations within the DSG.

CYPS1 – Increase in DSG £(1,548)k (favourable)

The Council was made aware of the final DSG allocation for 2012/13 on 26th June 2012 which resulted in additional income of £(30)k; the pupil numbers being funded was 7 higher than originally anticipated.

DSG income is continually adjusted during the year to reflect Academy schools. The DfE has given a refund to the Council of £(1,518)k and this comprises 80% of the Rates (NNDR) bill for these schools £(1,020)k and an amount equivalent to their insurance cost of £(498)k. The reasons for these amounts being paid is not documented in the DfE explanations of the recoupment calculation but checks with the DfE have confirmed our entitlement to this refund. This is a one-off adjustment.

CYPS2 – Other Variations £(638)k (favourable)

DSG budgets such as Early Years places and SEN placements are demand led and difficult to predict. A balance needs to be struck when setting DSG budgets in attempting to delegate as much money as possible to schools, whilst also having enough central resources in order to meet demand for these items. Teaching Packages £(186)k will be distributed to secondary schools in the next financial year. This is a major part of the £(427)k favourable movement between period 11 and period 12. Schools in year adjustments are £(435)k less than budgeted for and this is a favourable movement of £(185)k since period 11. Schools can claim for budget increases right up until the close of the financial year. From April 2013 Pupil Referral Units (PRU's) will have delegated budgets. With this in mind the Funding Forum agreed that the PRU's could carry forward their underspend into 2013-14 to allow some flexibility to assist with the new challenges. The £50k therefore will be earmarked within the DSG reserve for the PRU's.

– DSG Reserve b/fwd.

The overall variances of £(2,186)k will increase the DSG reserve to a net underspend of £(2,357)k at 31st March 2013. This underspend will be carried forward to 2013/14. The Schools Funding Forum consider that there should be a working balance of approximately £(0.5)m to meet increase in demand for certain budgets. Clearly this reserve exceeds what would be considered to be a working balance and consideration will be given on how to use this for the benefit of schools in the future. In considering this the Forum will have to be consulted prior to a final decision being made.

Non-DSG Variances.

CYPS3 – Children’s Social Care £158k (adverse) (Includes Children with Complex & Additional Needs)

The overspend of £158k comprises of placement costs £434k, staffing budgets £14k, minor variances £(103)k and additional grant income of £(187)k relating to Intensive Fostering.

CYPS4 – Early Years £(70)k (favourable)

This saving is mainly as a result of staff posts being held vacant through the year £(36)k, and additional training income received £(7)k and slippage on projects £(27)k.

CYPS5 – Commissioning & MARAS £(72)k (favourable)

The majority of this underspend is due to salaries and additional grant income.

CYPS6 – Youth Offending Service £(71)k (favourable)

This underspend relates to a saving on remand placements.

CYPS7 – Children’s Centres £(592)k (favourable)

A full review of the Children’s Centre service has been carried out and the savings found are as a result of delays in appointing staff to vacant posts totalling £(246)k, a saving of £(220)k on specific commissioned projects and other variations across the service totalling £(126)k.

CYPS8 – Support Services to CYP £(2)k (favourable)

The pressures within this area include a shortfall in income in Sale West Development Centre (£35k) and £41k for statutory retirement costs. These are offset by additional grant income (relating to 2011/12 that we were made aware of later) of £(111)k. The movement from period relates to the additional grant income.

TRAFFORD MBC

Report to: C&WB Directorate Management Team
Date: 7 May 2013
Report for: Discussion
Report author: C&WB Finance Manager

Report Title

Revenue Budget Monitoring 2012/13 – Period 12 - Outturn (April 2012 to March 2013 inclusive)

1. Outturn Forecast

- 1.1 The outturn for 2012/13 is £49.287m which is £0.202m, or 0.4%, above the approved budget of £49.085m. However, this is a net £(0.073)m favourable movement from the February monitor.
- 1.2 The main outturn variance is due to higher demand in Physical Disability services costing £0.225m. However, reference is made to the outturn of the Learning Disabilities Pool fund in section 2 below. Appendix 1 provides details on outturn variances and movements since the February monitor across all services.
- 1.3 During the year there were a number of other pressures that impacted on the service delivery across the Directorate:
 - increased demand for services especially home care and residential services,
 - increased numbers of referrals for care assessments and
 - the effects of high demand in local hospitals impacting on demand for adult care services.
- 1.4 Work undertaken with NHS partners to integrate operational adult care staff with local health services together with the provision of Reablement and Telecare services provided the capacity to meet demand mostly within available resources. The consequence being that the majority of services areas controlled service delivery and costs within budget by a net £(0.021)m, generally with minimal variances.

2 Learning Disabilities Pooled Fund

- 2.1 At the beginning of the year the LD Pool had a carry forward adverse balance of £1.468m, and an early projection of budget pressures in the sum of an additional £1.577m which would bring the end of year balance to an adverse £3.045m. A recovery plan was initiated to deliver cash savings against budget over two financial years to address this, with a 2012/13 target of £(2.136)m so that the carry forward balance would be in the region of £0.9m. This target is in addition to the achieving cross-Directorate budget savings of £(5.827)m.
- 2.2 The recovery plan achieved 72% of the in-year target, £(1.540)m, which leaves an adverse variance to be carried forward of £1.472m. The Deputy Corporate Director has refreshed the recovery plan, and included additional initiatives:
- Expansion of telecare and reablement into Learning Disabilities services
 - Additional services identified for retendering
 - Accommodation development to reduce cost of provision
- 2.3 The updated plan has been shared with the Trafford Clinical Commissioning Group (CCG), which replaces the previous Primary Care Trust delivery partner. The Council and the CCG will target the outstanding balance to bring the LD Pool into balance by 31 March 2015:

Year	End of Year Balance (£000's)	New annual cash target (£000's)
2011/12	1,468	
2012/13	1,472	
2013/14	900	(572)
2014/15	Nil	(900)

3 MTFP Savings and increased income

- 3.1 The Budget included for £(12.2)m of savings and increased income, of which £(4.978)m related to this directorate. All budget options put forward for delivery in 2012/13 have achieved their targets. The Learning Disabilities Supported Living: New Models of Service option has achieved an additional £(0.014)m. The table below summarises the outturn of these savings targets:

	Budget target (£000's)	Outturn (£000's)	Variance (£000's)
Transformation savings	(3,706)	(3,720)	(14)
Other business changes	(1,272)	(1,272)	0
Total	(4,978)	(4,992)	(14)

4 Service and Learning Disabilities Pooled Fund carry-forward reserves

- 4.1 The service carry-forward reserve balance at the end of the year, after taking into account the outturn position, is a deficit of £69k:

Table 1: Utilisation of Carry forward Reserve 2012/13	(£000's)
Balance brought forward 1 April 2012	(135)
P12 Outturn	202
Balance carried forward at 31 March 2013	67

- 4.2 The carried forward balance will be absorbed into and recovered through the Directorate's cost control plan for 2013/14.
- 4.3 In addition to the above, the carried forward balance on the Learning Disabilities Pooled Fund is a deficit of £1,472k:

Table 2: Utilisation of Learning Disabilities Pooled Fund Carry forward Reserve 2012/13	(£000's)
Balance brought forward 1 April 2012	1,468
P12 Outturn	4
Balance carried forward at 31 March 2013	1,472

- 4.4 There is a specific management action plan to reduce to £nil over a two year period (section 2).

5 Management Action

- 5.1 There is a strong underlying trend of increased demand for adult social care services in Trafford matching the trend experienced nationally. The Directorate has in place strong cost control processes to deal with this issue but there is a risk that demand for services may exceed the budget available even with the additional provision included in the 2013/14 Medium Term Plan. To deal with this risk the Directorate will:

- continue with and strengthen the cost control measures put in place in 2012/13,
- closely monitor that the expected outcome of reduced demand in high cost services as a result of the additional enhanced reablement and telecare resources put in place in 2013/14 are achieved,
- continue with the integration work with our NHS partners, co-ordinating and targeting resources to manage demand in the whole (NHS and Council) care system, and
- strengthen the delivery of the LD Pooled Fund recovery plan through a joint group of senior Clinical Commissioning Group and Council officers.

6. Performance progress

6.1 In July 2012, the Government published the white paper 'Caring for our future: reforming care and support'. The two core principals of this report are:

- that we should do everything we can – as individuals, as communities and as a Government – to prevent, postpone and minimise people's need for formal care and support. The system should be built around the simple notion of promoting people's independence and wellbeing;
- that people should be in control of their own care and support. Things like personal budgets and direct payments, backed by clear, comparable information and advice, will empower individuals and their carers to make the choices that are right for them.

In 2013 / 14, our vision is to provide innovative, flexible, first class services focused on the needs of the individual, their carers and family. We want to enable people to have more choice and control over the support they receive and to provide quality services that encourage people to lead healthy, independent lives.

We want to continue to strengthen partnerships with colleagues in health, the private, voluntary and community sectors and with other key departments within the Council, including Children and Young People Services. We also want to develop strong relationships within the emerging governance structure of health and adult social care, including Trafford's Clinical Commissioning Group, the Health and Wellbeing Board and Healthwatch.

We want to maintain our engagement with local people by:

- listening to concerns and ideas from individuals and local communities;
- co-producing plans and models of services that are sustainable;
- supporting self-sufficiency;
- meeting the needs of individuals requiring support.

Overall, we have five key approaches to enable us to meet this vision:

- **Personalisation** – we want people to have more choice, control and flexibility in meeting their needs.
- **Health integration** – we want people to receive the best possible health and social care services delivered efficiently, effectively and in a co-ordinated way.
- **Promoting resilience and independence** - we want to ensure that people in Trafford are able to live as independently as possible, for as long as possible.
- **Safeguarding vulnerable adults** – we want to ensure that vulnerable adults at risk of abuse are safeguarded through robust monitoring of services commissioned to support older people, adults with a learning disability, mental health need, physical disability or health condition.

- **Market management and quality assurance** – we want to stimulate the market in Trafford ensuring there is a diverse choice of quality services that meet individuals' needs.

The Directorate has developed a comprehensive performance framework to enable us to assess and monitor progress against these principles. Key measures within this framework include;

- The % of eligible service users / carers to receive Self-Directed Support in year (ASCOF 1Ci - Local)
- The % of eligible service users / carers to receive Direct Payments in year (ASCOF 1Cii)
- The Average % reduction in service hours following reablement intervention
- The number of Delayed transfers of Care from hospital
- The number of Older People admitted to permanent Residential / Nursing Care
- The number of people in receipt of telecare in year
- Social Care related Quality of Life (composite user experience measure ASCOF 1A) – Survey.
- Overall satisfaction of people who use services with their care and support

Period 12 Outturn revenue expenditure and income variances, and movements from Period 11 monitoring report

The following tables detail the main variances from the revenue budget to the outturn, and the movements since the last monitoring report in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	Full Year Budget (£000's)	P12 Outturn (£000's)	P12 Outturn variance (£000's)	P11 Outturn variance (£000's)	P11 – P12 movement (£000's)	Ref
Adult Care, Health & Wellbeing Portfolio						
Older People	22,750	22,744	(6)	98	(104)	C&W1
Physical Disabilities	3,162	3,387	225	193	32	C&W2
Equipment & Adaptations	1,084	1,071	(13)	(60)	47	C&W3
Mental Health	3,425	3,451	26	32	(6)	C&W4
Other Adult Services	953	950	(3)	26	(29)	C&W5
Support Services	1,027	1,016	(11)	12	(23)	C&W6
Adaptations	(69)	(25)	44	0	44	C&W7
Housing Services	2,660	2,654	(6)	0	(6)	C&W8
Drugs and Alcohol Service	292	262	(30)	0	(30)	C&W9
Equalities & Diversity	134	110	(24)	(26)	2	C&W10
Total	35,418	35,620	202	275	(73)	

Budget Book Format (Objective analysis)	Full Year Budget (£000's)	P12 Outturn (£000's)	P12 Outturn variance (£000's)	P11 Outturn variance (£000's)	P11 – P12 movement (£000's)	Ref
Learning Disabilities Pool	13,667	15,139	1,472	844	628	C&W11
Total	13,667	15,139	1,472	844	628	

Adult Care, Health & Wellbeing Portfolio	P12 Outturn variance (£000's)	P11 Outturn variance (£000's)	P11 – P12 movement (£000's)	Ref
Older People				
Care management/assessment	(305)	(292)	(13)	C&W1
Residential and nursing care	176	248	(72)	C&W1
Home Care	403	416	(13)	C&W1
Day Care	(371)	(363)	(8)	C&W1
Direct Payments	91	89	2	C&W1
Physical Disabilities				
Care management/assessment	(8)	6	(14)	C&W2
Residential and nursing care	176	124	52	C&W2
Home Care	40	35	5	C&W2
Day Care	(7)	(7)	0	C&W2
Direct Payments	24	35	(11)	C&W2
Equipment & Adaptations				
Lift repairs & maintenance	(13)	(60)	47	C&W3
Mental Health				
Care management/assessment	(50)	(59)	9	C&W4
Residential and nursing care	37	74	(37)	C&W4
Home Care	17	(4)	21	C&W4
Direct Payments	22	21	1	C&W4
Other Adult Services				
Other Services	(3)	26	(29)	C&W5
Support Services				
Financial Services	(11)	12	(23)	C&W6
Adaptations				
Adaptations	44	0	44	C&W7
Housing Support				
Supporting People	(6)	0	(6)	C&W8
Drug & Alcohol Service				
BSO Support	(30)	0	(30)	C&W9
Equalities & Diversity				
Equalities Team	(24)	(26)	2	C&W10
Total	202	275	(73)	

Learning Disabilities Pool	P12 Outturn variance (£000's)	P11 Outturn variance (£000's)	P11– P12 movement (£000's)	Ref
Care management/assessment	12	13	(1)	C&W11
Residential and nursing care	59	8	51	C&W11
Home Care	1,424	657	767	C&W11
Day Care	(29)	(73)	44	C&W11
Direct Payments	6	239	(233)	C&W11
Total	1,472	844	628	

NOTES ON VARIANCES AND PERIOD MOVEMENTS

Adult Care, Health & Wellbeing Portfolio £204k adverse

C&W1 – Older People - £(6)k favourable

- **Residential and Nursing Care/Home Care/Day Care/Direct Payments - £299k adverse**

Two of the four key service provision budgets are showing increased demand. Residential care is 10 service users higher than budgeted and homecare is 11 service users higher than budgeted.

- **Care Management and Assessment - £(305)k favourable**

Managed vacancies in the Screening, Assessment and Community Mental Health Teams.

C&W2 – Physical Disabilities - £225k adverse

- **Residential and Nursing Care/Home Care/Day Care/Direct Payments - £233k adverse**

Two of the three key service provision budgets are showing increased demand. The demand for residential care is one service user higher than budgeted, one service user for home care and one for direct payments.

C&W3 – Equipment & Adaptations - £(13)k favourable

- **Equipment - £(13)k favourable**

The volume of equipment recycled at the One Stop Resource Centre was higher than expected for in 2012/13.

C&W4 – Mental Health - £26k adverse

- **Care Management and Assessment £(50)k favourable**

Underspend due to vacancy management in the Community Mental Health Team.

- **Residential and Nursing Care/Home Care/Direct Payments £76k adverse**

There are three residential service users higher than budgeted.

C&W5 – Other Adult Services - £(3)k favourable

- Due to a lower than expected level of complaints resulting in a reduction in external independent investigation fees.

C&W6 Support Services - £(11)k favourable

- **Financial Services £(11)k favourable**

Underspend due to vacancy management to support the Directorate's financial position.

C&W7 Adaptations - £44k adverse

- Underachievement in adaptations fee income due to a lower than expected number of schemes being completed..

C&W8 Housing Services - £(6)k favourable

- The Supporting People programme has delivered all current contracts within budget and a £(6)k favourable budget position. This is related to the delivery of the 2012/13 plan of budget savings.

C&W9 Drug & Alcohol Service - £(30)k favourable

- Lower than expected demand in the Drug Service; £(12)k and managed vacancies in the administration support service; £(18)k.

C&W10 Equalities & Diversity - £(24)k favourable

- **Equalities Team £(24)k favourable**
Managed efficiencies in the Equalities Team's translation fees and events budget.

C&W11– Learning Disabilities Pooled - £1,472k adverse

Cost of care packages - £1,460k adverse

Long term care packages, are running at higher than budgeted levels due to additional service users and higher cost of care than planned for:

- Residential, additional 1 service users, total additional costs £59k;
- Homecare, additional 28 service users, total additional costs £1,424k;
- Day Care, 2 service users less than expected, underspend £(29)k;
- and Direct Payments, additional 1 service users, total additional costs £6k.

Care Management/Assessment £12k adverse

Additional costs in the Assessment Team.

TRAFFORD MBC

Report to: ETO Directorate Management Team
 Date: 8 May 2013
 Report for: Discussion
 Report author: ETO/EGP Finance Manager

Report Title

Revenue Budget Monitoring 2012/13 – Period 12 Outturn
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1. Outturn

- 1.1 The approved revenue budget for the year is £32.286m. The outturn is £32.139m, which is £(0.147)m under the approved budget.
- 1.2 The overall underspend of £(0.147)m has been achieved against a background of significant financial challenges for the Directorate throughout the year. This includes the achievement of approved budget savings of £(1.734)m, plus the successful management of budget pressures of £0.527m.
- 1.3 The management team has taken a number of steps to ensure that essential services were delivered within budget:
- Only necessary spending on supplies and services to be approved;
 - Reduced use and greater control of overtime;
 - Monitoring and evaluation of existing and potential new income streams;
 - Analysis of rechargeable work for both revenue and capital schemes;
 - Additional improvements to efficiency through service redesign.
- 1.4 There is a favourable movement in the outturn since the forecast included in the last report. This is attributed to:
- Cost management : supplies and services across ETO £(0.070)m;
 - Acceleration of budget savings £(0.066)m – Public Protection and Sustainability & Greenspace;
 - One-off refund in Parking business rates £(0.019)m;
 - Net additional income due to external factors, such as weather £(0.039)m.

2. Explanation of Variance and Movements

- 2.1 There were a number of budget pressures during the year of £0.527m, and which measures are in place to address in the Medium Term Financial Plan:
- Street lighting energy costs – inflation and inventory increases £0.195m;
 - Groundforce/Sustainability & Greenspace – review of rechargeable balances at year end leading to an adverse variance of £0.028m;

- Open Space reserve funding has reduced by £0.058m and there are timing issues with implementing corresponding reductions in costs;
- Income shortfall of £0.050m related to indefinite delays in the changes to national planning fee regulations expected when the budget was approved;
- Crime and Disorder income shortfall – fixed penalty notices £0.092m, part mitigated by staff vacancies and running cost underspends £(0.018)m;
- Public Protection - £0.061m shortfall in licences fee income due to economic conditions, shortfall in pest control income £0.036m due to adverse weather;
- Sale Watersports Centre/Deckers contract saving not achieved £0.025m.

2.2 These pressures have been fully mitigated by a range of management actions implemented during the year of £(0.674)m (listed below), which are in addition to the delivery of the approved budget savings of £(1.734)m:

- Highways and Transportation – additional fee income of £(0.209)m, management action to reduce running costs £(0.075)m;
- School Crossing Patrols – underspend of £(0.034)m relating to slippage in the filling of supervisory and operational staff vacancies;
- Car parking – business rate revaluations and one-off refunds £(0.049)m, underspend of £(0.028)m from staff vacancies and contract costs.
- Bereavement Services income is £(0.044)m above budget, an increase from last reported which has coincided with the prolonged spell of cold weather. Minor underspends in staffing and running costs £(0.010)m.
- Waste management – underspend of £(0.048)m on contract costs, plus £(0.028)m from management action to reduce other supplies costs, including depots. Bulky waste income is £(0.021)m higher than budgeted.
- Public Protection - management action of £(0.056)m from delays in filling vacancies and in-year savings in running costs, plus accelerated budget savings approved in February 2013 £(0.035)m;
- Culture & Sport – running cost underspends of £(0.014)m, minor shortfall in Waterside Arts Centre income £0.006m.
- Directorate Strategy and Business Support - £(0.029)m of minor underspends from the management of staffing and running costs.

3. Reserves

3.1 At the end of 2011/12 the Directorate had a surplus on accumulated balances of £(0.200)m, which was carried forward to 2012/13. The outturn balance on the service earmarked reserve to be carried forward to 2013/14 is £(0.439)m.

Utilisation of Carry forward Reserve 2012/13	(£000's)
Surplus balance brought forward at 1 April 2012	(200)
Traded service investment projects c/f	(92)
Period 12 adverse variances with medium/long term action plans (para. 2.2)	410
Period 12 net underspend (para. 2.3)	(557)
Balance after outturn	(439)
Already committed and re-phased projects in 2013/14	237
Balance after commitments	(202)

3.2 The carry forward balance of £(0.439)m relates to items already committed, re-phased project expenditure, and the remainder to be utilised to cover one-off budget pressures already being experienced at the start of 2013/14:

- car parking £0.105m and traded services £0.040m carried forward for another financial year to cover contract costs already committed;
- £0.092m re-phasing of traded services projects, including the continued roll out of catering Parentpay system, plus investment in equipment to maintain competitiveness with external providers.
- £0.202m to mitigate one-off timing issues already being experienced in the delivery of certain savings for 2013/14.

4. Savings

4.1 The Council Budget included for £(12.2)m of savings and increased income, of which £(1.734)m related to ETO Directorate.

	Budget target (£000's)	Outturn (£000's)	Variance (£000's)
Increased and new income	(132)	(82)	50
Transformation savings	(1,084)	(1,084)	0
Other savings	(518)	(493)	25
Mitigating action across ETO	0	(75)	(75)
Total ETO	(1,734)	(1,734)	0

4.2 The shortfall of £0.050m relates to indefinite delays to expected changes in national planning fee regulations, and £0.025k due to contract savings not delivered in sport and leisure £0.025m. These have been mitigated in full from management action taken across the Directorate, and addressed in the MTFP.

5. Recommendations

5.1 It is recommended that the outturn underspend of £(0.147)m for 2012/13 be noted.

Period 12 Outturn revenue expenditure and income variances, and movements from Period 11 monitoring report.

The following tables detail the main variances from the revenue budget to the outturn, and the movements since the last monitoring report in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	Full Year Budget (£000’s)	P12 Outturn (£000’s)	P12 Outturn Variance (£000’s)	P11 Outturn Variance (£000’s)	P11 – P12 Movement (£000’s)	Ref
Highways & Environment Portfolio						
Highway and Network Management, incl. Traffic & Transportation	5,439	5,348	(91)	(5)	(86)	ETO 1
School Crossing Patrols	503	469	(34)	(42)	8	ETO 2
Parking Services	(391)	(468)	(77)	(28)	(49)	ETO 3
Groundforce	4,730	4,884	154	105	49	ETO 4
Bereavement Services	(911)	(965)	(54)	(10)	(44)	ETO 5
Sustainability & Greenspace	487	421	(66)	(35)	(31)	ETO 6
Waste Management (incl. WDA levy)	18,763	18,666	(97)	(96)	(1)	ETO 7
Public Protection	1,041	1,097	56	105	(49)	ETO 8
Directorate Strategy & Business Support	443	414	(29)	(24)	(5)	
Sub-total	30,104	29,866	(238)	(30)	(208)	
Safe & Strong Communities Portfolio						
Crime and Disorder	289	363	74	76	(2)	ETO 9
Culture and Sport	2,222	2,239	17	1	16	ETO10
Sub-total	2,511	2,602	91	77	14	
Operational Services for Education	(329)	(329)	0	0	0	
Total Outturn Period 12	32,286	32,139	(147)	47	(194)	

ETO Business Reason / Area (Subjective analysis)	P12 Outturn Variance (£000's)	P11 Outturn Variance (£000's)	P11 – P12 Movement (£000's)	Ref
Highway and Network Management, incl. Traffic & Transportation				
Fee income	(209)	(180)	(29)	
Street lighting energy costs	195	217	(22)	
Supplies and services costs	(77)	(42)	(35)	
Sub-total	(91)	(5)	(86)	ETO 1
School Crossing Patrols - vacancies	(34)	(42)	8	ETO 2
Parking Services				
Car Parking income shortfall	19	126	(107)	
Car Parking business rates refund (c/f from 2011/12)	(19)	(105)	86	
Current year business rates	(49)	(30)	(19)	
Staffing and running costs	(28)	(19)	(9)	
Sub-total	(77)	(28)	(49)	ETO 3
Groundforce				
Supplies, services, overtime costs – including slippage in reorganisation	68	47	21	
Open space reserve commitments – funding shortfall	58	58	0	
Rechargeable income balances	28	0	28	
Sub-total	154	105	49	ETO 4
Bereavement Services				
Staffing and running costs	(10)	0	(10)	
Income above budgeted	(44)	(10)	(34)	
Sub-total	(54)	(10)	(44)	ETO 5
Sustainability and Greenspace – vacancy, supplies & services	(66)	(35)	(31)	ETO 6

ETO Business Reason / Area (Subjective analysis)	P12 Outturn Variance (£000's)	P11 Outturn Variance (£000's)	P11 – P12 Movement (£000's)	Ref
Waste Management				
Commercial Waste income shortfall	8	10	(2)	
Contract costs	(48)	(50)	2	
Running costs – depot and others	(36)	(41)	5	
Bulky waste income	(21)	(15)	(6)	
Sub-total	(97)	(96)	(1)	ETO 7
Public Protection				
Planning fee income – savings shortfall	50	50	0	
Licensing income shortfall	61	56	5	
Pest Control income shortfall	36	25	11	
ICT one-off costs	8	20	(12)	
Mitigating Action:				
- Delay filling vacancies	(46)	(46)	0	
- Running costs in-year savings	(18)	0	(18)	
- Accelerated 13/14 running cost savings	(35)	0	(35)	
Sub-total	56	105	(49)	ETO 8
Crime and Disorder				
Income shortfall – penalty notices	92	90	2	
Staff vacancies and running costs	(18)	(14)	(4)	
Sub-total	74	76	(2)	ETO 9
Culture and Sport				
Contract saving shortfall	25	25	0	
Sport and Leisure running costs	(14)	(14)	0	
Sale Waterside Arts Centre income	6	(10)	16	
Sub-total	17	1	16	ETO10
Directorate Strategy & Business Support				
Staffing and running costs	(29)	(24)	(5)	
Total Outturn Period 12	(147)	47	(194)	

NOTES ON OUTTURN VARIANCES

ETO 1 – Highways & Network Management - £(0.091)m (favourable)

Fee income in Highways and Transportation is £(0.209)m more than budgeted for the year, a favourable movement of £(0.029)m since the last report. This includes fees which can be capitalised due to the continual review of revenue and capital projects throughout the year. Income from outdoor media site advertising has continued to exceed expectations, following on from 2011/12, and is also reflected in the Medium Term Financial Plan.

Street lighting energy costs exceed budget by £0.195m, a favourable movement of £(0.022)m. The overspend includes £0.050m relating to industry changes in calculating energy usage, plus the ongoing cumulative effect of inflationary increases in prices continuing from 2011/12 based on the latest contract and usage volumes.

A review of street lighting is well-developed with a number of options being considered to reduce energy and maintenance costs over the medium to long term. This will likely require capital investment and the timing and nature of this investment will be critical in terms of taking the most efficient advantage of new technologies. This will be taken forward in the Medium Term Financial Plan.

Management action in controlling running costs has resulted in an underspend of £(0.077)m at year end. This is a favourable movement of £(0.035)m from last reported from due to minor variances across a wide range of areas within this service.

ETO 2 – School Crossing Patrols – £(0.034)m (favourable)

There is an underspend on staffing of £(0.034)m due to difficulties in the filling of vacancies, which has continued from 2011/12. The underspend has reduced by £0.008m as a number of vacancies have now been filled after successful recruitment processes.

ETO 3 – Parking Services – £(0.077)m (favourable)

There is an overall shortfall in parking income of £0.019m and this is fully mitigated through the use of business rate refunds carried forward in the ETO reserve from 2011/12.

The net shortfall is £(0.021)m better than had been previously expected. This is due pay and display income levels being maintained in the post-Christmas period, with there being no tapering off of parking fees in the last three months of the year. Income from parking fines is also above budget by £(0.017)m for the year, whereas a minor shortfall had been previously predicted.

Business rates are £(0.049)m less than expected. This reflects the effect of rate revaluations agreed in 2011/12 in the current year bills, plus there is an additional £(0.019)m relating to Oakfield Road notified in March 2013.

Action to control general running costs has resulted in an underspend of £(0.019)m, with staffing £(0.010)m underspent – a favourable movement of £(0.010)m.

Car parking is also under review, alongside a Council-wide review of all enforcement activity, with a view to providing a sustainable solution from 2013/14. This has been taken forward in the Medium Term Financial Plan.

ETO 4 – Groundforce - £0.154m (adverse)

Supplies, services and overtime costs are £0.068m above budget due to slippage in staff re-organisations, plus fuel and material cost increases – an adverse movement of £0.021m since last reported. A number of historic balances on rechargeable accounts have been charged to the revenue account following a year-end review, totalling £0.028m.

There is a budget commitment of £0.106m funded from the Open Space reserve. This reserve only had £(0.048)m remaining at the start of year and an exit strategy is being formulated over the medium term to bring activity in line with available funding.

ETO 5 – Bereavement Services £(0.054)m (favourable)

Net income levels for the year have exceeded the budget by £(0.044)m. This is a favourable movement of £(0.034)m since the last report due to income levels being higher than had been predicted for the last few weeks of the financial year. This has coincided with unusually harsh weather conditions, particularly during March.

There are some minor underspends totalling £(0.010)m in staffing and general running costs.

ETO 6 – Sustainability and Greenspace £(0.066)m (favourable)

Management action to control running costs, plus a vacant post, has resulted in a projected underspend of £(0.066)m. This is a favourable movement of £(0.031)m from last month, and includes savings accelerated from the approved budget for 2013/14.

ETO 7 – Waste Management – £(0.097)m (favourable)

Commercial waste income is £0.008m less than budgeted, which is a favourable movement of £(0.002)m from last reported. In recent years the cost of disposing of commercial waste through the GM Waste Disposal Authority has made this service increasingly uncompetitive with private sector providers, leading to difficulties in retaining business. Negotiations with WDA over recent months have been successful in reducing these disposal costs, and as a result the loss of business predicted before the start of the year has effectively been averted. A review of this service is underway, with options also being evaluated when the waste collection contract is re-tendered in 2014. This has also been taken forward in the Medium Term Financial Plan.

Management action to control contract and general running costs has resulted in an underspend of £(0.084)m, which is £0.007m less than the last report. The underspend includes £(0.048)m relating to the waste collection contract, plus an additional £(0.036)m from general running costs, depots, and minor income.

Income from bulky waste removal is £(0.021)m above budget, an increase of £(0.006)m.

ETO 8 – Public Protection - £0.056m (adverse)

Planning fee regulation changes - income shortfall £0.050m: this budget saving has not been achieved as the expected national changes in planning regulations have now been delayed indefinitely based on various ministerial announcements. This has been taken forward in the Medium Term Financial Plan.

There is a shortfall in licence fee income of £0.061m resulting from a reduction in applications and also due to delays in implementing staff re-organisations. This is £0.005m higher than previously reported.

Pest control income from domestic and commercial properties is expected to be £0.036m less than budgeted, which is £0.011m higher than had been projected. The overall shortfall is due to unfavourable weather conditions, in particular over the summer/autumn period in 2012. The increase in the shortfall relates to the prolonged cold weather during March 2013.

One-off ICT costs of £0.008m related to the project to amalgamate business systems and, hence, deliver a sustainable efficiency saving from 2013/14. Costs are £(0.012)m less than previously reported due to procurement savings actioned by management.

These shortfalls are partly mitigated through a variety of management actions to control costs throughout the year. This includes the delay in filling vacant posts £(0.046)m, plus further favourable variances reported this month from controlling in-year running costs £(0.018)m, and also £(0.035)m from the acceleration of running cost savings included in the approved budget for 2013/14.

ETO 9 – Crime and Disorder £0.074m (adverse)

There is a £0.092m shortfall in income from fixed penalty notices, which is £0.002m higher than previously reported. This has been partly mitigated by £(0.018)m of one-off staffing and running costs underspends, which is a favourable movement of £(0.004)m. The income targets and operational model of this service is included in the Council-wide enforcement review alongside Parking Services, as mentioned in ETO 3 above.

ETO 10 – Sport and Leisure £0.017m (adverse)

The budget includes a £0.025m saving from the contract with Sale Watersports Centre/Deckers, based on discussions with the provider during 2011 and early 2012. This saving has not been realised this financial year.

Management action to control running costs in Sport and Leisure have resulted in an underspend of £(0.014)k.

The income at Sale Waterside Arts Centre is £0.006m less than budget for the year. In previous reports a surplus of £(0.010)m had been predicted with movement due to accruals for the timing differences in event income and costs at year end .

TRAFFORD MBC

Report to: EGP Directorate Management Team
 Date: 9 May 2013
 Report for: Discussion
 Report author: EGP/ETO Finance Manager

Report Title

Revenue Budget Monitoring 2012/13 – Period 12 Outturn

1. Outturn

1.1 The approved revenue budget for the year is £3.369m. The outturn is £3.220m, which is an underspend of £(0.149)m for the year, and a favourable movement of £(0.050)m since the last report.

1.2 The underspend for the year has been achieved against a background of a number of significant financial challenges. This includes achieving the approved budget savings of £(0.591)m, plus the successful management of a number of in-year and ongoing pressures affecting the Directorate budget. Underlying pressures include the adverse effects of the economy on budgeted levels of income:

- shortfall in investment property rental income £0.194m;
- lower than expected fees from planning applications £0.076m.

These are taken forward in the Medium Term Financial Plan.

1.3 The budget pressures have been able to be mitigated through a combination of successful management actions during the year:

- control of running costs and accelerated savings in asset management £(0.080)m;
- staffing underspends due to the management restructure implemented during the year £(0.086)m;
- one-off income from backdated rent reviews in asset management £(0.253)m.

1.4 A number of EGP budgets are for project related activity, in particular in the areas of Housing Growth, Strategic Planning and Economic Growth. Some of the project-based work started or planned in 2012/13 will now be delivered in the new financial year and associated budgets of £(0.126)m will be carried over in the EGP Reserve accordingly (section 3).

2. Explanation of Variances

- 2.1 The outturn variances are summarised below, with more detail at Appendix 1:
- Shortfall in investment property income of £0.194m due to the on-going adverse effect of the economy, primarily on town centre rents;
 - The determination of the rent review of the Sale Tesco store was confirmed by the arbitrators in August, and income of £(0.132)m was receivable as a one-off, backdated to October 2009;
 - Confirmation of the final 2011/12 rental income from Stretford Arndale by the agents of the owners was received in August, at £(0.077)m higher than had been anticipated;
 - Income from backdated rent reviews in relation to Plymouth Road and Chester Road £(0.044)m;
 - A number of minor underspends across Asset Management running costs and income total £(0.081)m, which includes £(0.024)m relating to staffing. This is a favourable movement of £(0.042)m from the previous report, in particular due to the acceleration of savings approved in February 2013;
 - Planning Application fees income shortfall of £0.076m. This includes the effect of the 15% national increase in planning fees from 22 November 2012;
 - Fee income from housing improvement capital schemes is a net £0.024m less than budget due to a reduced volume of property sales;
 - Other favourable variances of £(0.109)m from staffing vacancies, running costs, and minor income. This includes £(0.086)m relating to the management review undertaken this financial year.

3. Reserves

- 3.1 At the end of 2011/12 the Directorate had (£0.079)m from previous years which was committed on re-phased projects, per the 2011/12 outturn report. After successful procurement processes only £0.041m was utilised in 2012/13 leaving a residual balance of £(0.038)m to be further carried forward.
- 3.2 A number of other project based budgets have been underspent in 2012/13, partly due to the restructure of EGP management throughout the year and partly due natural timing issues across the financial year end. These include Housing Growth, Strategic Planning and Economic Growth. The phasing of these projects has required £(0.126)m of associated budgets to be carried forward to support the continuation of the work into 2013/14.
- 3.3 There is a forecast surplus balance of £(0.313)m at the end of this financial year. This is earmarked to support the ongoing project work above, but also to provide one-off mitigation where income levels continue to be adversely affected by the economic climate, or other budget pressures during the year.

Utilisation of Carry forward Reserve 2012/13	(£000's)
Surplus balance brought forward at 1 April 2012	(79)
Utilised in 2012/13	41
Re-phasing of projects from 2012/13	(126)
Outturn underspend	(149)
(Surplus) Balance after outturn/commitments	(313)

4. Savings

- 4.1 The Council Budget included for £(12.2)m of savings and increased income, of which £(0.591)m related to EGP Directorate. The table below summarises the savings target outturn position:

	Budget target (£000's)	Outturn (£000's)	Variance (£000's)
Increased and new income	(111)	(35)	76
Transformation savings	(120)	(120)	0
Other savings	(360)	(360)	0
Mitigating one-off savings	0	(76)	(76)
Total	(591)	(591)	0

- 4.2 The approved budget included a saving of £0.111m from “*Additional income from locally determined application fees*”. This income has not been achieved due to indefinite delays in national changes in regulations for the setting of planning fees. The adverse variance is part mitigated by the implementation of a national 15% increase in fees from 22 November 2012. Savings from across the Directorate budget were able to fully mitigate the pressure in 2012/13, and the full year effect of the 15% increase is expected to mitigate the saving in full from 2013/14. Planning fees continue to be monitored on a weekly basis throughout the year.

5. Recommendations

- 5.1 It is recommended that:
- The outturn underspend of £(0.149)m for 2012/13 be noted.

Period 12 Outturn revenue expenditure and income variances, and movements from Period 11 monitoring report.

The following tables detail the main variances from the revenue budget to the outturn, and the movements since the last monitoring report in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	Full Year Budget (£000's)	P12 Outturn (£000's)	P12 Outturn Variance (£000's)	P11 Outturn Variance (£000's)	P11 – P12 Movement (£000's)	Ref
Economic Growth & Prosperity Portfolio						
Asset Management	1,135	995	(140)	(94)	(46)	EGP1
Planning & Building Control	173	233	60	27	33	EGP2
Strategic Planning & Development	659	676	17	25	(8)	EGP2
Economic Development and Regeneration	603	587	(16)	(16)	0	EGP4
Housing Strategy	613	613	0	10	(10)	EGP3
Directorate Strategy & Business Support	186	116	(70)	(51)	(19)	EGP4
Total Outturn Period 12	3,369	3,220	(149)	(99)	(50)	

EGP	P12	P11	P11 – P12	
Business Reason / Area (Subjective analysis)	Outturn Variance (£000's)	Outturn Variance (£000's)	Movement (£000's)	Ref
Asset Management				
Investment Property Rental Income:				
- Stretford Arndale - shortfall	73	77	(4)	
- Stretford Arndale – backdated re 2011/12	(77)	(77)	0	
- Sale Tesco – backdated rent review	(132)	(134)	2	
- Stamford Centre - shortfall	60	35	25	
- Airport - shortfall	1	25	(24)	
- Market Street - shortfall	29	29	0	
- Other properties - shortfall	31	31	0	
- Plymouth Rd & Chester Rd – backdated rent	(44)	(41)	(3)	
Staffing/running cost savings and income	(81)	(39)	(42)	
Sub-total	(140)	(94)	(46)	EGP1
Planning & Building Control				
Delay in implementing new planning regulations	51	27	24	EGP2
AMGA (Dig GM)	9	0	9	
Sub-total	60	27	33	
Strategic Planning & Development				
Delay in implementing new planning regulations	25	25	0	EGP2
Running costs minor variances	(8)	0	(8)	
Sub-total	17	25	(8)	
Economic Growth – staffing vacancies	(16)	(16)	0	EGP4
Housing Strategy				
Housing improvements capital fee income	24	18	6	EGP3
Minor running cost savings	(12)	(8)	(4)	
Income – social housing fraud	(12)	0	(12)	
Sub-total	0	10	(10)	
Directorate staffing – management vacancies	(70)	(51)	(19)	EGP4
Total Period 12	(149)	(99)	(50)	

NOTES ON OUTTURN VARIANCES

EGP1 – Asset Management – Investment properties - £(0.140)m (favourable)

This includes backdated income above expectations of £(0.077)m relating to Stretford Arndale and £(0.132)m from Sale Tesco, as reported in period 5.

For Stretford Arndale, the Agents for the owners have managed to make a number of short term lettings to ensure the number of vacant units is minimised and this has held up gross rental income despite rent reductions on the bigger units of around 40% upon lease renewals. The year-end rental payment notified during August is hence £(0.077)m higher than the £(0.055)m expected.

However, there has still been a decline in gross rent of 12% over the whole Mall in the last 2 years and there is an underlying pressure of £0.073m going forward. The overall shortfall is due to assumptions regarding leases expiring in the Mall and a continuing difficult retail economy, and includes for the effects of the continuing volatile nature of the retail sector. The situation will continue to be monitored as information is received from the managing agents and updates provided. No provision has been made in the outturn for additional income after year end relating to 2012/13. Any income received may not be confirmed by the agents until July/August 2013 but will be fully available to support the base budget in 2013/14.

The determination of the rent review of the Sale Tesco store was also confirmed by the arbitrators in August, and income of £(0.132)m is receivable above expectations. This is a one-off amount backdated to October 2009. Fees of £0.009m to the arbitrators are included within this figure.

The effect of the economy is adversely affecting other rents across the property portfolio, including Stamford Centre £0.060m, Market Street £0.029m, and others £0.031m. This is included in the EGP Medium Term Financial Plan. Airport rent will now be in line with budget following notification in March from Manchester City Council of new rent levels for the next five years, an improvement of £(0.024)m for 2012/13.

Income from backdated rent reviews has been received this month relating to Plymouth Road £(0.025)m and Chester Road £(0.019)m.

There are a number of staffing and minor running cost underspends plus additional SLA income totalling £(0.081)m across Facilities and Asset Management, a favourable movement of £(0.042)m this month.

EGP2 – Planning application fees – income shortfall £0.076m (adverse)

The approved 2012/13 budget included additional income of £(0.111)m across the Directorate based on proposed national changes to planning regulations. These changes have been delayed indefinitely which has put the whole amount of saving at risk. The Government has taken this into account, and implemented a national increase in fees of 15% to bring in line with current prices, effective from 22 November 2012. This was earlier than previously anticipated and helps mitigate the current-year shortfall by a £(0.020)m, and will fully mitigate the shortfall in 2013/14.

Pre application fees were introduced in July this year for which £(0.023)m income has been achieved, and which is £(0.013)m higher than had been predicted in the last report.

Planning and building control fees continue to be monitored on a weekly basis throughout the year.

EGP3 – Housing Strategy – Housing Improvement fee income £0.024m (adverse)

The cost of housing improvement work is recouped when properties are sold in the future, and the sale proceeds are reinvested in new works to top up the existing capital programme. Where new improvement works are carried out, this generates fee income for the service to recover the Council's management and administration costs. There has been a reduction in the number of property sales due to the adverse economic climate and this has reduced the availability of capital funds for new works. Fee income has, hence, reduced compared to that expected in the revenue budget. This will be taken forward in the Medium Term Financial Plan.

EGP4 – Management staff underspends £(0.086)m (favourable)

The Directorate has undergone a complete senior management restructure during the financial year and the timing of staff changes has given rise to an underspend of £(0.086)m. This includes an additional £(0.019)m from last reported due to management vacancies continuing longer than expected.

TRAFFORD MBC

Report to: Transformation & Resources Directorate Management Team
 Date: 8 May 2013
 Report for: Discussion
 Report author: T&R Finance Manager

Revenue Budget Monitoring 2012/13 – Period 12 (April 2012 – March 2013 inclusive)
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1 Outturn

1.1 The current approved revenue budget for the year is £19.735m. The outturn of £19.018m is £(0.717)m below the approved budget. This is a £(0.034)m favourable variance since last month. The cumulative variance for the year ending 31st March 2013 of £(0.717)m favourable to budget is a result of:

£(657)k favourable variance in staffing costs, including £(368)k due to vacancies not being filled in areas where staffing reductions were planned for 2013/14 and £(174)k on senior management arrangements. Savings have also been achieved through some acting up arrangements within the Directorate and in certain areas such as ICT and Communications savings have been made through recruitment freezes during staff restructures. (T&R 1)

£172k adverse variance on legal and court costs, mainly regarding childcare and planning. This overspend would normally be charged to the Legal smoothing reserve but, given the situation regarding the senior management arrangements saving, the cost has been charged to the T&R Revenue budget in the year. (T&R 2)

£(280)k favourable variance in various running costs across the Directorate, particularly £(136)k in Revenues & Benefits and £(79)k in ICT. (T&R 3)

£195k adverse variance in Proceeds of Crime income. Income from Proceeds of Crime continues to be achieved at lower levels and over a longer period of time than originally anticipated. Action has been taken to improve the long term position for the Proceeds of Crime Initiative, including reviewing case loads and working in partnership with GM Police. The underlying shortfall in income will be re-assessed and 2013/14 budgets re-aligned accordingly. (T&R 4)

£84k adverse variance on income for CCTV/ Control Room. Operational issues have delayed the development and marketing of the new CCTV Control Room products. £50k of the new anticipated income stream of £(60)k was not achieved. (T&R 5)

£(32)k favourable variance in the Liability Order income. A year-end review of the provision based on improved collection rates has identified a reduction in the bad debt provision. (T&R 6)

£(199)k favourable movement in other income streams, including £(35)k on Library income, £(42)k on Legal Probation work, £(41)k on Registrars income and £(17)k on Land Charges. (T&R 7)

1.2 The £(34)k net favourable movement in March is a result of:

£12k adverse variance on staff costs.

£(20)k favourable collective minor variances on running costs including scanning costs as a result of the recant back into the Town Hall being lower than forecast.

£(32)k favourable variance on liability order income, mainly due to a reduced requirement for bad debt provision.

£6k adverse collective minor variances on other income streams.

2 MTFP Savings and Increased Income

2.1 The council's overall budget includes £(12.161)m of savings and increased income, of which £(2.027)m relates to T&R.

2.2 All T&R savings and increased income were achieved in the year except £50k of CCTV income. Alternative savings were identified across T&R to offset this shortfall.

	Budget target (£000's)	End of Year Forecast (£000's)	Variance (£000's)
Increased and new income	(146)	(146)	0
Transformation savings	(560)	(510)	50
Financial Management review	(368)	(368)	0
ICT review	(120)	(120)	0
Reduction in ICT contracts	(214)	(214)	0
Reduction in specialist training	(100)	(100)	0
Reduce Community Action Pots	(150)	(150)	0
Reduction in various goods & services	(172)	(172)	0
Other savings	(197)	(247)	(50)
Total	(2,027)	(2,027)	0

3 Reserves

- 3.1 The Directorate has accumulated balances of £(1.009)m brought forward from 2011/12. During 2012/13 £36k of savings in Communications have been earmarked for Summer Events and £10k for the production of the final issue of Trafford Today in June. The table below summarises the movement during 2012/13 and earmarked expenditure in 2013/14:

Table 1: Utilisation of Carry Forward Reserve 2012/13	£000's
Balance b/f 1 April 2012	(1,009)
2012/13 Outturn	(717)
Use of Reserves	338
Remaining Balance at 31 March 2013	(1,388)
Six month's support for Let's Go Global	56
Summer Events	36
Printing of June edition of Trafford Today	10
Remaining Balance at 31 March 2014	(1,286)

- 3.2 In 2013/14 and future years the surplus balance will be used to ensure that the directorate can meet and sustain the challenges of the future, particularly ensuring support for the Transformation Programme.
- 3.3 There has been substantial slippage in the training programme during the evaluation phase of the Council-wide training review. £180k of training underspend has been transferred into the Training Reserve in 2012/13. The training reserve will be used to support the anticipated high demand for training in 2013/14 and minimise the impact of the £200k reduction in training budget.
- 3.4 £121k of unallocated Voluntary Sector Grant funding has been rolled over into 2013/14 using the smoothing reserve which is committed to support neighbourhood funding.
- 3.5 £8k has been transferred into a Mayoral Vehicle Reserve to obviate any requirement for capital funding when the Mayoral vehicle needs replacing. This reserve now totals £16k.

4 Performance Progress

- 4.1 The Transformation & Resources Directorate leads on the delivery of the corporate priority "Low Council Tax and Value for Money". Detailed below is performance at the end of March 2013.

Annual Delivery Plan 2012/13 (this section of the dashboard details the measures for which the portfolio holder / Corporate Director is responsible which specifically support the delivery of corporate objectives)

Corporate Priority	Low Council Tax & Value for Money
<p>To ensure that the Council can demonstrate it provides efficient effective and economical, value for money services to the people of Trafford, by undertaking the following actions:</p> <ul style="list-style-type: none"> • Deliver the Council's Transformation Programme; • Continue to provide effective use of resources; • Continue to manage the reputation of the Council and the borough as a whole. 	

Page 52

Key Performance Measure	Outturn 2011/12	Performance Status & Direction of Travel							
		December (Q3)		January		February		March (Q4)	
		Current	Target	Current	Target	Current	Target	Current	Target
Deliver the Council's Transformation Programme									
Minimum reserve level (LCT 15)	£9.21m G	£7.703m ↓	£6m G	£7.799m ↑	£6m G	£6.624 ↓	£6m G	£6.829 ↑	£6m G
Includes all future known commitments identified in the Council Budget Report 20 th February 2013									
Delivery of efficiency and other savings (NI179)	£21.3m G	£12.18m ↑	£12.16m G					£12.18m ↔	£12.16m G
Continue to provide effective use of resources									
Reduce the level of sickness absence (council-wide excluding schools) (Days) (BV12i)	9.93 R	9.72 ↑	9 R	10.18 ↓	9 R	10.23 ↓	9 R	10.02 ↑	9 R
Achieving a higher investment rate than the national average (7 day cash LIBID) (LCT 20)	0.55% G	0.51% ↓	0.1% G	0.5% ↓	0.1% G	0.5% ↔	0.1% G	0.52% ↑	0.1% G
Land Sales Programme (FM 10)	£5.5m	£2.05m ↓	£2m G					£3.03m ↑	£3m G
Receipts for 2011/12 were below target because of delays in completing sales due to planning and legal issues. Some receipts will be received in 2012/13 and the overall programme within the MTFP period is on target.									

Key Performance Measure	Outturn 2011/12	Performance Status & Direction of Travel							
		December (Q3)		January		February		March (Q4)	
		Current	Target	Current	Target	Current	Target	Current	Target
Continue to manage the reputation of the Council and the borough as a whole									
% collected for year - council tax (BV 9)	97.82% G	87.58% ↑	87.06% G	96.57% ↓	96.11% G	97.61% ↓	97.28% G	98.1% ↓	97.8% G
% collected for year - business rates (BV 10)	97.4% A	87.2% ↓	87.38% A	95.93% ↓	95.73% G	97% ↓	96.95% G	97.87% ↓	97.4% G
Average days to recover external debts (LCT 02)	85 R	53 ↓	56 G	33 ↑	56 G	29 ↑	56 G	34 ↓	56 G
There has been a significant improvement in the average number of days taken to recover external debt. However, the recent step in performance is largely due to inclusion of the Academies invoices in the calculation.									
Increase the % of all calls that will be answered within 20 seconds (LCT09)	81% G	89% ↓	80% G	92% ↑	80% G	91% ↓	80% G	81% ↓	80% G
Reduce the % of lost calls to the Access Trafford contact centre (LCT 10)	6% G	4% ↓	5% G	1% ↑	5% G	1% ↔	5% G	3% ↓	5% G
Percentage of Housing Benefit Overpayments collected (LCT 16)	63.1% A	68.74% ↓	70% A	66.15% ↓	70% A	68.72% ↑	70% A	67.7% ↓	70% A
<p>The outturn for 2012/13 has considerably improved since this time last year.</p> <p>The 70% in year target has been difficult to achieve. During 2012/13 training was provided and the recovery team is now generic and can collect both Council Tax arrears and Housing Benefit Overpayments. A full recovery programme planned for 2013/14 and we intend to implement additional recovery procedures to improve collection.</p> <p>The budgeted income from the recovery of overpaid Housing Benefit is £954k in 2012/13. We have collected £1.3m consequently there will be no effect on the Council's financial resource.</p> <p>The recovery program will be adhered to and we are undertaking proceedings each month against debtors. Additionally close monitoring of the debt raised will take place to ensure that the level of overpayments is minimised in the first place. This will assist with the overall collection performance.</p> <p>This work will be carried out using current resource levels.</p>									
To actively investigate allegations of benefit fraud and ensure where suitable that sanctions and/or prosecutions are enforced (LCT 17)	79 G	54 ↓	56 A					78 ↑	72 G
Conduct and conclude investigations into alleged benefit fraud that identify more serious abuses (i.e. high yield) of the benefits system (total overpayments £) (LCT 18)	£619,052 G	£463,470 ↑	£450k G					£643,891 ↓	£600k G
Average time to process Housing /Council Tax Benefit new claims and change events (Days) (NI 181)	7.16 G	7.12 ↓	7.5 G	7.3 ↓	7.5 G	6.91 ↑	7.5 G	7.23 ↓	7.5 G

Appendix 1

Period 12 Forecasted Outturn revenue expenditure and income variances and movements from Period 11 monitoring report

The following tables detail the main variances from the revenue budget to the forecasted outturn, and the movements since the last monitoring report in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	Full Year Budget (£000's)	P12 Forecast Outturn (£000's)	P12 Outturn variance (£000's)	P11 Outturn variance (£000's)	P11 to P12 movement (£000's)	Note ref
Transformation and Resources Portfolio						
Legal & Democratic	1,943	2,029	86	116	(30)	T&R 2,7
Communications & Customer Services	7,598	7,189	(409)	(427)	18	T&R 1,3,7
Partnerships & Performance	2,943	2,982	39	33	6	T&R 1,5
Strategic Human Resources	3,023	2,894	(129)	(146)	17	T&R 1,3
Corporate Leadership and Support	401	214	(187)	(173)	(14)	T&R 1
sub-total	15,908	15,308	(600)	(597)	(3)	
Finance Portfolio						
Finance Services	3,827	3,710	(117)	(86)	(31)	T&R 1,3,4,6
sub-total	3,827	3,710	(117)	(86)	(31)	
Total	19,735	19,018	(717)	(683)	(34)	

Business Reason / Area (Subjective analysis)	P12 Outturn variance (£000's)	P11 Outturn variance (£000's)	P11 to P12 movement (£000's)	Note Ref
Management of Vacancies	(657)	(669)	12	T&R 1
Legal & Court costs	172	154	18	T&R 2
Running costs	(280)	(242)	(38)	T&R 3
Proceeds of Crime income	195	196	(1)	T&R 4
CCTV/ Control Room	84	89	(5)	T&R 5
Liability Order income	(32)	0	(32)	T&R 6
Other Income	(199)	(211)	12	T&R 7
Total	(717)	(683)	(34)	

TRAFFORD MBC

Report to: Director of Finance
 Date: 16 May 2013
 Report for: Information
 Report author: Head of Financial Management

Report Title

**Revenue Budget Monitoring 2012/13 – Draft Period 12 Outturn - Council-Wide Budgets
 (April 2012 to March 2013 inclusive)**

1 Draft Outturn Forecast

- 1.1 At the time of writing the accounts have been closed on the best estimates available for the following items that are subject to final adjustments:

Carbon Reduction Allowances; £0.053m costs against a budget of £0.056m, based on recharges to schools of £(0.203)m. Final costs and schools charges subject to audit.

Municipal Mutual Insurance ‘claw back’; at the time of the budget it was known that the Council would need to contribute to previous claims paid on its behalf in the region of 15%, as the assets of MMI are insufficient to cover current and future estimated liabilities. The advised claw back amount at 15% of £0.419m will be a new provision charged to the 2012/13 accounts. The potential maximum liability has been advised to be in the region of a further £0.4m, and this along with other matters will be considered when determining the level of insurance reserves.

- 1.2 The current approved revenue budget for the year is £25.406m. The outturn forecast is £24.402m, which is £(1.004)m under the budget, a favourable movement of £(0.454)m since the last report.

- 1.3 Appendix 1 details by variance area the projected outturn as compared to the approved revenue budget, with the main variances being;

Provision for bad debts; due to exceptional general debtor collection performance, particularly for debt outstanding from the previous financial year, the amount set aside for bad debt can be reduced. After making adequate provision for Housing Benefit debtors and charges for the MMI claw back provision there is a net underspend of £(0.220)m.

Treasury Management: £(0.325)m of debt charges were avoided, and increased balances and investment rates generated a further £(0.156)m. Part of the month on month variance of £(0.038)m is a small increase in Airport dividend of £(0.006)m;

External audit fees £(0.098)m; relating mainly to a reduction in the standard audit fee;

Seventeen Right-To-Buy sales of ex-Council Houses, £(0.170)m, of which nine sales were notified after year end and constitute the main month on month variance at £(0.090)m;

Additional AGMA projects and a reduction in funding sources have resulted in additional costs to the Council of £0.047m;

Reduced Council Tax and Housing Benefit subsidy £0.020m, a minor variance compared to the £78m budget;

There were a number of other minor variances across Council Wide budgets in the sum of £(0.102)m for the year, with a month on month variance of £(0.106)m. Many of these budgets can only be assessed at the end of the year, and include for such matters as the Coroners Service which is operated by Stockport Council.

2 MTFP Savings and increased income

- 2.1 The Council-wide budget includes a saving target of £(0.231)m from the overall Council budget of £(12.2)m for savings and increased income. The savings target was fully met at year end:

	Budget target (£000's)	End of Year Forecast (£000's)	Variance (£000's)
Increased and new income	0	0	0
Transformation savings	0	0	0
Other savings	(231)	(231)	0
Total	(231)	(231)	0

3 Service carry-forward reserve and Recommendations

- 3.1 The underspend within Council-wide budgets is transferred to the General Reserve, as detailed in the summary report. Within this the underspend for the Coroners Service of £(0.030)m is carried forward as commitment so that funds are available in much the same way as they are for service reserves; and in this case to deal with the unusual activity in 2013/14 of temporary accommodation and court room rental whilst the existing accommodation at Mount Tabor is made fit for purpose.

Period 12 Draft Outturn revenue expenditure and income variances, and movements from Period 11 monitoring report

The following tables detail the main variances from the revenue budget to the forecasted outturn, and the movements since the last monitoring report in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	Full Year Budget (£000's)	P12 Draft Outturn (£000's)	P12 Draft Outturn variance (£000's)	P11 Outturn variance (£000's)	P11 to P12 movement (£000's)	Ref
Finance Portfolio						
Precepts, Levies & Subscriptions	16,568	16,617	49	47	2	C-W4
Provisions (bad debts, pensions, property rates)	1,745	1,504	(241)		(241)	C-W1
Treasury Management	9,051	8,570	(481)	(443)	(38)	C-W2
Insurance	647	647				
Members Expenses	942	913	(29)		(29)	
Grants	(3,627)	(3,657)	(30)		(30)	
Other Centrally held budgets	80	(192)	(272)	(154)	(118)	C-W3
Total	25,406	24,402	(1,004)	(550)	(454)	

Business Reason / Area (Subjective analysis)	P12 Draft Outturn variance (£000's)	P11 Outturn variance (£000's)	P11 to P12 movement (£000's)	Ref
Provision for bad debts	(220)	0	(220)	C-W1
Treasury Management:				
- Investment Income	(156)	(106)	(50)	C-W2
- Debt Management cost savings	(325)	(337)	12	C-W2
Other Centrally held budgets				
- External audit fees	(98)	(106)	8	C-W3
- Right-To-Buy sales	(170)	(80)	(90)	C-W3
- Housing Benefit subsidy	20	20		C-W3
- Other minor variances	(24)	12	(36)	C-W3
Precepts, Levies & Subscriptions				
- AGMA Budgets	47	47		C-W4
- Other minor variances	2		2	C-W4
- Other minor variances	(80)		(80)	
Total	(1,004)	(550)	(454)	

NOTES ON PROJECTED VARIANCES

C-W1 – Provision for bad debts - £(0.220)m (favourable), a movement of £(0.220)m since the last report.

There has been exceptional general debtor collection performance during the year, not only on debt raised during the year, but particularly on the previous year's debt balance. These general debtors relate to charges to individuals or organisations for the supply of goods and services by the Council.

After adequate assessment of other debt provisions, particularly for Housing Benefits, the combined reduction in the bad debt provision and available budget was an underspend of £(0.639)m. With such a sum being available, the MMI claw back provision of £0.419m has been charged to this account, rather than using reserves unnecessarily. The insurance reserve will now also hold for claw back above the currently estimated 15%.

C-W2 – Treasury Management - £(0.481)m (favourable), a movement of £(0.038)m since the last report.

A rephasing of schemes within the Council's Capital Investment Programme, funded by prudential borrowing, was incurred in the final quarter of 2011/12. This has resulted in a one-off reduction in the amount the Council has to set aside in order to repay debt in 2012/13, £(0.021)m.

In response to the continuing uncertainty of the worldwide economic climate, counterparty security and borrowing rates being considerably higher than investment rates, the new long term borrowing planned to be taken during the last part of the year, was not taken thereby generating a saving of £(0.314)m in interest payable. This course of action was undertaken in accordance with advice obtained from the Council's external treasury management consultants.

Adjustments to the capital programme and the receipt of capital grants ahead of expenditure has improved cash flow, generating £(0.120)m, and improved interest rates a further £(0.020)m.

There has also been an additional share dividend of £(0.006)m received from Manchester International Airport.

C-W3 – Other Centrally held budgets - £(0.272)m favourable

The Audit Commission fees for 2012/13 have substantially reduced by £(0.098)m, in particular relating to the standard audit fee, £(0.106)m, due in part to the Council's good quality financial management.

There has also been seventeen Right-To-Buy sales of ex-Council Houses by Trafford Housing Trust, which are not budgeted for, generating income of £(0.170)m to the Council.

Council Tax and Housing Benefit subsidy – minor loss of subsidy of £0.020m on a combined budget of £78m.

Other minor variances of £(0.024)m.

C-W4 – Precepts, Levies & Subscriptions - £0.049m adverse

A number of projects have been re-prioritised by AGMA in 2012/13 and budgets have been re-aligned accordingly. This includes new and revised projects being funded from savings elsewhere within AGMA budgets. However, the total amount due to Lead authorities is higher than expected, £0.047m. Other minor variances of £0.002m.

TRAFFORD BOROUGH COUNCIL

Report to: Executive 24 June 2013
Report for: Decision
Report of: The Executive Member for Finance and the Director of Finance

Report Title

CAPITAL INVESTMENT PROGRAMME 2012/13 OUTTURN

Summary

The report summarises the outturn position for 2012/13 and the consequential impact on the Medium Term Financial Plan 2013/16.

Capital expenditure for 2012/13 amounted to £58.0m, equivalent to 91% of revised Q3 budget of £63.9m. This performance increases to 95% after adjusting for budgets that the Council has no direct control over (See Paragraph 5). The variance of £5.9m can be explained by a number of factors that are detailed in the report (Paragraph 4).

Net re-profiling of £6.0m will increase the Capital Investment Programme in later years.

Recommendation(s)

The Executive is requested to

Note this summary report
Approve the changes to the 2013/16 Programme
Approve the additional expenditure, listed in Appendix B, in accordance with Financial Procedure Rule No. 4
Note the outturn of the prudential indicators for 2012/13 as set out in paragraph 15 and Appendix C.

Contact person for access to background papers and further information:

Name: Graeme Bentley
Extension: 4336

Background Papers – None.

Capital Expenditure 2012/13

1. The original budget for 2012/13 was approved at £61.8m in February 2012. During the year minimal re-phasing has been reported with the majority of schemes being delivered on programme. The main changes to the budget are additions, for example Local Authority Mortgage Scheme at £2m and new grant awards giving a projected budget of £63.9m as referred to in section 4.
2. Capital expenditure of £58.0m was incurred in 2012/13 on a number of key capital projects. Some of the main highlights included:

School Improvements - £18.3m:-

- § St.Ambrose College : Rebuild - £7.0m
- § Primary Capital Programme - £5.2m
- § Improvements via Devolved Formula Capital - £0.7m
- § Stretford High School – Sports Facilities - £2.1m
- § Capital Maintenance Grant works - £3.3m

Major building works on Public & Operational Buildings - £17.7m (incl long term accommodation)

Regeneration Projects - £10.0m (Incl LCCC redevelopment)

Highway Related Improvements - £4.7m

Adult Social Services - £2.8m (incl Disabled Facility Grants and specialist housing)

Local Authority Mortgage Scheme - £2.0m

Sport, Recreation & Culture - £1.3m

ICT Investment £ 0.5m

Waste Recycling Initiatives - £0.3m

Financing of Capital Expenditure

2. The expenditure was financed from grants and external contributions, supplemented by borrowing, receipts derived from the sale of surplus assets and a small level of specific reserves. The actual levels applied are shown below:-

<i>Financing of Capital Expenditure 2012/13</i>	Projected £m	Actual £m
Internal Resources		
Capital Receipts	15.0	13.8
LSVT VAT Receipts	2.0	2.0
Specific Reserves	1.8	0.3
Borrowing	21.3	19.8
Sub-Total	40.1	35.9
External Resources		
Grants & Contributions	23.8	22.1
Total	63.9	58.0

3. Sufficient capital resources will be available to cover all the expenditure re-profiled from 2012/13 to later years. The actual use of capital receipts is lower than projected due to some rephasing of expenditure on specific schemes and receipts will be carried forward on the balance sheet. No grants and contributions are at risk of clawback and will therefore be available in later years. The lower than projected borrowing will lead to a temporary reduction in minimum revenue provision (repayment of debt) of approximately £20,000 in 2013/14 compared to the MTFP estimate.

Explanation of major variances

4. The Executive approved a projected budget of £63.9m as at quarter 3. Each year capital expenditure is reviewed to ensure it meets the statutory definition of such expenditure. This review identified some small items that should be charged to revenue with an appropriate adjustment from capital reserves. These were mainly on decant/recant related costs associated with the Long Term Accommodation scheme. Overall this has no adverse impact of Council budgets.

Actual Capital Expenditure compared to Revised Budget 2012/13	£m
Q3 Projected Budget	63.9
Adjustment for revenue expenditure	(0.3)
Revised 2012/13 Budget	63.6
Actual	58.0
Variance	(5.6)

5. The level of capital expenditure equated to 91% of the adjusted budget and the variance is summarised in the table below. Included in the variance are a number of schemes where the Council has limited control over the phasing of expenditure, for example Schools Devolved Formula capital and land assembly schemes and after adjusting for these outturn performance increases to 95%.
6. A summary of the major variances is shown below. Appendix A provides an analysis of variance at a service level whilst Appendix B details variances at an individual scheme level.

Actual Capital Expenditure 2012/13	£m
Variance	(5.6)
Explained By:-	
Re-profiling to future years (Appendix B, pages 8-9)	(9.6)
Acceleration (Appendix B, page 9)	3.6
Additional Expenditure (Appendix B, page 10)	0.7
Savings (Appendix B, page 10)	(0.3)
Total	(5.6)

7. A number of schemes required re-profiling to 2013/14 and in a number of cases management action was taken to accelerate expenditure on other priority projects. Specific explanations are provided in the service analyses in Paragraphs 10 – 14.
8. Total additional expenditure of £721k has been incurred of which £529k relates to highway works on residential and commercial developments undertaken by the Council and funded by the developers. Savings total £288k, but £65k of these were supported by specific reserves. The remaining savings exceed the additional expenditure by £31k.
9. There is no material change to the overall resourcing position for the Capital Programme which was reported to the Executive in February.

Explanation of Service Area performance and variances

Children and Young People

10. Expenditure of £18.3m has been incurred which represents 98% of the budget. The result of this is net re-profiling of £0.4m to 2013/14 and later years. Further details of these variations are shown in Appendix B.

Communities and Wellbeing

11. Expenditure of £2.8m has been incurred which represents 74% of the £3.8m budget. The variance relates primarily to:

Social Care – Replacement ICT System: £1.1m re-profiled to 2013/14 due to links with other major ICT projects and changes from the original scope of the scheme.

Disabled Facilities Grants: Pressure on this budget continues to grow as the number of grant awards has increased and new procurement framework has reduced the time in which grants are completed. As a result £261k will be adjusted from the 2013/14 allocation. A number of measures have been undertaken to control the cost of mandatory DFG's including a new procurement framework which reduced the average cost per award and further measures continue to be assessed.

Economic Growth and Prosperity

12. Expenditure of £30.7m has been incurred which represents 93% of budget. The variance of £2.0m relates to a number of schemes with the major variances being:-

Lancashire County Cricket Club (LCCC) Development: Variance of £1.3m has been re-phased to 2013/14 due to the value of drawdown claims from LCCC being less than originally advised. The programme and completion date are still within the required timeframe for delivering the project on target in 2013.

Altair Development, Altrincham – Variance of £0.6m due to ongoing land assembly issues has resulted in re-phasing to later years.

Environment, Transport and Operations

13. Expenditure of £5.6m which represents 86% of budget. Across the Service there were a number of variations resulting in net re-profiling of £1.4m with £1.1m of this relating to highways schemes. Further details of these variations are shown in Appendix B.

Transformation and Resources

14. Expenditure of £0.5m has been incurred which equates to 28% of the budget. The variance of £1.3m relates to the re-phasing of budgets across the service area including:-

HR/Payroll System (SWiTch) – The scheme is now complete and a saving of £0.4m has been made. It is intended to utilise this saving to support the CRM system upgrade project in 2013/14, if required.

ICT Projects – Variance £0.6m - net rephasing across a number of projects including EDRMS, CRM and Agile Working projects, due to delaying the start of schemes in light of the relocation of the ICT Service from Friars Court to the new Town Hall facility.

Prudential Indicators

15. The Council is required to maintain these indicators which are designed to show that its capital expenditure plans are prudent, affordable and sustainable. Detailed in Appendix C are the actual capital programme related indicators agreed in February 2012, and updated in February 2013. No indicators were breached in 2012/13.

Conclusions & Recommendations

16. The report has identified the impact of the capital expenditure outturn in 2012/13. The Executive is requested to:-

Note this summary report
Approve the changes to the 2013/16 Programme
Approve the overspends, listed in Appendix B, in accordance with Financial Procedure Rule No.4
Approve the actual prudential indicators for 2012/13 as set out in Appendix C.

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Capital expenditure has been contained within available resources in 2012/13.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Staffing/E-Government/Asset Management Implications	A number of improvement schemes undertaken in 2012/13 were completed.
Risk Management Implications	Not Applicable
Health and Safety Implications	A number of schemes were undertaken in 2012/13 on the grounds of health and safety.

Other Options

There are no options in this report.

Consultation

N/A

Reasons for Recommendation

To ensure that key information on the Capital Investment Programme is noted by the Executive.

Finance Officer Clearance ...GB.....

Legal Officer Clearance ...MJ.....

DIRECTOR OF FINANCE SIGNATURE : Appended in hard copy.

APPENDIX A

CAPITAL OUTTURN 2012/13

The Council spent £58.0m on capital schemes last year. A summary analysis of this by service area is shown below, together with further detail on re-profiling, acceleration, overspending and savings.

Service Area	Updated Budget 2012/13 £'000	Outturn 2012/13 £'000	Variance £'000	← Variance Explained By →			
				Re- Profiling £'000	Accel. £'000	Add'n Expend £'000	Saving £'000
Children & Young People	18,770	18,332	(438)	(2,482)	2,040	4	
Communities & Wellbeing	3,801	2,796	(1,005)	(1,272)	261	8	(2)
Economic Growth & Prosperity	32,682	30,709	(1,973)	(2,920)	822	125	
Environment , Transport & Operations	6,532	5,613	(919)	(1,788)	432	584	(147)
Transformation and Resources	1,786	506	(1,280)	(1,141)			(139)
Total	63,571	57,956	(5,615)	(9,603)	3,555	721	(288)

APPENDIX B

Explanation of Major Variances

Re-Profiling £9.6m	£000	Explanation
CYPS		
Devolved Formula Capital	729	Each school allocated annual budgets to be spent within 3 years as they require. LEA has no control over when budgets are spent.
Primary Capital Programme	476	A number of minor re-profilings to cover retentions of completed schemes providing additional primary school places.
Schools Access Initiatives	298	Budget to provide specific access facilities for pupils – No schemes required in year.
Schools Maintenance Schemes	273	Works at Cherry Manor PRU delayed due to review of PRU provision and budget for Health & Safety works not required in year.
St.Ambrose College	211	Scheme complete – re-profiling required for retentions payable in 2013/14
Aiming Higher – Short Breaks Grant	124	Grant to provide short breaks for severely disabled children through access to equipment, adaptations & facilities. The award only received in October 2012. Grant use deadline is August 2013.
CYPS – ICT Developments	110	Linked to the replacement ICT Social Care system which is to be introduced in the next financial year (see below)
C&W		
Social Care – Replacement ICT System	1,097	Re-profiled to 2013/14 to due to a re-assessment of the system specifications to ensure it is integrated with CYPS & Health services.
Establishments – development projects	146	Works at Ascot House, Meadowside and in conjunction with Trafford Provider Services have been delayed due to requirement to re-assess the work to be undertaken.
EG&P		
Lancashire CCC - Development	1,332	Scheme undertaken by LCCC - drawdown claims were less than originally advised.
Altair Development, Altrincham	615	Negotiations in respect of CPO costs & site purchases have delayed completion.
Mechanical & Electrical Works	142	A number of schemes planned for 2012/13 required reprogramming due to changes in service requirements.
Public Building Repairs	352	A number of schemes planned for 2012/13 required reprogramming due to changes in service requirements.
Bringing Town Centres Alive	148	£150k budget includes £100k High Street Innovation Fund Grant. Budgets allocated to each town centre and re-profiled until public realm strategies are complete.

Affordable Housing – Roseneath Rd, Urmston	108	Original development no longer proceeding. This scheme supported by S.106 and work is being undertaken to identify a new scheme in 2013/14 in conjunction with a registered social landlord
ET&O		
Altrincham Interchange	500	Contribution not yet claimed by TfGM.
Integrated Transport Schemes	337	Includes Congestion Performance, Better Bus and Bridgewater Way projects.
Pay & Display Equipment	161	Scheme to be undertaken following the completion of the enforcement review.
Public Realm Improvements	333	Town Centre studies & public consultation still ongoing.
Housing CPO & Empty Property Initiatives Grants	183	This year it has not been possible to conclude agreements with property owners to fund suitable empty property projects. Projects are in the pipeline to be committed in 13/14 to assist in delivering the empty property strategy.
T&R		
Electronic Data Records System (EDRMS)	270	Start delayed whilst review of potential alternative options was undertaken.
HR Payroll – SwiTch	413	Saving on scheme earmarked for use towards CRM upgrade project
Other ICT Projects	332	Schemes to proceed once ICT service has relocated to new Town Hall facility

Acceleration £3.6m	£000	Explanation
CYPS		
Worthington Primary School	1,019	Project to rebuild the school has progressed far better than anticipated.
Kings Road Primary School	380	Project to provide additional places has progressed far better than anticipated.
Schools Capital Maintenance Works	530	Projects originally phased to complete in 2013/14 were completed ahead of schedule in time for the new school year in September.
C&W		
Disabled Facilities Grants	261	Continuing pressure has resulted in additional grant payments of £261k.
EG&P		
Long Term Accommodation	597	Scheme completed on time and within budget
Housing Growth Points	105	Reflects efforts to bring surplus sites to market faster.
ET&O		
Various Highways schemes	374	A number of projects including a major junction improvement project in Carrington have been delivered faster than anticipated.
Food Waste Collection Equipment	32	Reflects the purchase of containers for the new food waste scheme.

Additional Expenditure £0.7m	£000	Explanation
EG&P		
Wharfside Promenade	84	Additional expenditure has been incurred caused by an expansion of the scope of the original scheme such that other complementary works could be undertaken (£44k) and as a result of changes in access arrangements (£69k). The final scheme cost of £313k exceeded budget by £113k, of which £29k was financed from developer contributions in 2011/12.
ET&O		
Section 278 agreements	529	Relates to highway works on residential and commercial developments undertaken by the Council and funded by the developer.

Savings £0.3m	£000	Explanation
ET&O		
Crematorium – EPA emission abatement	56	Scheme completed under budget.
T&R		
Coroners Accommodation	98	Trafford contribution no longer required.
ICT Projects	41	3 schemes completed for less than budget.

APPENDIX C

Prudential Indicators – Actual 2012/13

The figures below show the Council's actual prudential indicators for 2012/13 compared to estimate.

Indicator 1: CAPITAL EXPENDITURE	2011/12 Actual	2012/13 Original Estimate	2012/13 Revised Estimate	2012/13 Actual
	£'000	£'000	£'000	£'000
Total Expenditure	54,790	61,821	63,571	57,956

Explanation of variances are given in the Appendices A & B

Indicator 2: CAPITAL FINANCING REQUIREMENT	31/3/12 Actual	31/3/13 Original Estimate	31/3/13 Revised Estimate	31/3/13 Actual
	£'000	£'000	£'000	£'000
General Fund	132,337	149,408	149,258	147,632

This is the Council's underlying need to borrow for a capital purpose. The table above 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.

Indicator 3: FINANCING COSTS TO NET REVENUE STREAM	2011/12 Actual	2012/13 Original Estimate	2012/13 Revised Estimate	2012/13 Actual
	%	%	%	%
General Fund	6.1	6.7	6.2	6.1

This indicator shows the net borrowing costs and minimum revenue provision as a percentage of the Council's net revenue budget.

Indicator 4: Incremental impact on Band D council tax and housing rents	2011/12 Actual	2012/13 Original Estimate	2012/13 Revised Estimate	2012/13 Actual
	£	£	£	£
Council Tax – Band D	1.19	9.60	5.25	4.79

The actual position for 2012/13 reflects the treasury management decisions taken to defer borrowing until suitable market condition exist.

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TRAFFORD BOROUGH COUNCIL

Report to: Executive 24 June 2013
Accounts & Audit Committee 27 June 2013
Council Meeting 10 July 2013

Report for: Decision

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

Treasury Management Annual Performance 2012/13 Report

Summary

In accordance with the CIPFA Code of Practice, as adopted by the Council, this report has been prepared to review treasury activities for the past financial year.

During 2012/13 the Council complied with its legislative and regulatory requirements, including compliance with all treasury management prudential indicators.

No new borrowings were undertaken in the year to finance the capital programme and at 31 March 2013 the Council's external debt was £100.5m (£100.7m at 31 March 2012) and investments totalled £52.2m (£76.6m at 31 March 2012).

Investment activity undertaken during 2012/13 resulted in the placement of 302 investments totalling £570m spread over 24 institutions. This compares to the 2011/12 activity when 395 investments were placed totalling £624m in 29 institutions.

During the year and as a result of the above actions, a saving against the treasury management budget of £(0.5m) occurred. This was due to increase in investment interest earned of £(0.2m) and savings in external loan interest payable of £(0.3m).

Recommendations

That the Executive and the Accounts & Audit Committee advise the Council;

1. of the Treasury Management activities undertaken in 2012/13,
2. that no prudential limits were breached during 2012/13,
3. that both the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance were fully complied with.

Contact person for background papers:
Graham Perkins – Technical Accountant - Extension: 4017

Background papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	In 2012/13 the Council paid loan interest of £5.3m and received £0.7m from money market investments.
Legal Implications:	No legal implications arising from this report
Equality/Diversity Implications	Not applicable
Sustainability Implications	Not applicable
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities. The main risks are of adverse or unforeseen fluctuations in interest rates and security of capital sums.
Health & Wellbeing Implications	
Health and Safety Implications	Not applicable

1. INTRODUCTION AND BACKGROUND

- 1.1 The Council is required through regulations issued under the Local Government Act 2003, to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2012/13. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.2 In 2012/13, the Accounts & Audit Committee together with the Executive and Full Council received the following reports:
- annual treasury strategy for the year ahead (February 2012)
 - mid-year update report (November 2012)
 - annual report describing the activity undertaken compared to the strategy (June 2013 i.e. this report)
- 1.3 The figures in this report are based on the actual amounts borrowed and invested and as such will differ from those stated in the final accounts which are shown in compliance with International Financial Reporting Standards.
- 1.4 The report comprises of the following sections;
- Economic background & impact on the Strategy(Section 2),
 - Treasury Position (Section 3),
 - Borrowing Position (Section 4),
 - Investment Position (Section 5),
 - Prudential and Performance indicators (Section 6),
 - Conclusions and Recommendations (Section 7),
 - Post 2012/13 events update (Section 8),
 - Appendices.

2. ECONOMIC BACKGROUND & IMPACT ON 2012/13 STRATEGY

- 2.1 The challenging economic conditions of the previous years continued throughout 2012/13 and a brief summary of the main events which occurred during the year are highlighted below:

UK: -

- economic growth (GDP) remained relatively static for the year increasing by 0.5% primarily due to the Olympics & Jubilee celebrations,
- consumer expenditure remained subdued,
- exports remained weak especially to the country's biggest customer - the European Union,
- the Monetary Policy Committee (a) increased quantitative easing by £50bn in July to a total of £375bn, (b) maintained Bank Rate at 0.5% and (c) introduced the Funding for Lending Scheme in July. This resulted in cheap credit being made available to banks causing market investment rates to fall sharply in the second half of the year,
- Consumer Price inflation remained above the 2% Government target, starting the year at 3.0% and finishing at 2.8% in March,
- the coalition Government maintained its tight fiscal policy stance against a background of warnings from the credit rating agencies in the event Moody's and Fitch, downgrading the UK's AAA credit rating to AA1 (23/02/13) and AA+ (19.04.13) respectively.

EU:-

- the sovereign debt crisis continued to dominate the headlines during the year,
- Greece received a second bailout of €110bn in December, payable in tranches depending on their performance with a further third tranche of €30bn also being agreed,
- a major crisis in Cyprus towards the end of the year resulted in a €10bn loan package being agreed,

- Spanish banks received during the summer, a €100bn package of support

Rest of the World:-

- US – GDP growth was close to 3% with signs of the housing market improving starting to appear. The agreement reached on 1st January 2013 to avert some of the “fiscal cliff” reduces the risk of a further recession being encountered.
- China - economic growth slowed due to difficulties being experienced in its exports to the western markets.

- 2.2 Continued uncertainty in the aftermath of the 2008 financial crisis as highlighted above promoted a cautious approach in our operations. With investments continuing to be dominated by counterparty risk considerations and a reduction in market rates due to the Funding for Lending scheme, cash balances continue to attract relatively low returns compared to borrowing rates.
- 2.3 The expectation for interest rates within the strategy for 2012/13 anticipated low but rising Bank Rate (starting in quarter 4 of 2014) with similar gradual rises in medium and longer term fixed borrowing rates over 2012/13. This forecast rise has now been pushed back to a start in quarter1 2015 at the earliest.
- 2.4 The actual movement in interest rates when compared to the expectations in the strategy are shown below and a more detailed analysis detailing how investment rates moved during the course of the year is provided at Appendix A;

	2012/13	1 April 2012	31 March 2013	2012/13
	Forecast Average	Actual	Actual	Actual Average
	%	%	%	%
UK Bank Rate	0.50	0.50	0.50	0.50
Investment Rates				
3 month	0.70	1.03	0.51	0.69
1 Year	1.60	1.86	0.91	1.33
Loan Rates				
5 Year	2.40	2.10	1.75	1.85
25 Year	4.30	4.39	4.07	4.09

For reference, the 2012/13 budget assumed an average investment rate of 1.00% and that any new borrowing would be undertaken at a maximum rate of 5%.

3. TREASURY POSITION

- 3.1 The Council’s debt and investment position is controlled in order to ensure that security of funds and adequate liquidity for revenue and capital activities maintained at all times. This function is undertaken by the Council’s Treasury Management team. Procedures and controls to achieve these objectives are well established both through Member reporting and officer activity.
- 3.2 The maturity structure of the debt portfolio was as follows:

	31 March 2013 Actual	31 March 2012 Actual
Under 12 months	£3.1m	£0.3m
12 months and within 24 months	£2.4m	£3.1m
24 months and within 5 years	£8.2m	£7.9m
5 years and within 10 years	£15.5m	£14.3m
10 years and above	£71.3m	£75.1m
Total	£100.5m	£100.7m

3.3 The maturity structure of the investment portfolio was as follows:

	31 March 2013 Actual	31 March 2012 Actual
Instant Access	£19.8m	£27.3m
Under 1 year	£32.4m	£49.3m
Total	£52.2m	£76.6m

3.4 At the beginning and end of 2012/13 the Council's treasury position was as follows:

	31 March 2013 Principal	Total	Interest Rate	31 March 2012 Principal	Total	Interest Rate
DEBT						
Fixed rate:						
-PWLB	£44.5m			£44.7m		
-Market	£25.0m	£69.5m	5.55%	£25.0m	£69.7m	5.56%
Variable rate:						
-PWLB	£0m			£0m		
-Market	£31.0m	£31.0m	4.58%	£31.0m	£31.0m	4.58%
Total debt		£100.5m	5.25%		£100.7m	5.26%
Capital Financing Requirement (to finance past capital expenditure)		£147.6m			£132.3m	
Over/ (under) borrowing		(£47.1m)			(£31.6m)	
INVESTMENTS						
- Fixed rate	£32.4m			£49.3m		
- Variable rate	£19.8m			£27.3m		
Total investments		£52.2m	0.88%		£76.6m	1.12%

4. BORROWING POSITION

- 4.1 As at 31 March 2013 the Council's level of external debt was £100.5m, a profile of which can be found at Appendix B. Of this debt, £1.1m is administered on behalf of Greater Manchester Probation Service which leaves £99.4m in respect of the Council's own long term requirement.
- 4.2 During 2012/13 in response to the continuing interest rate differential between the cost of long term debt (4% to 5.5%) and the return available from short term investments (under 1%) and investment counterparty risk, the Council followed a strategy of borrowing internally (using cash backed reserves). This course of action saved the Council £(0.3)m in debt interest in the year and was undertaken in conjunction with advice obtained from the Council's external advisers Sector
- 4.3 No rescheduling on any of the Council's loans was undertaken in the year as the average differential between PWLB new borrowing rates and premature repayment rates of 1% made rescheduling unviable, due to the high the breakage costs (premium) payable.

5. INVESTMENT POSITION

- 5.1 The Council's investment policy is governed by CLG guidance, which was implemented in the annual investment strategy approved by Council on 22 February 2012. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).
- 5.2 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
- 5.3 The Council's main bank account, held with the Co-operative Bank, is non-interest bearing and consequently if no investments were undertaken by the Council's in house treasury management team, the Council would lose a substantial amount of income. During 2012/13 an investment rate of return was 0.88% was achieved through proactive investment management generating £(0.7m) of interest, which was 0.49% or £(0.4m) above the comparable performance indicator of the average 7-day London Interbank BID (LIBID) rate, of 0.39% and £(0.2m) above budget.
- 5.4 For reference the total number of investments undertaken in 2012/13 was 302, totalling £570m and 24 institutions were used.
- 5.5 A breakdown of the Council's temporary investments, as at 31 March 2013 is provided at Appendix C for reference.

6. PRUDENTIAL AND PERFORMANCE INDICATORS

- 6.1 Within the Treasury Management Strategy for 2012/13, approval was given to the treasury management prudential & performance indicators for the period 2012/13 – 2015/16. All indicators and benchmarks set for 2012/13 were complied with and details of these are shown in Appendix D.

7. CONCLUSIONS AND RECOMMENDATIONS

- 7.1 All relevant statutory guidelines, the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance were fully complied with during 2012/13, including the prudential indicators.
- 7.2 In response to market conditions no new external borrowing was undertaken generating revenue savings of £(0.3m) and due to higher balances than forecasted along with timing differences from income received ahead of requirement, the return on investments was £(0.2m) higher than originally anticipated.
- 7.3 The Executive and the Accounts & Audit Committee advise the Council;
- of the Treasury Management activities for 2012/13,
 - that no prudential limits were breached during 2012/13.

8. POST 2012/13 EVENTS UPDATE

- 8.1 During April and May 2013, two of the three main credit rating agencies, Fitch and Moody's, both revised down their credit ratings assigned to The Co-operative bank to that of sub investment grade. This downgrade was made in reaction of the bank needing to strengthen its long term funding position in response to enhanced regulatory requirements due to be implemented by the end of 2013.
- 8.2 The credit rating agencies took this action despite the bank having both a strong short and medium term funding profile, significantly above that required by the international regulatory requirements and recently, as highlighted in reports issued by YouGov and uSwitches receiving excellent levels of customer service.

- 8.3 In response to the credit rating agencies actions, The Co-operative bank has recognised these findings and has started to address the situation of strengthening its balance sheet.
- 8.4 For a number of years the Council has used the services of the bank for its day to day banking requirements and has, in accordance with the annual Treasury Management Strategy, together with information obtained from Sector the Council's advisers, placed limited investments with the bank. Whilst the credit ratings of the bank has not previously met the minimum required by the Council, special dispensation was offered to The Co-operative in the Strategy reflecting its status as the Council's banker.
- 8.5 In response to Fitch's downgrade in April, pro-active action was undertaken to (a) place no further investments with the bank, (b) remove the bank from the authorised lending list of institutions with whom investments could be placed, (this is the normal course of action adopted in this scenario) and (c) continue to use the bank for Council's transitional banking requirements (day to day activities).
- 8.6 At the time that this internal decision to remove the bank from its list of authorised investment institutions was made, the Council had £4.5m invested with the bank. Since then £1m was repaid on the due date 24 May 2013 with the balance of £3.5m being set to be repaid on maturity on 12 July 2013.
- 8.7 Whilst the Council will continue to have some exposure to the bank arising from its day to day activities, this is not foreseen to be a problem given the bank's strong short term liquidity position. The service the bank undertakes on behalf of the Council is subject to tender and currently options are being evaluated for when the current contract expires in March 2014.

Other Options

This report has been produced in order to comply with Financial Regulations and relevant legislation and provides an overview of transactions undertaken during 2012/13.

Consultation

Not applicable.

Reasons for Recommendation

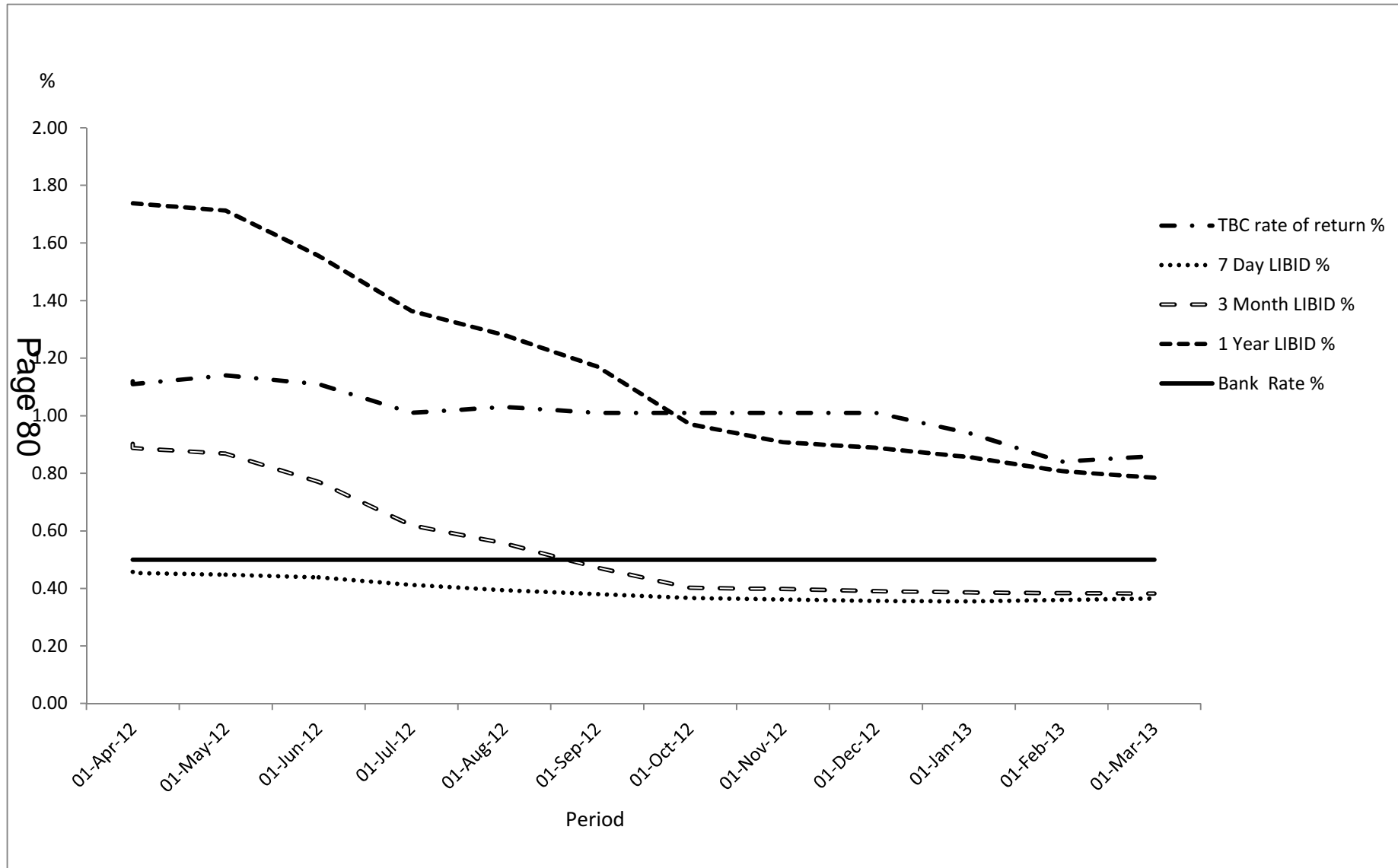
The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Finance Officer Clearance ...ID.....

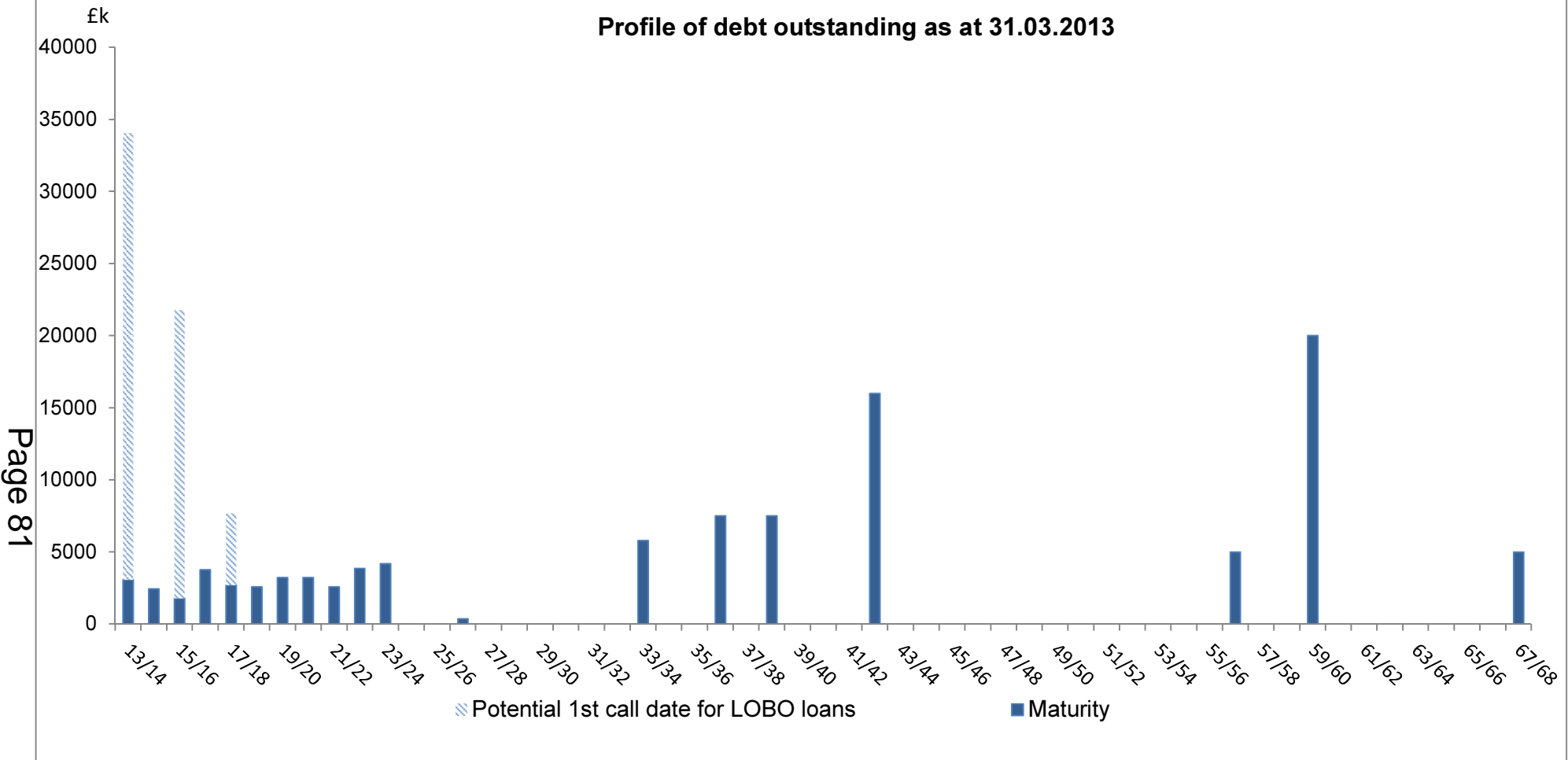
Legal Officer Clearance ...MJ.....

Director of Finance Signature Supplied in hard copy.

Investment Interest rate movements in 2012-13



Profile of debt outstanding as at 31.03.2013



Breakdown of Investments as at 31 March 2013

Counterparty	Amount £	Amount £
UK Institution		
Building Societies		
Nationwide	2,000,000	2,000,000
UK Banks		
Barclays	1,500,000	
HSBC	2,000,000	
Lloyds	16,900,000	
Royal Bank of Scotland	11,500,000	
The Co-operative	1,000,000	32,900,000
Money Market Funds		
Invesco Aim	3,940,189	
Goldman Sachs	420,000	
Ignis	2,000,000	
Legal & General	1,000,000	
Morgan Stanley	2,500,000	
Primerate	2,400,000	12,260,189
Total UK Institutions		47,160,189
Non UK Institutions		
National Bank of Abu Dhabi	5,000,000	5,000,000
Total Non UK Institutions		5,000,000
Grand Total		52,160,189

Appendix D

Prudential Indicators for 2012/13

Figures are for the financial year	2012/13 Indicator (max)	2012/13 Actual (max)
<p style="text-align: center;">Authorised Borrowing Limit</p> <p>(This is the maximum level of external debt & other long term liabilities (PFI & leases) that the Council requires – this is a statutory limit under Section 3(1) of the Local Government Act 2003.</p>	£156m	£107m
<p style="text-align: center;">Operational Boundary</p> <p>(This is calculated on a similar basis as the authorised limit & represents the expected level of external debt & other long term liabilities (PFI & leases) may reach during the year, it is not a limit.</p>	£136m	£107m
<p style="text-align: center;">Upper limits on fixed interest rates</p> <p>(Maximum limit of fixed interest rate exposure - debt interest less investment interest)</p>	£4.0m	£3.6m
<p style="text-align: center;">Upper limits on variable interest rates</p> <p>(Maximum limit of variable interest rate exposure – debt interest less investment interest)</p>	£1.9m	£1.4m
<p style="text-align: center;">Maturity structure of fixed rate borrowing</p> <p>(These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing – these are required for upper, as shown and lower limits which were set at 0%).</p>		
Under 1 year (this includes the next call date for Market loans)	50%	33.9%
1 year to 2 years	50%	22.3%
2 years to 5 years	50%	13.1%
5 years to 10 years	75%	15.4%
10 years to 20 years	75%	4.5%
20 years to 30 years	75%	5.8%
30 years to 40 years	75%	0.0%
40 years and above	75%	5.0%
<p style="text-align: center;">Maximum principal funds invested exceeding 364 days (excluding Manchester International Airport shares)</p> <p>(These limits are set to reduce the need for early sale of an investment)</p>	£50.m	£0m

Performance Indicators for 2012/13

Indicator	Target	Actual
Security – potential default rate of the Council's investment portfolio based on current default rates provided from the 3 main credit rating agencies – its inclusion is recommended by CIPFA.	Max 0.08%	Max 0.02%
Liquidity – investments available within 1 week notice	£20m min.	Achieved
Liquidity – Weighted Average Life of investments	6 months max.	3 months
Yield – Investment interest return to exceed 7 day London Interbank BID rate	0.39%	0.88%
Origin of investments placed - maximum of the Council's investments to be directly placed with non-UK counterparties.	UK institutions 100%	Max 79%
	Non UK institutions 40%	Max 21%

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Trafford Council
Audit and Assurance Service
Annual Internal Audit Report 2012/13

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 27 June 2013
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Annual Internal Audit Report 2012/13

Summary

The purpose of the report is:

- To provide an opinion on the standard of internal controls during 2012/13
- To provide a summary of the work of the Audit and Assurance Service during 2012/13.

(It should be noted that, as planned, there is work ongoing on the annual fundamental financial system audits covering 2012/13 (through quarters one and two of 2013/14) and details will be reported in 2013/14 quarterly updates to the Accounts and Audit Committee. The results of 2012/13 financial system review work will be taken into account in completing the final version of the Council's 2012/13 Annual Governance Statement to be approved in September 2013).

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
Extension: 1323

Background Papers:

Internal Audit reports
Internal Audit Terms of Reference and Strategy



TRAFFORD
COUNCIL

Audit & Assurance Service

Annual Internal Audit Report 2012/13

June 2013

CONTENTS

Part One – Overview of Work Completed and Main Conclusions

Summary and Overall Opinion

1. Introduction and Background
2. Internal Audit Opinion for 2012/13
3. Impact of Internal Audit Work on the Control Environment
4. Work Planned and Completed

Part Two – Detailed Findings

5. Detailed Analysis of Work Completed
6. Annual Governance Statement
7. Management Response to Internal Audit Work
8. Performance against Audit Plan
9. Compliance with the CIPFA Code of Practice for Internal Audit

Appendices

- A : 2012/13 Audit and Assurance Service Structure
- B : 2012/13 Internal Audit Plan (Planned Work and Actual Days Spent)
- C : Audit Reports Issued in 2012/13 (where audit opinions given)
- D : Client Survey Responses 2012/13

Part One - Overview of Work Completed and Main Conclusions

SUMMARY AND OVERALL OPINION

The Annual Internal Audit Report sets out details of the work of the Audit and Assurance Service during 2012/13. The most important aspect of the Annual Audit Report is to give an Opinion as to the overall adequacy and effectiveness of the Council's control environment during 2012/13, which encompasses internal control, risk management and governance.

Internal Audit is a statutory function and the Audit and Assurance Service carried out its work in 2012/13 in accordance with the 2006 CIPFA 'Code of Practice for Internal Audit in Local Government in the United Kingdom'.

Through its work, the Audit and Assurance Service aims to support the organisation in ensuring good governance and a sound control environment, assisting in shaping ethics and standards across the council. In doing this it assists in the achievement of council priorities and objectives, delivering value for money and ensuring a positive impact on service delivery and outcomes for local people.

The current economic climate and associated pressures to achieve savings continue to highlight the need to ensure effective systems and controls are in place to ensure value for money is achieved and the risk of fraud or error is minimised.

The Audit Opinion is based on internal audit work undertaken during the year. It is an important component of the Council's Annual Governance Statement which will accompany the Council's Annual Accounts for 2012/13.

Based on internal audit work undertaken for 2012/13, the Internal Audit Opinion is that the overall control environment is operating to a satisfactory standard. Controls were found to be adequate and effective for most areas reviewed during the year. Improvement plans were produced for those areas where improvements were recommended. Follow up work of areas previously reviewed in 2011/12 demonstrates that continuing improvements in controls are being made.

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

During 2012/13, the Service reviewed a broad coverage of the risks faced by the Council. The recommendations and advice stemming from this work has had a positive impact on the control environment of the Council.

1. INTRODUCTION AND BACKGROUND

- 1.1 The purpose of the Annual Internal Audit Report is to detail the work of the Audit and Assurance Service during 2012/13. The Annual Audit Report provides an Opinion as to the overall adequacy and effectiveness of the Council's control environment during 2012/13.
- 1.2 Internal Audit is a statutory function and the Audit and Assurance Service carries out its work in accordance with the 2006 CIPFA 'Code of Practice for Internal Audit in Local Government in the United Kingdom'. It is a requirement of the Code that an Annual Audit Report is written and presented to the organisation. (It should be noted that from 1 April 2013, new internal audit standards come into effect – the Public Sector Internal Audit Standards, and therefore the Annual Internal Audit Report for 2013/14 will be produced in accordance with those).
- 1.3 The Audit and Assurance Service is within Financial Services in the Transformation and Resources Directorate. The Audit and Assurance Manager reports to the Director of Finance.
- 1.4 The establishment of the Audit and Assurance Service comprised 10.57 full time equivalent officers at the start of 2012/13. Following the departure of one of the officers in June 2012, the structure of the Service comprises 9.57 full time equivalent officers (Of the 10 staff currently in post, two currently work on a part time basis).
- 1.5 In addition to in house resources, as in previous years, Salford Audit Services provided support in respect of elements of the ICT Internal Audit Plan.
- 1.6 The approach to internal audit work adopted at Trafford is set out in the Internal Audit Terms of Reference and Strategy, the latest version being approved by the Accounts and Audit Committee in March 2012. The Terms of Reference states the objectives and scope of Internal Audit by detailing the purpose, authority and its responsibilities. The main objective is to provide the Council with an independent and objective opinion on the operation of the control environment. The Internal Audit Strategy describes the arrangements in place to deliver internal audit to ensure that the scope and objectives of the service as defined in the Terms of Reference are met thereby enabling Internal Audit to provide an opinion on the operation of the control environment. The Strategy covers resources, service delivery, and audit planning and reporting. (In light of the introduction of the Public Sector Internal Audit Standards in 2013/14, the Audit and Assurance Service will be reviewing its arrangements against these and a revised Internal Audit Charter and Strategy will be produced and submitted for approval by CMT and the Accounts and Audit Committee later in 2013/14).
- 1.7 The Audit Opinion is based on internal audit work undertaken during the year. It is an important component of the Council's Annual Governance Statement which will accompany the Council's Annual Accounts for 2012/13. The Annual Governance Statement provides an assessment of governance arrangements across all areas of the Council, and identifies strengths and areas for development in those arrangements.

2. INTERNAL AUDIT OPINION FOR 2012/13

2.1 Internal Audit is required to give an annual Opinion on the adequacy and effectiveness of the Council's internal control environment which encompasses internal control, risk management and governance. The opinion supports the Annual Governance Statement. The Opinion for 2012/13 is as follows.

Based on internal audit work undertaken for 2012/13, the Internal Audit Opinion is that the overall control environment continues to operate to a satisfactory standard. Controls were found to be adequate and effective for most areas reviewed during the year. For those areas identified where control improvements were required, improvement plans were produced following the audit reviews. Follow up work of areas previously reviewed in 2011/12 demonstrates that continuing improvements in controls are being made.

2.2 The most important factors determining the opinion are:

- Review work in respect of corporate governance and partnership governance arrangements showed that overall adequate and effective standards of governance continue to be maintained within the areas reviewed. (see 5.1).
- Key risks identified in the Strategic Risk register continue to be monitored including planned improvement actions. The Council has reviewed and updated its Risk Management Policy Statement and Strategy in 2012/13 and is updating corporate guidance. (see 5.2).
- The controls around fundamental financial systems have continued to be maintained and in several areas have improved with good progress made in implementing previous audit recommendations (see 5.3).
- Governance and internal control arrangements in most schools and establishments were generally found to be satisfactory and where less than adequate will be followed up further in 2013/14 (see 5.4 and 5.5).
- Anti Fraud & Corruption work has continued to raise fraud awareness across the Council in addition to investigating suspected cases of fraud and misuse of ICT facilities (see 5.6).
- Overall, effective controls were found to be in place for the ICT systems reviewed. Work included review of plans for the move of the ICT Data Centre, since completed in May 2013 (see 5.7).
- Procurement reviews undertaken indicate, overall, adequate levels of control. Where areas for improvement in terms of adherence to the Council's Contract Procedure rules have been identified, action plans were established as appropriate (see 5.6 and 5.8).
- A diverse range of other areas reviewed include Business Continuity, Fuel Monitoring, Pest Control, Section 106 Planning Agreements, Free School Meals, Foster Care Payments Blue Badge Procedures and Section 17 Payments (Children's Act 1989). Whilst the majority of areas have adequate levels of control, areas for improvement have been highlighted in the respective reviews (see 5.9 and Appendix C).

- Overall, where control weaknesses have been identified, management have agreed to take appropriate action by implementing recommendations (see 7.3 to 7.5).

2.3 A detailed analysis of the internal audit work undertaken by the Audit and Assurance Service during 2012/13 is given in the paragraphs below.

3. IMPACT OF INTERNAL AUDIT WORK ON THE CONTROL ENVIRONMENT

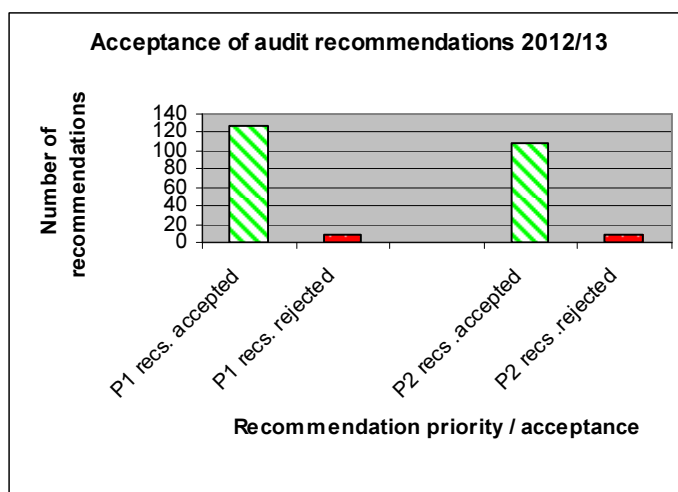
3.1 Through its work, the Audit and Assurance Service aims to support the organisation in ensuring good governance and a sound control environment, assisting in shaping ethics and standards across the council. In doing this it assists in the achievement of corporate and council priorities and objectives, delivering value for money and ensuring a positive impact on service delivery and outcomes for local people.

Coverage and Improvements in the Control Environment

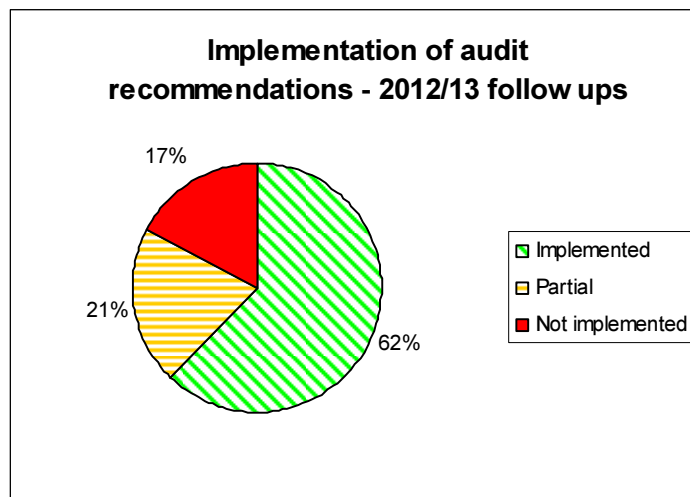
3.2 Recommendations made in internal audit reports and guidance/advice provided are key mechanisms for identifying improvement actions required by the organisation. The Audit and Assurance Service ensures that its coverage is broad to maximise impact and also follows up the implementation of recommendations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

3.3 During 2012/13, the Service reviewed a broad coverage of the risks faced by the Council. The recommendations and advice stemming from this work has had a positive impact on the control environment of the Council.

3.4 This impact is not only evidenced by the broad coverage of work but also by the acceptance of internal audit findings. **93% of the recommendations made during the year were accepted** (as indicated in the chart below showing acceptance of recommendations – further details are shown in 7.1 to 7.3).



- 3.5 Follow-up work during the year has confirmed that, of the areas reviewed, **83% of recommendations have either been fully or partially implemented** or alternative controls have been established (compared to 84% in the previous year - See 7.4 and 7.5 for further details). Revised opinions were given where appropriate after each follow-up review has been completed.



Development and Assurance Provided Across the Council

- 3.6 In addition to undertaking internal audit reviews, the Audit and Assurance Service has promoted good practice and raised awareness of good governance through awareness raising activities such as through :
- Working with Schools Financial Services in contributing to four training workshops for schools staff through summer 2012 on the Schools Financial Value Standard.
 - Presentation on the Role of Internal Audit to the Trafford Headteachers Conference in June 2012 and a further presentation at an induction event for new Headteachers in September 2012.
 - Completion of an e-learning tool to support existing risk management guidance and updating of anti-fraud guidance including making preparations for the roll out of a mandatory e-learning tool (see sections 5.2 and 5.6).
- 3.7 The Service has also contributed to developing good practice and new processes across the Council. This has included providing advice in the development of new systems and processes. The Service has supported the Council in responding to legislative changes and its Transformation agenda, providing input and advice on a number of projects. This has included governance aspects relating to the Public Health transfer, introduction of the Trafford Assist Scheme (local welfare provision) and waste management contract arrangements. The aim of this involvement is to ensure sound governance and controls are maintained and improved through change. There is a dedicated site on the intranet for the Service to provide information and guidance which has been updated through the year.

Breadth of Stakeholders

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

4. WORK PLANNED AND COMPLETED

4.1 Total time allocated to carry out the Operational Plan was originally set at 1450 days for 2012/13. This was calculated by subtracting overheads, e.g. leave, sickness, training etc, from the time available to each auditor. See Appendix B for a breakdown of days across categories of internal audit work. The actual number of days spent delivering the 2012/13 Annual Audit Plan was 1377. Details of planned work against actual are discussed further in section 8.

4.2 Details of the internal audit reports issued in each quarter of 2012/13 are shown in Appendix C, providing a description of the review, audit opinion given and comments on the respective findings. (The relevant Corporate Directorate for each audit review is also shown, the Directorates referred to being those which were in place in 2012/13).

4.3 As in previous years, in respect of the fundamental financial systems, due to the nature of the timing of the work, most of the 2012/13 reviews are to be reported after the year end, with reports being issued from June 2013 onwards. (Details of reports issued will be provided in quarterly Audit and Assurance Service updates to CMT and the Accounts and Audit Committee through quarters one and two of 2013/14).

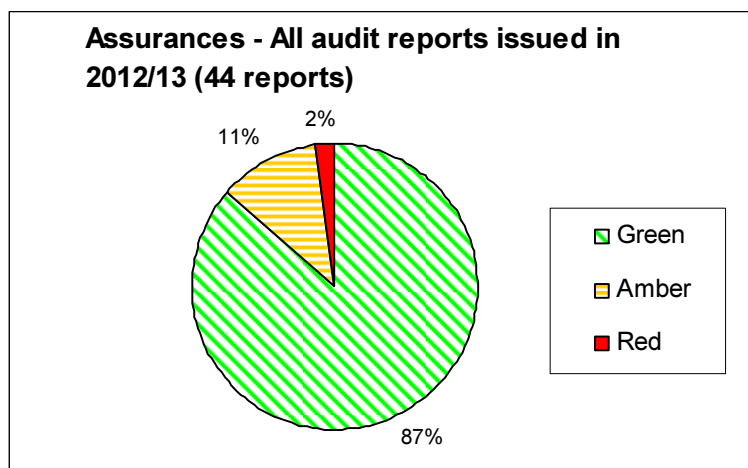
4.4 For each audit report issued, one of five possible Opinions is given as shown in the following table, the five opinions also denoted as Red/Amber/Green:

High Level of Assurance (Very Good)	Green	Controls operating effectively to address all the major business risks identified at the time of the audit.
Medium / High (Good)	Green	Most business risks controlled effectively. However, there is need to improve controls in respect of a small number of high risk areas as well as for other risk areas.
Medium Level of Assurance (Adequate)	Green	Most risk areas controlled effectively but control improvements required for some high risk areas as well as for other areas.
Low / Medium (Marginal)	Amber	Some business risks are controlled effectively. However, improvements are necessary to control a significant number of high risk areas.
Low Level of Assurance (Unsatisfactory)	Red	Very high risk of fraud and error because a significant number of major business risks are not adequately controlled.

Analysis of Audit Opinions

4.5 The chart below provides an analysis of audit opinions in respect of 2012/13 internal audit reports issued.

All Reports issued in 2012/13 – (32 final and 12 draft reports)



4.6 Overall, the above shows that in 2012/13, an adequate or above (“Green”) level of control was found to be in place for 87% of the 44 reviews that took place where an opinion was given.

4.7 This is a slight improvement in opinion levels compared to reports actually issued in 2011/12 where 84% of opinions were deemed as “Green”.

4.8 Only 13% of opinions were deemed as ‘red’ or ‘amber’ (representing six reviews – 1 Red and 5 Amber). These were as follows:

- Section 106 Planning Agreements Review (Red Opinion per draft report but final opinion to be confirmed in 2013/14 - see 4.12 and 5.9.3)
- Let Estates Follow Up Review (see 5.3.6)
- Section 17 Payments (Children’s Act 1989 (see 5.9.3);
- Three school audits (see 5.4.)

These six reviews will all be included in the 2013/14 Internal Audit Plan for follow up.

4.9 The chart in 4.5 only refers to reports actually issued in the year. There are, however, a number of annual fundamental financial systems audits relating to 2012/13 for which the audit reports will be issued in 2013/14. Future quarterly update reports through 2013 will provide details of findings and any significant issues will be reflected in the Council’s Annual Governance Statement to be approved in September 2013.

Risk Levels

4.10 In terms of estimates of the levels of risk associated with respective opinion levels, the table below provides a framework for analysis of risk levels for audits undertaken based on the opinion given and the breadth of coverage of the review based on the following:

<u>Breadth of coverage of review (Levels 1 to 4)</u>	<u>Level of Risk Associated with Opinion Level and Breadth of Coverage</u>
<p>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:</p> <ul style="list-style-type: none"> • 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 within the Council such as an individual establishment. 	<p>This provides an estimate of the level of risk given the audit opinion provided and breadth of coverage of the review.</p> <p>High Risk (H) – Red Opinion / Level 3 or 4</p> <p>Medium Risk (M) – Red Opinion / Level 1 or 2 , or Amber Opinion / Level 2, 3 or 4.</p> <p>Low Risk (L) – Green Opinion or Amber Opinion / Level 1.</p>

Based on the above, of the 44 reports issued, the following risk levels are given:

Risk Levels – Reports Issued 2012/13

Risk Level	Number of Audit Reviews (%)
High	1 review (2.3%)
Medium	2 reviews (4.6%)
Low	41 reviews (93.1%)

4.11 The table shows that **for the majority of reviews undertaken (93.1%) overall risks are considered low.**

4.12 One review is provisionally shown as high risk and this relates to the Section 106 Planning Agreements Review. As at the time of issue of this Annual Internal Audit Report, this review was still at draft stage. It was agreed that as part of the process for issuing the final report, the overall opinion will be reviewed to agree whether it remains "Low" or if sufficient recent improvement is highlighted, consider whether it is

revised to an improved opinion level (see 5.9.3). For other audits, Medium risks were associated with the Let Estates and Section 17 Payments reviews.

Other Assurance Work

- 4.13 A significant proportion of time spent does not result in the issue of formal audit reports. This is because the Audit and Assurance Service takes a lead in a number of activities such as risk management and anti fraud and corruption. Time is also spent in the compilation of the Council's Annual Governance Statement; financially appraising firms wishing to do business with the Council, and contributing to project and working groups across the Council. There is also work done in raising awareness of key issues through various means such as attendance at service meetings and intranet updates.

Part Two – Detailed Findings

5. DETAILED ANALYSIS OF WORK COMPLETED

Section 2 gave the overall Internal Audit Opinion on the operation of the control environment during 2012/13, and provided a summary of internal audit work undertaken on which the opinion is based. This section provides a more detailed analysis.

5.1 Governance

- 5.1.1 The Audit and Assurance Service has a key role in promoting good governance and providing assurance on the standards of corporate governance in the Authority.
- 5.1.2 There is an annual review of corporate governance arrangements using the CIPFA/SOLACE Framework for Corporate Governance in Local Government. This is an important source of assurance for the Annual Governance Statement. The review includes identifying sources of assurance to provide evidence that the Council's governance arrangements comply with the CIPFA/SOLACE framework. The framework consists of a set of six principles relating to the Council's purpose/vision, the defining of functions and responsibilities, standards of conduct, management of risk, capacity and capability of members and officers, and engagement with the community and other stakeholders.
- 5.1.3 In August 2012, a final audit report was issued highlighting the findings from the 2011/12 review. This reported that the Authority continues to demonstrate compliance with CIPFA/SOLACE corporate governance framework principles. For 2012/13 (report due to be issued July 2013) evidence gathered confirms that progress has continued to be made in addressing governance issues highlighted in the previous year. The Accounts and Audit Committee have been provided with updates on progress through the year on specific issues highlighted in the Annual Governance Statement.

- 5.1.4 In respect of partnership governance, an audit review of the Trafford Partnership (Local Strategic Partnership) was undertaken. Findings concluded that the partnership can demonstrate significant progress in addressing a number of improvements previously identified by a CIPFA commissioned review of the partnership support arrangements in 2010. This was enabled through the restructuring of partnership support and streamlined governance arrangements. The Partnership has also been recognised nationally with awards for its work as highlighted in the Council's Annual Governance Statement. Areas highlighted in the review for possible further development included issues in respect of protocols and processes in relation to the co-ordination of risk management arrangements and information and data sharing protocols. Audit and Assurance are to agree an action plan with the Partnerships and Performance Service and details will be reported in a future 2013 Audit update report.
- 5.1.5 As part of the process for Public Health responsibilities transferring to the Council from 1 April 2013, Audit and Assurance provided some assistance in monitoring the completion of a due diligence exercise which covered a number of areas of governance and internal control issues relating to finance, contracts, human resources, ICT etc. As highlighted in the Council's 2012/13 draft Annual Governance Statement, following on from work undertaken in 2012/13 to prepare for the transfer of responsibility to the Council, further action will be taken by the Council to ensure effective governance arrangements are in place to support the Council meeting its responsibilities effectively.
- 5.1.6 In terms of following up other previous governance work, it was confirmed that in respect of the previous audit review of the Community Equipment Store, most recommendations have been implemented including developments in planning, reporting, consultation mechanisms and risk management. Any outstanding issues are being considered alongside developments in respect of Public Health.
- 5.1.7 As referred to in the 2013/14 Annual Internal Audit Plan, work was originally planned for the latter part of 2012/13 to undertake a review of Children and Young People Service partnership arrangements covering a Section 75 agreement with health partners. In agreement with the Corporate Director for Children, Families and Wellbeing, given a number of factors relating to the health reforms and changes in providers being used coming into effect from 1 April 2013, review work is to be delayed until later in 2013/14. It is now planned that two Section 75 Agreements will be covered commencing in the second half of 2013/14, one covering commissioning and the other the provision of services.

5.2 **Risk Management**

- 5.2.1 The Audit and Assurance Service has continued to support the council's overall approach to risk management and lead on promoting effective risk management processes.
- 5.2.2 The Audit and Assurance Service continued to facilitate the review and update of the Council's strategic risk register through liaison with the Transformation, Performance and

Resources Group (TPR) and the Corporate Management Team (CMT). This ensures that the Council identifies and monitors the key risks to the achievement of Council objectives. Quarterly reports detailing the risk register and key developments in the management of risks have been submitted to TPR and CMT. The Accounts and Audit Committee have been provided with updates in September 2012 and March 2013.

- 5.2.3 The Service facilitated the update of the Council's Risk Management Policy Statement and Strategy (approved by CMT and the Accounts and Audit Committee in March 2013). Supporting this, the Audit and Assurance Service is responsible for maintaining risk management guidance. The Service completed the development of an e-learning tool, which is to be issued by HR, in addition to updating guidance available on the risk management site on the intranet. Further guidance updates with associated awareness raising around this will continue through 2013/14.

5.3 **Fundamental Financial Systems**

- 5.3.1 This is another key area of internal audit work providing assurance regarding the controls in place for the Authority's key financial systems. Based on an assessment of risk, there are a number of reviews that are currently undertaken on an annual basis whilst others are undertaken typically every other year.
- 5.3.2 In terms of areas reviewed annually, work in the first part of the year involved completing reviews relating to 2011/12 transactions. Towards the end of 2012/13, work began in planning reviews relating to 2012/13 transactions.
- 5.3.3 The systems reviewed are shown under the category 'Financial System' in Appendix C which lists all reports actually issued during 2012/13.
- 5.3.4 As part of Internal Audit's risk based methodology, the approach used provides for issue of a Control Risk Self Assessment (CRSA) form to be completed by service managers where systems had been given a High or Medium/High audit opinion for the previous two years. The CRSA is then followed up by limited audit testing in key areas.
- 5.3.5 For reports issued during 2012/13 in respect of 2011/12 systems a High level of Opinion was given in respect of Council Tax, Budgetary Control, Purchase to Pay, Treasury Management, National Non Domestic Rates, and Income Control. Medium / High Opinions were given for the Accounts Receivable and Personal Budgets reviews and Medium for HR/Payroll. (Audit and Assurance undertook certain aspects of the HR/Payroll Audit review in liaison with the External Auditor. Some control improvements were identified in respect of evidence of authorisation processes within payroll procedures which are being addressed). Overall, the opinions given across the systems reflected the standard of controls being maintained in addition to ongoing improvements to address previous audit recommendations.

- 5.3.6 Two other financial system reviews were undertaken in 2012/13. A Medium opinion was given for the review of the Works Management System. The other review was a follow up audit for the Let Estates system where a less than adequate opinion was given. Let Estates had been given a Low / Medium opinion in the original review and this opinion remained unchanged as whilst a number of recommendations have been implemented, significant development actions were still required. In particular, this relates to developing an effective ICT solution to provide a complete record of property details to provide a more effective system and assist ongoing monitoring. This would replace current arrangements where a mix of systems, both manual and electronic have been utilised. It is noted that a comprehensive review of the Asset Management IT system requirements has been incorporated within the scope of the Corporate Landlord programme (Transformation review).
- 5.3.7 Work is currently in progress in respect of the 2012/13 annual system audits. Reports issued through 2013 will be detailed in the quarterly Audit update reports to go to CMT and the Accounts and Audit Committee.

5.4 **Schools**

- 5.4.1 Summary details of each school audit are in Appendix C, indicated by the "Schools" Category. Areas covered in audit reviews include governance arrangements such as the role of the Governing Body and senior staff; budgetary control; purchasing; payroll processes; income collection, security of cash and other assets; school fund and ICT security.
- 5.4.2 Within the Internal Audit Plan it was planned that at least 15 school audits would be undertaken. Ten final school audit reports were issued in 2012/13 (nine primary schools and one special school) of which nine had at least adequate audit opinions. For the ten final reports, two had opinions of Medium/High (Good), seven were Medium (Adequate) and one Low/Medium (Marginal). A further three draft reports were also issued (all primary schools – two Low/ Medium opinions and one Medium/High given). For those reviews where a Low/Medium opinion is given these will be included in the Internal Audit Plan for further follow up. Visits to a further five schools were also undertaken in 2012/13 with associated audit reports issued in quarter one of 2013/14).
- 5.4.3 The audit reports issued included follow up reviews of schools where a less than adequate audit opinion had previously been given. For all three of the schools that were subject to follow up reviews, it was reported that good progress had been made in implementing control improvements and Medium opinions were given for each follow up review.
- 5.4.4 Audit and Assurance continued to liaise with the Schools Finance team and the Children and Young People's Directorate to identify and provide advice on areas for development for schools to address. The Service has contributed to a number of workshops for schools in June / July 2012 to raise awareness of requirements set out in the Department for Education's Schools Financial Value Standard (SFVS) and is continuing to liaise with

Schools Finance to monitor adherence to the Standard. As part of the process to support schools in respect of the SFVS, the Audit and Assurance Service also provided updated guidance to all Trafford schools to facilitate ongoing self assessment of governance and internal control arrangements. It is noted that all schools have adhered to the SFVS requirements in 2012/13 and submitted a self assessment as required.

5.4.5 Presentations were given on the role of Internal Audit to the Trafford Primary Headteachers' Conference in June 2012 and also at an induction event for new Headteachers in September 2012.

5.4.6 In agreement with the Children, Families and Wellbeing Directorate, work originally planned for 2012/13 in respect of audits of Pupil Referral Units (PRUs) was delayed given the ongoing review by the Council of arrangements in this service area.

5.5 **Establishments**

5.5.1 A number of Council establishments are included in the Annual Audit Plan to ensure there is broad coverage of controls, at an operational level, across the Council.

5.5.2 Audits undertaken in 2012/13 covered work relating to libraries, a children's centre, children's home, Altrincham Crematorium and Ascot House Assessment Centre as detailed below.

5.5.3 Two follow up reviews were completed relating to libraries. These were a follow up review of ordering procedures in libraries and a follow up audit of Sale Library. For both reviews, progress had been made in implementing previous recommendations, in the case of one of the reviews (ordering procedures) the audit opinion was revised, improving from Medium to Medium/High.

5.5.4 An audit review of Broadheath and Dunham Children's Centre was also completed where overall a good standard of control was found to be in place. Recommendations included some improvements to governance arrangements relating to the Centre's Advisory Board including regular review of its terms of reference.

5.5.5 Three other audit reviews (Altrincham Crematorium, Ascot House Assessment Centre and Old Hall Road Residential Unit) were undertaken in 2012/13, and the associated draft audit reports were issued in April and May 2013 respectively (details will be reported in the quarter one 2013/14 Audit and Assurance update).

5.5.6 Audit review work in respect of youth centres, originally in the 2012/13 Internal Audit Plan was delayed due to commitments in respect of other areas of the Plan. This is to be rescheduled for 2013/14.

5.6 **Anti Fraud and Corruption**

5.6.1 Audit work in this area relates to undertaking investigative work; reviewing measures in place to reduce the risk of fraud and corruption and raising awareness across the Council. This work forms an important part of the Council's approach to ensuring high standards of conduct are in place.

Investigations

5.6.2 During 2012/13 Audit and Assurance staff contributed to work in relation to 11 new investigations, four of which were still ongoing at the end of March 2013 (but completed by the time of this report in June 2013).

5.6.3 In respect of these investigations, in one instance the respective member of staff was dismissed following a disciplinary process. For two other cases, where the individual staff were subject to investigation, this resulted in both respective staff resigning. For other completed cases, in some instances, findings identified scope for improved controls within systems. Audit and Assurance have made recommendations to the relevant service areas as appropriate. Improvements relate to a number of themes including cash handling (in two investigations), record keeping (one), procurement processes / adherence to Contract Procedure Rules (two) and awareness of the Council's ICT Acceptable Use Policy (two).

5.6.4 The start of 2012/13 saw the end of two complex, long running cases. As referred to in last year's Annual Internal Audit Report issued in June 2012, in the first case an employee who resigned in 2010 appeared at Crown Court in May 2012 and pleaded guilty to a theft of just over £10k. She was given a suspended prison sentence, community service and ordered to repay £1k. The fraud related to activity surrounding the administration of monies for individuals where the Council held Court appointed responsibility in respect of their financial affairs. Audit and Assurance liaised with the relevant service area and provided guidance and in 2012/13 undertook an audit review of this area to follow up further. The associated internal audit report is to be issued in 2013/14 and will be reflected in future Audit updates.

5.6.5 The second case involved allegations of financial irregularity at a school and involved the review of a significant number of financial records. Whilst no evidence of fraud was identified, Audit and Assurance have made recommendations to improve the financial systems used for the administration of the school's unofficial funds and further internal audit review work was undertaken.

National Fraud Initiative

5.6.6 The Audit and Assurance Service co-ordinates the provision of data to the Audit Commission, required for data matching purposes as part of the National Fraud Initiative (NFI). It is designed to help participating bodies identify possible cases of

error or fraud and detect and correct any consequential under or overpayments from the public purse. It is carried out once every two years and all councils as well as a large number of other public bodies participate.

- 5.6.7 Audit and Assurance co-ordinates the process for reporting on outcomes from the exercise and together with other services investigates the data matches identified. The NFI 2012/2013 exercise commenced in October 2012, with the submission of the following Council data to the NFI team for matching with other participating bodies: Payroll, Creditors, Residents in private care homes, Insurance claimants, Street trader licences, Taxi driver licences, Resident parking permits, Personal licences to supply alcohol, Blue badge holders.
- 5.6.8 The resultant matches were released in January 2013 and at the end of 2012/13 were being prioritised for investigation by relevant services. Information on progress in investigating the matches will be made to the Accounts and Audit Committee later in 2013/14.

Awareness Raising

- 5.6.9 In 2012/13, the Audit and Assurance Service completed a review and update of the existing Anti-Fraud and Corruption Strategy, Policy and associated policies and guidance on reporting fraud.
- 5.6.10 In December 2012, Audit and Assurance liaised with Legal Services to publicise requirements in respect of the requirements for declaring offers of gifts and hospitality. Additional guidance was also produced for schools relating to the provision of gifts and hospitality. Other anti-fraud related guidance was also shared with schools including updated guidance to undertake control risk self assessments which include assessment of controls to reduce fraud risks.
- 5.6.11 As reported to the Accounts and Audit Committee in March 2013, a number of actions are planned for 2013/14 to further raise awareness of anti-fraud issues including the roll out of a mandatory e-learning tool and raising awareness of Council guidance in reporting fraud (which commenced in quarter one of 2013/14).

ICT

- 5.7.1 In this area, work has included audit reviews; advice to working groups to support developments in systems across the Council and investigations into the misuse of ICT facilities to ensure high standards of conduct are in place. Audit and Assurance has also responded to requests to facilitate data extraction to allow the Authority to respond to Freedom of Information and Data Subject Access Requests.
- 5.7.2 A review of the Wireless network was undertaken and resulted in a High opinion. Findings concluded that the controls in place over the wireless network at Quay West were found to be satisfactory and the network was secured to prevent unauthorised access. Similarly non-

corporate wireless access points were not accessible to staff. A further review of wireless network controls will be undertaken in 2013/14 to provide assurance that network access security continues to be maintained at the Town Hall building.

- 5.7.3 A report was issued in May 2012 relating to 2011/12 which found that The IT control aspects of the General Ledger systems were found to be operating satisfactorily to secure correct posting of transactions within the General Ledger resulting in a High opinion. Work will be undertaken later in 2013 to further review controls in place.
- 5.7.4 A follow up review of Information Governance arrangements in accordance with ISO27001 was carried out and it was reported that all of the High priority recommendations from the previous report had been implemented.
- 5.7.5 Towards the end of 2012/13 work commenced on a review of the arrangements for the transfer of the Data Centre from Friars Court to Trafford Town Hall which took place in May 2013. Initial findings, providing advice to be considered, were reported to ICT and the Transformation team following review work by Salford Audit Services in March 2013. Further findings in respect of any issues following the move will be reported in June 2013.
- 5.7.6 Another piece of work commenced to provide assurance on the arrangements for ICT Security in schools which will be reported on in 2013/14.
- 5.7.7 There have also been a number of investigations into the suspected misuse of ICT facilities which are also referred to in section 5.6.
- 5.7.8 Other work has included attendance at various groups, including supporting the Transformation process, such as the Electronic Document and Records Management Solution (EDRMS) project and the Information Security and Governance Group.

5.8 **Procurement / Contracts**

- 5.8.1 A number of reviews related to procurement processes were completed. These were both at a corporate and service level to ensure systems and controls are in place to support the achievement of value for money and compliance with procurement legislation.
- 5.8.2 A review of the Council's arrangements for assessing contractors prior to submission of tenders (Pre-Qualification Questionnaire) was carried out. This resulted in a Medium/High audit opinion with some recommendations relating to improving audit trails being made.
- 5.8.3 A review of the contract monitoring arrangements for the Cofathec / Cofely facilities management contract for Sale Waterside was undertaken. Overall contract and performance monitoring arrangements were good but as this is a long term arrangement recommendations of a strategic nature around were made e.g. issues relating to succession planning, an exit strategy etc.

- 5.8.4 Audit and Assurance also carried out investigation work in liaison with the Strategic Procurement Service into potential breaches of Contract Procedure Rules within the Council (as reflected in section 5.6). In one instance where the review has been completed this resulted in a number of recommendations for the relevant service area relating to procedures for evidencing quotes have been obtained and procedures for ordering and payments.
- 5.8.5 Follow up of previous procurement reviews undertaken in 2011/12 identified good progress having been made in implementing previous recommendations (in relation to the parking enforcement contract and the Pro-Contract system used for administering / managing council contracts).
- 5.8.6 The service continues to carry out the financial vetting of contractors. Given the significant amount of time spent on this activity, it is shown separately in the analysis of time spent in the Audit Plan in Appendix B.
- 5.8.7 Any audit related work relating to general procurement strategy for the Council will be considered following clarification of the Council's strategic procurement arrangements in terms of collaboration with other authorities.

5.9 **Business Risk Reviews**

- 5.9.1 This comprises work that does not fall into one of the categories referred to above but represents key areas of risk. These include reviews of specific areas within individual Directorates.
- 5.9.2 There were eight audit reports issued in this category to either draft or final report stage where a formal audit opinion was provided. A summary of findings for each review is shown in Appendix C denoted by Business Risks. As shown below, adequate or above opinions were given for six of the eight reports issued. The reviews completed to draft or final report stage as at 31st March 2013 were :

Draft reports

- Section 106 Planning Agreements (EGP&T&R) : Low opinion.
- Business Continuity (T&R / Authority-wide) : Medium opinion
- Pest Control (ETO) : Medium/High opinion
- Fuel monitoring (ETO) : Medium opinion

Final reports

- Free School Meals (T&R) : Medium opinion
- Blue badge procedures (T&R) : Medium opinion
- Section 17 Payments (Children's Act 1989) (CYPS) : Low/Medium opinion
- Foster care payments (CYPS) : Medium opinion

- 5.9.3 In respect of the two reviews where a less than adequate opinion was given:

- For the audit of Section 106 Planning Agreements, draft findings indicated a number of areas for improvements in controls, particularly in relation to income monitoring. It was agreed that the final report will consider any service developments / improvements since the draft report was issued and will include a final agreed opinion level incorporating management responses to any agreed recommendations. Future Audit updates in 2013 will provide further details when the final report is issued
- For the audit of Section 17 Payments, recommendations made included improvements in the maintenance of supporting records and procedures for evidencing the approval of payments. A further follow up review is included as part of the 2013/14 Internal Audit Plan to assess progress in implementing the recommendations made.

5.9.4 Four final reports were also issued in respect of a review of complaints processes relating to four service areas across the Council. An audit opinion was not given as this work followed up on an earlier review originally completed by another Service (Partnerships and Performance). Overall conclusions were that the majority of previous recommendations had been implemented or work was underway to implement them which has progressed through 2012/13.

5.9.5 The following planned reviews were also in progress at the end of the year, the findings to be reported as part of quarterly updates to CMT and the Accounts and Audit Committee later in 2013:

- Review of processes for submission of school pupil number data which contributes to determining subsequent funding received through the Dedicated Schools Grant.
- Youth Offending Service financial / administrative processes review
- Review of procedures for administering and monitoring client monies (following up on previous audit guidance provided in this area).
- Energy Management follow up review (the Audit and Assurance Service having also provided support / assurance in respect of the annual report submitted by the Council to the Environment Agency on the Council's carbon emissions in 2012).

5.9.6 Finally, in agreement with the Service area a planned review of corporate health and safety has been scheduled for commencement later in 2013.

5.10 Project Groups

5.10.1 The Audit and Assurance Service has contributed to a number of project / working groups across the Authority, including areas within the Transformation programme.

5.10.2 This has included providing input to project / working groups in respect of the Public Health transfer, Purchase to Pay processes, waste management contract, the new local welfare provision scheme, Trafford Assist and also ICT projects (see 5.7).

6. **ANNUAL GOVERNANCE STATEMENT**

- 6.1 The requirement to produce an Annual Governance Statement is set out in the Accounts and Audit Regulations 2011. Councils are required to publish, accompanying the annual accounts, a statement on the standard of governance, including internal controls in operation at the council. The Statement has to be signed by the Leader and the Chief Executive.
- 6.2 Audit and Assurance work in the year included co-ordinating the compilation of the Authority's Annual Governance Statement for the previous year, i.e. 2011/12, and preparation for the production of the 2012/13 Annual Governance Statement. The Annual Governance Statement draws on evidence from various sources including:
- The work of Internal Audit including the Internal Audit Opinion in the Annual Audit Report.
 - The work of External Audit.
 - Assurance from Directors and senior managers.
 - A corporate review of governance arrangements in the Council.
 - Risk management arrangements.

7. **MANAGEMENT RESPONSE TO INTERNAL AUDIT WORK**

- 7.1 This section sets out the response to and impact of internal audit work during the year. Key indicators of Audit and Assurance's impact are :
- Acceptance of recommendations
 - Implementation of them.
- 7.2 Recommendations issued by the Audit and Assurance Service had one of three priority levels as follows:

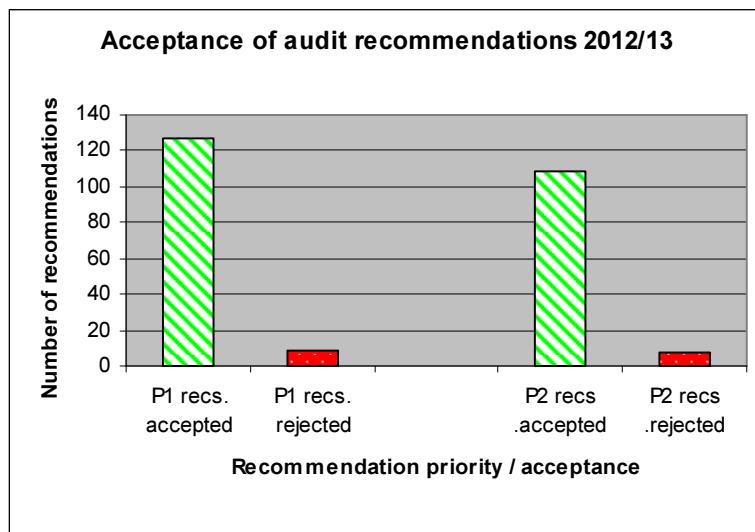
Priority 1 These are recommendations considered by Internal Audit to be essential to address a high risk in order to maintain a minimum acceptable level of assurance. Priority should be given to addressing these recommendations as soon as possible.

Priority 2 These are recommendations considered necessary to address a moderate risk in order to improve internal control. Action to implement these should be agreed with planned dates shown in the action plan but it is taken into account that Priority 1 recommendations would take priority.

Priority 3 These are recommendations to either address a low risk or provide guidance or advice to further enhance existing practice.

Acceptance of Recommendations

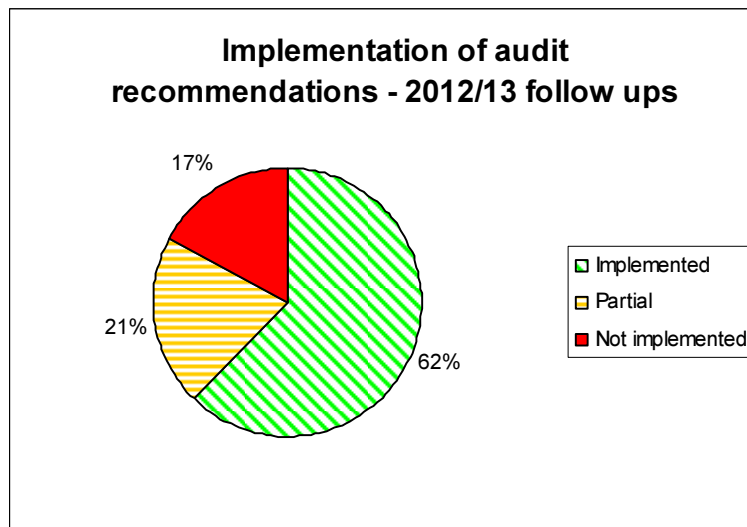
7.3 There continues to be a positive response to audit recommendations made. This is shown below in terms of levels of acceptance of recommendations made during the year:



The majority of audit recommendations made during the year were accepted. Of the 136 Priority 1 recommendations made, 127 (93%) were accepted (service target is 95%). The acceptance rate for priority 2 or 3 recommendations was also 93%, i.e. 108 of the 116 made. Overall, 93% of all recommendations were accepted (compared to 94% in 2011/12).

Implementation of audit recommendations

7.4 A number of internal audit reviews are followed up approximately 12 months after the issue of the final report to ascertain what progress has been made in implementing recommendations. An analysis of the percentage of recommendations implemented at the time of the respective follow audit reviews is shown in the chart below.



- 7.5 Of a total of 146 recommendations followed-up during 2012/13, it was reported that 91 (62%) had been implemented at the time of the follow up audit reviews (this compares to 66% reported in the previous year). A further 30 (21%) have either been partially implemented, have alternative controls in place or are no longer applicable (18% reported in the previous year). This shows good progress continues to be made in implementing improvements across the Authority. As part of the follow up reviews, where it is considered appropriate, recommendations have been re-iterated and will be considered for further follow up as part of the 2013/14 Audit Plan. In Appendix C, * denotes against the Audit opinion that the review is specifically a follow up audit.

Client feedback

- 7.6 A client questionnaire is sent out with each audit report canvassing managers' views on the audit review. The questionnaire covers the audit approach; audit report issued and usefulness of the audit as an aid to management.
- 7.7 **The overall rating was good or very good for 94% of the responses (compared to 92% in 2011/12) against a service target of 80%.** An analysis of the responses is shown in Appendix D.
- 7.8 The analyses of recommendations, follow-ups and client responses demonstrates that there continues to be a positive response to internal audit work which contributes to continued improvements in governance and control arrangements across the Council.

8. PERFORMANCE AGAINST AUDIT PLAN

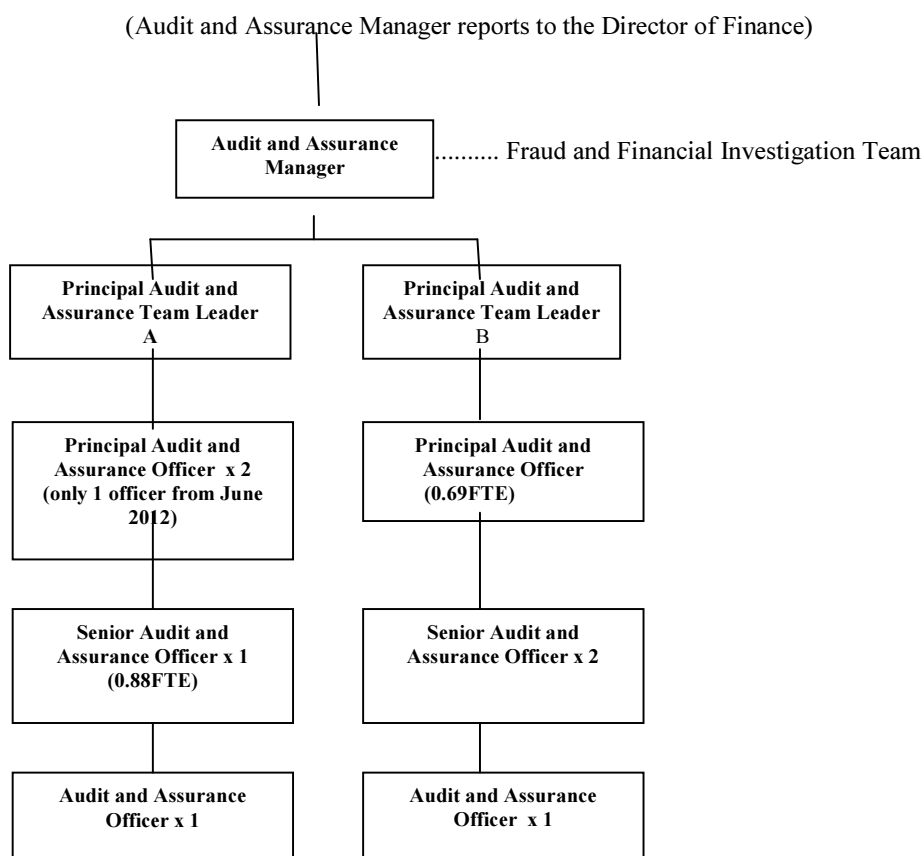
- 8.1 There continues to be a broad coverage of audit work across the Internal Audit Plan to ensure the service makes an effective contribution in providing assurance and promoting high standards of governance, control and risk management.

- 8.2 An analysis of planned time against actual work in 2012/13 is shown in appendix B. This shows that a total of 1450 days were allocated to complete the 2012/13 Annual Plan (with a further 145 days contingency).
- 8.3 Actual time spent delivering the Plan was 1377 days (95% of the chargeable planned target of 1450 days, the same percentage being achieved in the previous year). There was in addition a further 145 planned days for contingency.
- 8.4 The main factor for actual days being less than planned is the departure of a Principal Audit and Assurance Officer in June 2012. This resulted in planned audits and other responsibilities needing to be re-assigned to other staff.
- 8.5 Another factor, though not significant, related to the move of accommodation from Quay West back to Trafford Town Hall. There was a reduction in audit operational time spent in the final weeks of 2012/13. (It should be noted that the Service has continued to embrace the new ways of working introduced through the Long Term Accommodation programme. Storage requirements have been significantly reduced further and the team also operates a system of agile working).
- 8.6 Most reviews have been completed as planned or are in progress at the year-end providing coverage across all the different areas set out in the Audit Plan. As indicated in Section 5. some reviews have been delayed until 2013/14 due to other priority areas of work being completed (see 5.5.6) or delayed in agreement with the Service (see 5.1.7, 5.4.6 and 5.9.6). The 2013/14 Internal Audit Plan reported to CMT and the Accounts and Audit Committee in March 2013 took account of reviews carried forward from 2012/13.

9. COMPLIANCE WITH THE CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT

- 9.1 The Accounts and Audit Regulations require an annual review of Internal Audit. For 2012/13, a report was presented to the Accounts and Audit Committee in March 2013 which made reference to two main elements:
- Self Assessment review against the CIPFA Code of Practice for Internal Audit in Local Government.
 - Review of performance as detailed in updates issued to the Accounts and Audit Committee through 2011/12.
- 9.2 Following the presentation of the annual review report to the Accounts and Audit Committee, based on the information provided, the Committee agreed with the conclusion that Trafford Council operates an effective system of internal audit.
- 9.3 It should be noted that future reviews of internal audit will be undertaken against the Public Sector Internal Audit Standards which came into effect from 1 April 2013 and are required to be reported on by June 2014 as part of the 2013/14 Annual Internal Audit Report.

AUDIT AND ASSURANCE SERVICE



Note: There is a significant overlap of responsibilities between the 2 teams. There are however some specialist areas of Audit that individual teams lead on, as follows:

A - ICT; Fundamental Financial Systems

B - Governance; Risk Management, Schools Audit

Principal Audit and Assurance Team Leader (A) has responsibility for liaising with the external IT Audit specialists, Salford Audit Services, in completing elements of the ICT Audit Plan.

APPENDIX B

2012/13 OPERATIONAL PLAN: PLANNED WORK AND ACTUAL DAYS SPENT

	<u>Days Planned</u>	<u>Actual Days</u>
Fundamental Financial Systems Completion of 2011/12 fundamental systems reviews. Planning and commencement of 2012/13 reviews.	230	191
Governance / Annual Governance Statement (AGS) Corporate / partnership governance review work and collation of supporting evidence and production of the 2011/12 AGS.	140	109
Risk Management Review and update of the Council's Risk Management Strategy, facilitating the update of the Strategic Risk Register, awareness raising and provision of risk management guidance.	40	38
Anti-Fraud and Corruption Work supporting the Anti- Fraud and Corruption Strategy, including raising awareness of supporting guidance to promote measures to prevent, deter or detect instances of fraud and corruption. Continued work in supporting the National Fraud Initiative. Investigation of referred cases, including if applicable those highlighted through the National Fraud Initiative.	180	202
Procurement / Value for Money Review of procurement / contract management arrangements across the Council including systems in place and associated arrangements to secure value for money.	120	90
ICT Audit Reviews to be completed in line with the ICT audit plan. Investigation of misuse of ICT and awareness raising regarding appropriate use of ICT.	120	143
Schools School Audit reviews Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	190	217
Establishments Reviewing governance and control arrangements across a range of establishments such as libraries and children's centres.	100	76
Other Key Business Risks Selected on the basis of risk from a number of sources including risk registers, senior managers' recommendations and internal audit risk assessments. This will include reviews relating to individual Directorates and Authority-wide reviews.	130	160
Service Advice / Projects General advice across all services. Support / advice to the organisation in carrying out key projects ensuring new systems, functions and procedures provide for adequate controls and good governance arrangements.	120	104
Financial Appraisals Financial Assessments of contractors and potential providers	80	47
Total Allocated Days	1450 *	1377

* Note : A further 145 days was allocated in the Plan as a contingency. This was effectively all used to meet a shortfall in available days following the departure of an officer in June 2012 (the post subsequently being deleted).

ALL AUDIT REPORTS ISSUED IN 2012/13 WHERE AN OPINION LEVEL IS GIVEN **APPENDIX C**

Points of Information

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

High – Very Good	Green (G)
Medium / High – Good	Green (G)
Medium – Adequate	Green (G)
Low / Medium - Marginal	Amber (A)
Low – Unsatisfactory	Red (R)

*Indicates this is a revised opinion given following a review of progress made in implementing recommendations made in the previous audit review. This opinion is based only on the areas tested and assumes the controls reviewed as part of the previous audit, that were not covered as part of this follow up audit, have been maintained.

Report Status:

Draft reports:
are issued to managers prior to the final report to provide comments and a response to audit recommendations.

Final reports:
incorporate management comments and responses to audit recommendations, including planned improvement actions.

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

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 within the council such as an individual establishment.

REPORT NAME (DIRECTORATE) / (PORTFOLIO)	OPINION (R/A/G) (Issued)/ Category	COMMENTS
<u>Final Reports – Quarter 1</u>		
<u>Level 4 Reports :</u>		
Council tax 2011/12 (T&R) / (Finance)	High (GREEN) (3/4/12) <i>Financial System</i>	Based on areas reviewed for 2011/12, there are effective procedures and controls in place and a high level of assurance was provided as was given in last year's internal audit review.
General Ledger IT	High	The review found that business risks are being controlled effectively. Audit

Trafford Council
Audit and Assurance Service
Annual Internal Audit Report 2012/13

review 2011/12 (T&R) / (Transformation and Resources)	(GREEN) (10/5/12) <i>Financial System / ICT Audit</i>	testing confirmed adequate and effective controls within the General ledger system, SAP. The HR/Payroll system (ITRENT) interfaces are operating in accordance with the business specification and posting transactions correctly in the general ledger system.
Wireless network review (T&R) / (Transformation and Resources)	High (GREEN) (18/5/12) <i>ICT Audit</i>	The objective of the audit was to ascertain the effectiveness of the controls in place over the corporate wireless networks within the Quay West building as well as to determine whether non-corporate wireless access points were accessible to staff. It was reported that the wireless network is adequately secured against unauthorised access.
Budgetary Control (T&R) / (Finance)	High (GREEN) (21/5/12) <i>Financial System</i>	Based on areas reviewed for 2011/12, there are effective procedures and controls in place and a high level of assurance was provided.
<u>Level 1 Reports :</u>		
Moorlands Junior School (CYPS) / (Education)	Medium (GREEN) (19/4/12) <i>School</i>	Overall, adequate standards of control were found to be in place. Recommendations have been made in some areas such as reviewing and updating the school's documented financial procedures. It is acknowledged that some issues raised in the report would be considered following the appointment of the new Headteacher in September 2012.
Pictor School (CYPS) / (Education)	Medium (GREEN) (21/5/12) <i>School</i>	Overall, adequate standards of control were found to be in place. Recommendations were made in some areas including arrangements for administering lettings, and ordering and payments processes.
St. Vincent's Catholic Primary School (CYPS) / (Education)	Medium (GREEN) (6/6/12) <i>School</i>	Overall, adequate standards of control were found to be in place. The infant and junior schools amalgamated in September 2010. Progress is being made to integrate a number of procedures which are carried out in both the infant and junior departments.
Kings Road Primary School (CYPS) / (Education)	Medium / High (GREEN) (11/6/12) <i>School</i>	Testing confirmed an adequate and effective level of compliance with the controls covering most business risks. Recommendations were made to improve some controls. These included documentation supporting the ordering and payment for goods and services.

Trafford Council
Audit and Assurance Service
Annual Internal Audit Report 2012/13

REPORT NAME (DIRECTORATE)	OPINION (R/A/G)/ (Issued)/ Category	COMMENTS
Final Reports – Quarter 2		
Level 4 Reports :		
Purchase to Pay System 2011/12 (Formerly Accounts Payable) (T&R) / (Finance)	High (GREEN) (24/7/12) <i>Financial System</i>	A high level of assurance was given in last year's review and ongoing compliance with controls in place has resulted in a high level of assurance being maintained for this year.
Treasury Management 2011/12 (T&R) / (Finance)	High (GREEN) (25/7/12) <i>Financial System</i>	A high level of assurance was given in last year's review and ongoing compliance with controls in place has resulted in a high level of assurance being maintained for this year.
National Non Domestic Rates (NNDR) 2011/12 (T&R) / (Finance)	High (GREEN) (22/8/12) <i>Financial System</i>	A high level of assurance was given in last year's review and ongoing compliance with controls in place has resulted in a high level of assurance being maintained for this year.
Accounts Receivable 2011/12 (T&R) / (Finance)	Medium / High (GREEN) (20/9/12) <i>Financial System</i>	The audit opinion given relates to the operation of the Accounts Receivable System overall across the Council and not just the central work relating to the Rating and Income Team. Recommendations made last year were followed up and it was found that these had been implemented or were in progress. Although most controls were operating to a satisfactory standard, an area for improvement related to the need for invoices to be raised promptly by the Building Control Service for inspection fees.
Procurement : Pre Qualification Questionnaire (PQQ) processes (T&R) / (Finance)	Medium / High (GREEN) (28/9/12) <i>Procurement / VFM</i>	A PQQ is a questionnaire sent to prospective contractors by the Council for assessing the suitability of supplier's commercial, technical and financial capabilities and providing a method of short listing interested suppliers meeting the minimum qualification criteria. Testing confirmed a satisfactory level of compliance with controls covering most business risks. Recommendations included ensuring relevant documentation currently held relating to PQQ evaluations and the Council's tender and procurement processes is stored on the Council's ProContract system to ensure that there is a full audit trail in place for tender evaluations and contract award decisions made.
Corporate Governance Review 2011/12 (Authority-wide & T&R) / (Transformation and Resources)	N/A - see comments (GREEN) (23/8/12) <i>Governance</i>	The Authority continues to demonstrate compliance with CIPFA/SOLACE Corporate Governance framework supporting principles. The report provides a position statement as at March 2012, based on assurance gathered across the Council. The review was a key element in the process for compiling the Council's 2011/12 Annual Governance Statement which was approved in September 2012.
Personal Budgets 2011/12 (Communities and Wellbeing) / (Adult Social Services)	Medium / High (GREEN) (16/8/12) <i>Financial</i>	Testing confirmed a satisfactory level of compliance with controls covering most business risks. There is a need to improve controls in respect of a small number of risks including the need to reduce outstanding client contributions with either a formal escalation policy or to consider paying the service user the net amount needed for their care making them directly responsible for paying their assessed

Trafford Council
Audit and Assurance Service
Annual Internal Audit Report 2012/13

System	client contribution to the service provider.
<u>Level 2 Reports:</u>	
Free School Meals (T&R) / (Transformation and Resources)	<p>Medium (GREEN) (6/8/12) <i>Business Risks</i></p> <p>Overall, adequate standards of control were found to be in place. There were a number of recommendations made, however, including ensuring an adequate division of duties in the process for administering applications and reviewing ongoing eligibility. It was also identified that application forms should be reviewed to ensure consistency between manual and on-line forms. An action plan was agreed to implement most recommendations made during 2012/13 with the remainder in the following year.</p>
Section 17 Payments – Children’s Act 1989 (CYPS) / (Supporting Children and Families)	<p>Low / Medium (AMBER) (25/7/12) <i>Business Risks</i></p> <p>The objective of the review was to assess controls in place for the administration of Section 17 monies, used to support children in need and their families. Testing revealed improvements are necessary to control a number of business risks. Recommendations included improvements in the maintenance of supporting records and procedures for evidencing the approval of payments. It is acknowledged that since the audit, actions have been undertaken or are planned to address the recommendations made. This review will be followed up as part of the 2013/14 Internal Audit Plan.</p>
<u>Level 1 Reports :</u>	
Broadheath and Dunham Children’s Centre (CYPS) / (Supporting Children and Families)	<p>Medium / High (GREEN) (10/7/12) <i>Establishment</i></p> <p>Testing revealed an adequate and effective level of compliance with the controls covering most business risks. Recommendations included some improvements to governance arrangements relating to the Centre’s Advisory Board including regular review of its terms of reference.</p>
St. Hilda’s CE Primary School (CYPS) / (Education)	<p>Low / Medium (AMBER) (20/7/12) <i>School</i></p> <p>Recommendations were made across a number of operational areas to improve controls in place including ordering and payment processes, divisions of duties in the banking of income and asset / data security. It is acknowledged that since the audit, actions have been undertaken or are planned to address the recommendations made. This review will be followed up as part of the 2013/14 Internal Audit Plan.</p>
Bollin Primary School (CYPS) / (Education)	<p>Medium (GREEN) (14/9/12) <i>School</i></p> <p>There were a number of areas of good practice but there is a need to improve controls to manage some risks. Recommendations included reviewing procedures relating to the receipting and checking of income received prior to banking, and clearly defining procedures in respect of the administration of the school fund.</p>

Trafford Council
Audit and Assurance Service
Annual Internal Audit Report 2012/13

REPORT NAME (DIRECTORATE)	OPINION (R/A/G)/ (Issued)/ Category	COMMENTS
<u>Final Reports – Quarter 3</u>		
<u>Level 4 Reports :</u>		
Information Governance (T&R) / (Transformation and Resources)	N/A * (GREEN) (14/11/12) <i>ICT Audit</i>	Follow up report of a previous review which was conducted by Salford Audit Services to provide advice and guidance on information governance arrangements using ISO27001 guidelines as a reference point. The review found good progress had been made in the development of an information governance structure and all of the high priority recommendations from the report on ISO27001 had been implemented.
Income Control 2011/12 (T&R) / (Finance)	High (GREEN) (4/12/12) <i>Financial System</i>	A High audit opinion was given in the previous internal audit reviews and this has been maintained for the latest review.
<u>Level 3 Reports :</u>		
Sale Waterside Facilities Management : Cofathec / Cofely Contract Monitoring review (Economic Growth and Prosperity) / (Economic Growth and Prosperity).	Medium (GREEN) (21/12/12) <i>Procurement / VFM</i>	It is acknowledged that the overall contract monitoring and performance management arrangements for the contract are good. There are however, a number of recommendations of a strategic nature that require addressing during the remaining term of the contract. This includes areas such as succession planning to ensure continued monitoring of the contract, development of a risk register, monitoring of client satisfaction and, in the longer term, future consideration of an exit strategy. All recommendations have been accepted and an action plan established to inform developments through 2013.
<u>Level 2 Reports:</u>		
Blue Badge procedures (T&R) / (Transformation and Resources)	Medium (GREEN) (21/12/12) <i>Business Risks</i>	Overall, adequate standards of control are in place resulting in a Medium Level of Assurance. Areas for development include the need to improve independent checking processes in respect of the application procedure and also the monitoring of income from the issue of the blue badges. All recommendations have been accepted.
Foster care payments (CYPS) / (Supporting Children and Families)	Medium (GREEN) (13/12/12) <i>Business Risks</i>	Overall, audit testing confirmed that payments to foster carers are accurate, timely and paid in accordance with the approved allowance rates. There is appropriate segregation of duties between awarding of allowances, administration and payment of claims. Recommendations made included ensuring adequate audit trails are in place in some areas, particularly in respect of additional discretionary payments. All recommendations have been accepted with planned implementation in early 2013.

Trafford Council
Audit and Assurance Service
Annual Internal Audit Report 2012/13

Level 1 Reports :		
Urmston Junior School (CYPS) / (Education)	Medium (GREEN) (17/10/12) <i>School</i>	Audit testing revealed a satisfactory level of compliance with the controls covering most business risks. Areas for improvement included in the action plan include ensuring there is sufficient monitoring to ensure that bank accounts never go overdrawn (occurrence identified but subsequent bank charges were reversed) and ensuring there is a full audit trail in respect of income collection and banking processes.

REPORT NAME (DIRECTORATE)	OPINION (R/A/G) (Issued)	COMMENTS
Final Reports – Quarter 4		
Level 4 Reports :		
Complaints Processes (Authority wide) / (Supporting Children and Families; Education; Economic Growth and Prosperity; Highways and Environment)	N/A * (GREEN) (28/1/13) <i>Business Risks</i>	A formal audit opinion was not given as the review consisted of a follow up of review work originally carried out by the Partnerships and Performance Service of complaints processes for four service areas (two within ETO, one for CYPS and one within EGP). Four follow up audit reports were issued and in each case the overall conclusions were that the majority of previous recommendations had been implemented or work was underway to implement them.
HR / Payroll 2011/12 System review (T&R) / (T&R)	Medium (GREEN) (27/2/13) <i>Financial System</i>	Testing revealed an adequate and effective level of compliance with the controls covering most, but not all key business risks. Recommendations included the need to review password system access arrangements; some aspects of authorisation arrangements for new starters and also some issues re divisions of duties. Since the audit, progress has been made to address these issues which will be followed up as part of the next audit review.
Level 2 Reports:		
Libraries Central Ordering follow up review (T&R) / (Transformation and Resources)	Medium/High * (GREEN) (13/3/13) <i>Establishment</i>	A Medium level of assurance was given in the previous audit review and the follow up audit has resulted in a Medium/High level of assurance being given this year. Good progress has been made in implementing the previous recommendations made with most previous recommendations having been fully implemented or in progress.
Level 1 Reports :		
St. Alphonsus RC Primary School (CYPS) / (Education)	Medium / High (GREEN) (28/1/13) <i>School</i>	A good standard of control was found to be in place over most areas reviewed. Some recommendations were made relating to the formal approval by the Governing Body of a small number of school policies which are at draft stage.
Davyhulme Primary School follow up review (CYPS) / (Education)	Medium * (GREEN) 31/1/13 <i>School</i>	Progress has been made in implementing all the previous recommendations made. A number of ongoing developments are in progress including work on the school development plan and improvements in ordering and payment procedures.

Trafford Council
Audit and Assurance Service
Annual Internal Audit Report 2012/13

Gorse Hill Primary School follow up review (CYPS) / (Education)	Medium * (GREEN) (12/3/13) <i>School</i>	The previous audit opinion of Low has now been changed to Medium to reflect the significant progress that has been made in addressing the previous recommendations. Further recommendations made include processes for ordering goods and services and also formalising all lettings arrangements.
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Trafford Council
Audit and Assurance Service
Annual Internal Audit Report 2012/13

REPORT NAME (DIRECTORATE)	OPINION (R/A/G) (Issued)	COMMENTS
Draft Reports		
Level 4 Reports:		
Trafford Partnership (T&R) / (Authority-wide)	To be confirmed (GREEN) (15/11/12) <i>Governance</i>	The purpose of this review was to evaluate the effectiveness of controls in relation to the strategic partnership governance arrangements. The partnership had commissioned CIPFA to undertake a review of the partnership support arrangements during 2010 with an Improvement Plan subsequently agreed. The partnership can demonstrate significant progress in addressing the improvements, enabled through the restructuring of partnership support and streamlined governance arrangements. Areas highlighted in the review for further development are being discussed such as risk management, information and data sharing protocols and awareness in respect of codes of conduct. An action plan is to be agreed with the Partnerships and Performance Service in 2013, details to be reported in a future Audit update.
Business Continuity (T&R and Authority Wide) / (Transformation and Resources)	Medium (GREEN) (7/9/12) <i>Business Risks</i>	The Civil Contingencies Act 2004 (CCA) places a duty on local authorities to establish and maintain Business Continuity Plans and to ensure that organisations delivering services on its behalf can still deliver to the required extent in an emergency. The Authority completed a major update of its approach to business continuity management in 2009 which included development of procedural guidance, training and standard templates which are in place. As from May 2012, following changes to service structures, a number of officers within the Partnerships and Performance team have been designated as responsible for offering advice and guidance to staff on Business Continuity. The audit report concluded that given the revised arrangements it is acknowledged that further work is required to embed procedures particularly in relation to ongoing monitoring of business continuity arrangements across services. Audit and Assurance is working with the Partnerships and Performance Service to agree an action plan. A final report will be issued in 2013.
Section 106 Planning Agreements (T&R&EGP) / (Finance, T&R, Economic Growth and Prosperity)	To be confirmed (Low (RED) – per draft report. Final report opinion to be confirmed) (2/1/13) <i>Business Risks</i>	Draft findings indicated a number of areas for improvement which are being discussed with relevant service areas, particularly in relation to monitoring of income from Section 106 agreements. Whilst, provisionally, a low opinion was given, it was agreed that the final report will consider any developments since the draft report was issued and will include a final agreed opinion level incorporating management responses to any agreed recommendations. Future Audit updates in 2013 will provide further details when the final report is issued.
Fuel Cards (ETO) / (Highways and Environment).	Medium * (GREEN) (15/11/12) <i>Business Risks</i>	The review included a follow up of previous recommendations made in 2011/12 and it was noted that some progress has been made implementing improvements. A number of officers have been designated as responsible for card management and monitoring duties. Further development is required to ensure adequate guidance is available to assist monitoring arrangements and adequate monitoring of the use of individual fuel cards is taking place including the regular use of exception reports to assist with this.

Trafford Council
Audit and Assurance Service
Annual Internal Audit Report 2012/13

Works Management System (Authority wide & ETO) / (Highways and Environment; Finance; Transformation and Resources)	Medium* GREEN (19/11/12) <i>Financial System</i>	Some progress has been made in implementing previous audit recommendations. Improvements to budget monitoring and reconciliation processes to the Council's accounting system were noted. An action plan to address any outstanding recommendations has since been agreed.
Let Estates Follow Up Review (EGP) / (Economic Growth and Prosperity)	Low / Medium * (AMBER) (22/3/13) <i>Financial System</i>	It was noted that progress has been made in implementing previous audit recommendations made but a number of recommendations are in progress or to be addressed. A further review is to be undertaken in 2013/14 when an updated audit opinion will be considered (previous opinion provided in 2011/12 was Low/Medium).
Level 2 Reports :		
Pest Control (ETO) / (Highways and Environment)	Medium / High (GREEN) (21/2/13) <i>Business Risks</i>	A good standard of control was found to be in place over most areas reviewed. Recommendations made include the introduction of annual stock takes and improved processes for recording and checking mileage undertaken and fuel usage.
Level 1 Reports :		
Sale Library follow up audit review (T&R) / (T&R)	Medium * (GREEN) (30/1/13) <i>Establishment</i>	It was noted that progress has been made in implementing previous audit recommendations. For a small number of outstanding issues, recommendations have been re-iterated.
Altrincham Crematorium (ETO) / (Highways and Environment)	Medium (GREEN) (14/3/13) <i>Establishment</i>	The audit found areas of good practice, but there is a need to improve controls for a number of areas of business risk. Business continuity arrangements should be put in a written format and tested regularly. A greater division of duties is needed within a number of processes e.g. income collection and banking, petty cash.
Oldfield Brow Primary School (CYPS) / (Education)	Low / Medium (AMBER) (13/2/13) <i>School</i>	A key factor for the draft opinion was the need for a greater division of duties across a number of systems and processes at the school. A final report will be issued incorporating the management response to the recommendations made.
St. Ann's RC Primary School (CYPS) / (Education)	Low / Medium (AMBER) (8/3/13) <i>School</i>	A final report will be issued incorporating the management response to the recommendations made and details will be reported in a future update.
Victoria Park Juniors (CYPS) / (Education)	Medium / High (GREEN) (8/3/13) <i>School</i>	A good standard of control was found to be in place over most areas reviewed. Some recommendations were made including reviewing cash security arrangements in respect of restricting access and the need to review and update elements of the School Finance Manual.

APPENDIX D

Client Survey Responses 2012/13

	V.Good	Good	Satisfactory	Adequate	Poor
Consultation on audit process and audit coverage prior to commencement of the audit	6	6			
Feedback of findings and liaison during the audit	7	4	1		
Professionalism of auditors	7	5			
Helpfulness of auditors	7	5			
Timeliness of the review and the draft report	3	8	1		
Clarity of the report	5	5	2		
Accuracy of the report	4	8			
Practicality of the recommendations made	5	6	1		
Usefulness of the audit as an aid to management	5	5	1		
Total	49	52	6	0	0
%	46%	48%	6%	0%	0%
	Very Significant	Significant	Moderate	Minor	None
What level of improvement, in the standard of control and the management of risks, do you expect to see following the audit review?	2	1	4	3	1
	18%	9%	37%	27%	9%

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 27 June 2013
Report for: Information
Report of: Cllr Whetton and Cllr Mrs Evans – Chair and Vice - Chair
Accounts & Audit Committee (2012/13)

Report Title

Accounts and Audit Committee Annual Report to Council 2012/13.

Summary

The report sets out the 2012/13 Annual Report of the Accounts and Audit Committee to be submitted to Council.

Recommendation

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

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers:

2012/13 Accounts and Audit Committee minutes
Accounts and Audit Committee terms of reference

Accounts & Audit Committee
Annual Report
To Council
2012-2013



TRAFFORD
COUNCIL

CONTENTS

FOREWORD BY CHAIR & VICE CHAIR OF THE ACCOUNTS & AUDIT COMMITTEE.....	Page 2
INTRODUCTION	
Role of the Committee.....	Page 3
Purpose of the Report.....	Page 3
Membership of the Committee.....	Page 3
ACCOUNTS & AUDIT COMMITTEE – SUMMARY OF ASSURANCES TO COUNCIL	Page 4
2011/12 – THE WORK OF THE ACCOUNTS & AUDIT COMMITTEE	
Internal Audit.....	Page 5
External Audit.....	Page 7
Risk Management.....	Page 9
Corporate Governance and the Annual Governance Statement.....	Page 10
Anti Fraud & Corruption Arrangements.....	Page 11
Accounts.....	Page 12
DEVELOPMENT OF THE ACCOUNTS & AUDIT COMMITTEE	
Training	Page 14

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

Trafford Council's Accounts & Audit Committee has been operating since the start of the 2005-06 municipal year, the Council being one of the first Local Authorities to introduce such a committee.

We believe that the Committee should be and is central to the provision of effective corporate governance. It is independent of the Executive and has a key role in providing both challenge across the organisation, and independent assurance to the Council, and the public, on how well the Council is being managed. We believe this is fundamental to good corporate governance.

By the effective fulfilment of its role the Committee should help to ensure public confidence in the objectivity and fairness of financial and other reporting. It also helps to deliver improved services and ensure the Council aims to achieve better value for money, the importance of this being highlighted given the current national economic climate.

Continuous improvement is a focus for this Committee. This is both in supporting the ongoing improvement and transformation of the Council as a whole but also in being proactive in continually improving the way the Committee operates, and in developing the skills and knowledge of its members.



Councillor Michael Whetton
Chairman, Accounts & Audit Committee 2012-13



Councillor Mrs. Laura Evans
Vice-Chair, Accounts & Audit Committee 2012-13

INTRODUCTION

Role of the Committee

The role of the Accounts and Audit Committee is to:

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

Assurance is gathered by the Committee largely from the work of Finance Services (including the Audit and Assurance Service and Financial Management), and External Audit (provided by the Audit Commission for the first part of 2012/13 and then by Grant Thornton for the latter part). Relevant officers within these areas attended meetings through the year. This was supplemented by assurance from other sources where this was considered appropriate, for example direct from the Council’s managers.

Purpose of the Report

The purpose of this report to Council is to:

- Summarise the work undertaken by the Accounts & Audit Committee during 2012/13 and the impact it has had.
- Provide assurance to the Council on the fulfilment of the Committee’s responsibilities.

Membership of the Committee

The Accounts & Audit Committee’s terms of reference state that its membership shall comprise seven members, be politically balanced within the Council’s current system, and shall not include any members of the Executive.

Accounts & Audit Committee Membership	
2012/13	2013/14
Cllr Michael Whetton (Chair)	Cllr Michael Whetton (Chair)
Cllr Laura Evans (Vice Chair)	Cllr Laura Evans (Vice Chair)
Cllr Barry Brotherton	Cllr Barry Brotherton
Cllr Jane Baugh	Cllr Jane Baugh
Cllr Chris Boyes	Cllr Chris Boyes
Cllr Paul Lally	Cllr Tom Ross
Cllr Tom Ross	Cllr Patrick Myers

ACCOUNTS & AUDIT COMMITTEE – SUMMARY OF ASSURANCES TO COUNCIL

The Committee derives its independent assurance from the work of External Audit, Finance (including Internal Audit and Financial Management), Council managers and external inspection agencies.

During the year, these sources of assurance were reported to the Committee on a regular basis across a wide spectrum of the work of the Council encompassing all the themes identified in the Committee's Terms of Reference. The Committee was able to both receive information and provide challenge and feedback to officers and external auditors. The Committee has therefore effectively fulfilled its responsibilities during 2012/13.

The Committee can provide the Council with assurance that its arrangements for:

- Internal and External Audit;
 - Risk management;
 - Corporate Governance, Internal Control and the Annual Governance Statement;
 - Anti fraud and corruption, and;
 - The production of the Statement of Accounts;
- are operating effectively.

The above areas were covered through the Committee's meetings during the year. A work programme was agreed by the Committee at the start of the year to ensure it met its responsibilities. This included reviewing regular updates on the work of internal audit, external audit, approval of draft and final accounts, updates of the Council's strategic risk register, review of anti-fraud and corruption arrangements, and regular updates on treasury management activity.

Through the year a number of further items were added to the programme at the request of the Committee which included updates / presentations on the use of Council reserves, insurance arrangements and developments in governance arrangement relating to the Trafford Partnership.

The current economic climate and associated pressures to achieve savings highlights the need for organisations to ensure effective systems and controls are in place to ensure value for money is achieved and the risk of fraud or error is minimised. The Committee has gained assurance that the governance framework, and within that the internal control environment, of the Council is considered to be operating effectively, providing assurance that principal risks to the achievement of the authority's policies, aims and objectives are adequately managed. Where areas for improvement / development have been identified, action plans to address these have been established.

Further assurance in terms of the outcome of the 2012/13 External Audit of the Council's Financial Statements and a conclusion on the Council's Value for Money arrangements will be reported later in 2013 to the Committee in the External Auditor's 2012/13 Annual Audit Letter. In November 2012, the Committee had gained assurance through the 2011/12 Annual Audit Letter that an unqualified opinion was given on the 2011/12 financial statements and the report also confirmed that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Details of the work undertaken by the Committee are detailed in the rest of this report.

Accounts and Audit Committee – Work Completed During 2012/13

Internal Audit

Role of the Committee in relation to Internal Audit:

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

Work Completed	Outcome/ Impact
<p>The progress of internal audit work conducted by the Audit and Assurance Service is reported to the Committee on a quarterly basis. This includes the results of individual reviews, responses to audit reports, progress in implementing the annual audit plan and performance of the Audit and Assurance Service. Update reports were presented in September 2012, November 2012 and February 2013.</p> <p>June 2012 The Annual Internal Audit Report was submitted, providing an opinion on the standard of internal controls during 2011/12 and a summary of work undertaken during the period.</p>	<p>The Committee maintained an effective overview of the control environment through 2012/13 and also obtained assurance that internal audit coverage and performance was satisfactory.</p> <p>The Committee gained assurance that based on Internal Audit work undertaken in 2011/12, overall, the Council’s control environment was deemed to be operating to a satisfactory standard. Improvement plans were produced for those areas where improvements were recommended and will be followed up as part of future internal audit work.</p>
<p>March 2013</p> <p>A report was submitted incorporating the 2013/14 annual internal audit plan.</p>	<p>Assurance that internal audit coverage for the coming year was satisfactory, that key business risks are considered and adequate internal audit resources were available.</p>

<p>March 2013 (continued)</p> <p>The Committee was provided with findings from the annual review of the effectiveness of the Council's internal audit.</p> <p>In addition, a briefing was provided in respect of the new Public Sector Internal Audit Standards, to be introduced from April 2013. This stated that the Audit and Assurance Service will be reviewing existing procedures and protocols to report to the Committee on adherence to the Standards as required by June 2014.</p>	<p>The report, based on information provided to the Committee through the year, together with details of the self assessment undertaken of Internal Audit against the Chartered Institute for Public Finance and Accountancy (CIPFA) best practice, concluded that Trafford Council operates an effective internal audit function in line with the CIPFA Code of Practice.</p> <p>(It should be noted that future annual reviews will be undertaken against the new Public Sector Internal Audit Standards).</p>
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External Audit

The role of the Committee in relation to external audit is:

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

Work Completed	Outcome/ Impact
<p>June 2012 The Committee received a report from the Audit Commission on the progress made against planned work in its role as the Authority’s external auditor. The report, which included an update on the externalisation of the Audit Practice, also highlighted key emerging national issues and developments which could be of interest to members of the Committee.</p>	<p>The Committee was able to monitor progress in respect of Audit Commission work.</p>
<p>September 2012 The Audit Commission submitted the Annual Governance Report for the Council summarising the findings from the 2011/12 audit. It includes the audit of the Council’s financial statements for 2011/12 and an assessment of how well the Council uses and manages its resources to secure value for money.</p> <p>The Audit Commission also gave a presentation to the Committee on the role of External Audit.</p>	<p>An unqualified opinion on the financial statements was expected per the draft report presented. An unqualified conclusion was also expected in relation to arrangements for securing economy, efficiency and effectiveness in the use of resources. Some areas for improvement in controls within the payroll system were identified, which the external auditor confirmed (in its Annual Audit Letter of November 2012) that the Council were addressing.</p> <p>The Committee was able to gain information on the role and responsibilities of the external auditor.</p>
<p>November 2012 The Committee received the Audit Commission’s Annual Audit Letter summarising the findings from the 2011/12 audit of the Council, broadly comprising the audit of financial statements and an assessment of arrangements to achieve value for money in the use of resources. (In line with arrangements following the planned abolition of the Audit Commission, future external audit activity is to be provided by Grant Thornton – See February 2013).</p>	<p>It was reported that the Authority presented to the external auditors a good set of financial statements and supporting working papers. The report confirmed that an unqualified opinion was given on the financial statements.</p> <p>The report also confirmed that overall the Council has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>

<p>February 2013 The Council's new External Auditor, Grant Thornton, submitted a progress report detailing external audit work completed and planned and also details of its audit fee for 2012/13. It also included reference to a number of national publications and issues for the Accounts and Audit Committee to consider.</p> <p>March 2013 A report was received from the external auditors summarising the findings from the certification of the Council's 2011/12 claims for funding from government grant-paying departments.</p> <p>The Committee received the External Audit Plan which sets out the work Grant Thornton plans to undertake for the audit of financial statements and the value for money conclusion for 2012/13.</p>	<p>The Committee was able to monitor progress in respect of external audit work and was also provided with guidance to assist in it undertaking its role.</p> <p>The Committee noted the findings which overall had proven positive. Some recommendations have been made which the Authority has considered and agreed to implement.</p> <p>The report provided the Committee with details of work Grant Thornton is required to undertake as the council's external auditor.</p>
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Risk Management

The role of the Committee in relation to risk management:

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

Work Completed	Outcome/ Impact
<p>September 2012 The Committee was provided with a report setting out the Council’s Strategic Risk Register. The report provided an update on the strategic risk environment and identified further improvement actions to manage the strategic risks.</p>	<p>The Committee received assurance on the arrangements for managing key strategic risks and provided comments to be taken into account for future updates of the Strategic Risk Register.</p>
<p>March 2013 The Committee was provided with a further update report on the Strategic Risk Register. The Committee was also presented with the Council’s updated Risk Management Policy Statement and Strategy and were advised of ongoing work to further develop existing risk management guidance available to officers and members.</p>	<p>The Committee received assurance that there is ongoing monitoring of strategic risks with details provided for each risk of control / monitoring arrangements in place and where applicable further improvements planned.</p> <p>The Committee approved the Council’s Risk Management Policy Statement and Strategy.</p>

Corporate Governance, Internal Control and the Annual Governance Statement

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

- Conduct a critical review of the proposed Annual Governance Statement, the procedures followed in its completion and supporting evidence to provide assurance to the Leader of the Council and the Chief Executive of its meaningfulness and robustness.
- Review effectiveness of corporate governance and internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.

Work Completed	Outcome/ Impact
<p>June 2012 A report of the Committee’s review of the 2011/12 draft Annual Governance Statement was presented.</p>	<p>The Committee noted that the Members were satisfied with the robustness of the process followed in generating the Annual Governance Statement and were satisfied that the statement itself is robust.</p>
<p>September 2012 The final version of the Annual Governance Statement, signed by the Chief Executive and Leader, was submitted to the Committee.</p>	<p>The Committee approved the 2011/12 Annual Governance Statement.</p>
<p>February 2013 A report setting out a proposed action plan to ensure compliance with the production of an Annual Governance Statement for 2012/13 was presented.</p> <p>A report was submitted to provide an update on work undertaken to date and further work planned in respect of the introduction of an effective electronic records management solution across the Council, as identified as an ongoing development action in the 2011/12 Annual Governance Statement.</p>	<p>Procedures and responsibilities of members and officers in the process for producing and approving the 2012/13 Annual Governance Statement were agreed.</p> <p>Assurance was provided that the organisation is taking action to strengthen areas highlighted for further development in the previous year’s Annual Governance Statement.</p>
<p>March 2013 A report was presented by Human Resources to provide an update on progress in delivering planned improvements, referred to in the 2011/12 Annual Governance Statement, in respect of workforce planning and development. The report covered an overview of current projects and a range of initiatives that are underway or in development.</p> <p>A presentation was given by the Partnerships and Performance Service covering governance arrangements for the Trafford Partnership.</p>	<p>Assurance was provided that the organisation is taking action to strengthen areas highlighted for further development in the previous year’s Annual Governance Statement.</p> <p>Following a request by the Committee, members were able to gain information to understand arrangements in place / planned developments.</p>

Anti - Fraud & Corruption Arrangements

The role of the Committee is to:

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

Work Completed	Outcome/ Impact
<p>September 2012 The Fraud Investigation Team 2011/12 Annual Report was presented outlining the Council’s responsibilities towards tackling benefit fraud and detailing the team’s performance during the period and plans for the year ahead.</p>	<p>In respect of benefit fraud, assurance was obtained through the year on the adequacy of the Council’s anti-fraud and corruption arrangements and ongoing developments.</p>
<p>November 2012 The Committee received a report which set out the Council’s proposed updated Anti-Fraud and Corruption Strategy, including associated policies and guidance and plans to raise awareness of anti-fraud measures.</p>	<p>The Committee provided feedback on the content of the Anti-Fraud and Corruption Strategy and Policy documentation and this was taken into account in finalising the Strategy and Policy.</p> <p>The Committee gained assurance that updated anti-fraud guidance will be shared across the Council.</p>
<p>March 2013 The Audit and Assurance Service provided a report on anti-fraud and corruption work undertaken during the year. This included a summary of fraud investigation work undertaken by the Service, anti-fraud awareness raising activity completed and an update on work undertaken to support the National Fraud Initiative.</p>	<p>The Committee was provided with assurance that anti-fraud work by the Audit and Assurance Service continues to include both investigative work and awareness raising activity to aim to reduce the risk of possible fraud.</p>

Accounts

The role of the Committee is to:

- Approve the Council’s Annual Statement of Accounts including subsequent amendments.
- Consider the External Auditor’s report on the audit of the Council’s annual financial statements.
- Be responsible for any matters arising from the audit of the Council’s accounts.

Work Completed	Outcome/ Impact
<p>June 2012 The pre-audited Annual Statement of Accounts for 2011-12 was presented along with copies of the 2011-12 Revenue Budget Outturn and Capital Investment Programme Outturn reports.</p> <p>A report was submitted on the outcome of the review of treasury management activities for the past financial year. (In addition, in November 2012, a report was presented which provided an update on the progress of the treasury management activities undertaken for the first half of 2012/13).</p>	<p>In accordance with best practice, the Committee was able to review the accounts prior to submission to the external auditor and public inspection.</p> <p>Assurance was obtained that treasury management activities adhere to the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance.</p> <p>It was also agreed at the June 2012 meeting that a Treasury Management training session was to be held for members. This was held as a separate session from the Committee meetings (in October 2012) and assisted members in gaining knowledge and understanding their role).</p>
<p>September 2012 The final accounts were presented following the audit of the 2011-12 draft accounts.</p>	<p>The Committee reviewed and approved the changes to the accounts that had been agreed with the external auditor (the Audit Commission) following its audit. (A further amendment to the accounts was subsequently agreed by the Chairman, Vice-Chairman and Opposition Spokesperson).</p> <p>The Committee thanked Finance Services for the work undertaken in preparing the accounts and also the external auditors for their input.</p>
<p>November 2012 The Committee was provided with a report providing background to the Council’s arrangements for the creation and use of provisions and reserves. The report provided details of the Council’s current reserves, estimated value at the end of 2012/13 and an estimate of future commitments. It also provided definitions for different categories of</p>	<p>In addition to the work programme established at the start of the year, during the year the Committee added further items to planned work. This included requesting and receiving assurance in respect of arrangements in respect of the use of reserves and also arrangements for insurance.</p>

<p>reserves to clarify their purpose.</p> <p>A report was submitted providing a summary of insurance performance for 2011/12 for all non-school activity. This covered activity relating to claims; the insurance budget and premium costs; future issues and further planned work. It was noted that a number of savings have been made, including reduced premium costs through greater self insurance.</p>	
<p>February 2013</p> <p>A Treasury Management report was submitted setting out the Council's strategy for 2013/14 – 2015/16. This included the debt strategy, minimum revenue provision (amounts set aside for debt repayment) and investment strategy.</p>	<p>The Audit Committee recommended that the Council approve the various elements of the Strategy.</p>

DEVELOPMENT OF THE ACCOUNTS & AUDIT COMMITTEE

Training and development

The members of the Accounts & Audit Committee are all very aware of the important role they have as the Council's members charged with responsibility for governance.

Discussions on training and development needs have taken place through the year, and to support members in effectively delivering their role, the Committee have embraced an ongoing programme of training and awareness raising. This has included presentations at Committee meetings and separate sessions.

During the year the following training areas were covered:

- **June 2012 - Financial Accounts**
Training session on the draft accounts, held in advance of the June Committee meeting.
- **September 2012 - Treasury Management**
Training session on Treasury Management, held outside of the Committee meetings.
- **September 2012 – Role of External Audit**
Presentation at the September Committee meeting.
- **November 2012 - Insurance**
Presentation at the November Committee meeting
- **February 2013 - Benefit Fraud Investigation**
Presentation at the February Committee meeting
- **March 2013 – Partnership Working**
Presentation at the March Committee meeting

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 27 June 2013
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Accounts and Audit Committee – Work Programme – 2013/14

Summary

This report sets out the proposed work plan for the Committee for the 2013/14 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 approve the 2013/14 work programme.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers:

Accounts and Audit Committee Terms of Reference.

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit	Risk Management	Annual Governance Statement / Corporate Governance	Anti- Fraud & Corruption Arrangements	Accounts
27 June 2013	Agree Committee's Work Programme for 2013/14 (including consideration of training and development) Training & Development – Presentation on draft accounts (provided outside committee)					
	- 2012/13 Annual Internal Audit Report	- Audit Progress Report		- Review 2012/13 draft Annual Governance Statement - Accounts and Audit Committee 2012/13 Annual Report to Council		- Review 2012/13 draft accounts - Treasury Management Annual Performance 2012/13 - Insurance Performance Report 2012/13
25 September 2013						
	- Q1 Internal Audit Monitoring Report	- Annual Governance Report	- Strategic Risk Register Monitoring Report - (Risk Management Policy/Strategy update within the Q1 Internal Audit Monitoring Report).	- 2012/13 Annual Governance Statement (final version)	- Benefit Fraud Investigation 2012/13 Annual Report	- Approval of Annual Statement of Accounts 2012/13
20 November 2013						
	- Q2 Internal Audit monitoring report	- Annual Audit Letter - Audit Update		- Consider improvement actions taken in 2013/14 in respect of a 2012/13 governance issue.		- Treasury Management : mid year review

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit	Risk Management	Annual Governance Statement / Corporate Governance	Anti- Fraud & Corruption Arrangements	Accounts
11 February 2014	- Q3 Internal Audit monitoring report	- Audit Update		- Report on arrangements for 2013/14 Annual Governance Statement	- Anti Fraud & Corruption / National Fraud Initiative update	- Treasury Management Strategy - Reserves Update
25 March 2014	- 2014/15 Internal Audit Plan - Public Sector Internal Audit Standards Update & Internal Audit Charter.	- Audit Opinion Plan - Grant Claims report - Audit Update	- Strategic Risk Register Monitoring Report	- Consider improvement actions taken in 2013/14 in respect of a 2012/13 governance issue.		

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