

# Auditor's Annual Report

Trafford Metropolitan Borough Council –  
year ended 31 March 2021

February 2022



# Contents

- 01** Introduction
- 02** Audit of the financial statements
- 03** Commentary on VFM arrangements
- 04** Other reporting responsibilities and fees

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

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales

# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for Trafford Metropolitan Borough Council (‘the Council’) for the year ended 31 March 2021. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

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



### Opinion on the financial statements

We issued our audit report on 30 November 2021. Our opinion on the financial statements was unqualified.



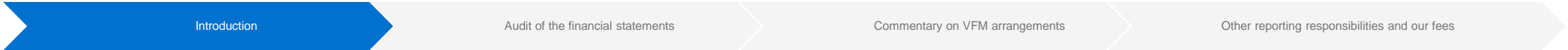
### Wider reporting responsibilities

We have not yet received group instructions from the National Audit Office confirming this to be the case. We are unable to commence our work in this area until such instructions have been received.



### Value for Money arrangements

In our audit report, issued on the 30 November 2021, we reported that we had not completed our work on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 confirms that we have now completed this work and provides our commentary on the Council’s arrangements. We have identified significant weaknesses in the Council’s arrangements with respect to Children’s Services following the Ofsted report issued in May 2019.



# 02

Section 02:

## **Audit of the financial statements**

# 2. Audit of the financial statements

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

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

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year then ended.

Our audit report, issued on 30 November 2021 gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

Our Audit Completion Report, presented to the Council's Accounts and Audit Committee on 25 November 2021, provides further details of the findings of our audit of the Council's financial statements. This includes our conclusions on the identified audit risks and areas of management judgement, internal control recommendations and audit misstatements identified during the course of the audit.

## Qualitative aspects of the Council's accounting practices

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

Draft accounts were received from the Council on 29 July 2021 and were of a good quality. The accounts were supported by high quality working papers and we received full cooperation from the Finance team in responding to our queries.

## Significant difficulties during the audit

We did not encounter any significant difficulties during the course of the audit.

## Internal control recommendations

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

We identified a small number of opportunities to improve internal control as part of our audit and raised three internal control recommendations. Management agreed to address these recommendations during 2021/22.

# 03

Section 03:

**Commentary on VFM arrangements**

# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

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

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

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria. As part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria. On the following pages we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	11	No	No
Governance	14	Yes – See risk on page 10 (Ofsted inspection: children's social care services)	Yes- see recommendations on page 11 (Ofsted inspection: children's social care services)
Improving economy, efficiency and effectiveness	17	Yes – See risk on page 10 (Ofsted inspection: children's social care services)	Yes- see recommendations on page 11 (Ofsted inspection: children's social care services)



# 3. VFM arrangements – Risks of significant weakness in arrangements

## Risks of significant weaknesses in arrangements

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

Risk of significant weakness in arrangements		Work undertaken and the results of our work
1	<p><b>Ofsted inspection: children’s social care services:</b></p> <p>In May 2019 Ofsted issued a report on its inspection of the Council's Children's Social Care Services. The inspection report concluded that the overall effectiveness of the Council's services for children is inadequate.</p> <p>These matters indicate a risk of significant weaknesses in proper arrangements</p>	<p><b>Work undertaken</b></p> <p>We reviewed the Council's response to the Ofsted inspection and resulting report. This included reviewing the:</p> <ul style="list-style-type: none"><li>• action plan the Council developed and submitted to the Ofsted following the inspection and on receipt of the final report; and</li><li>• additional internal oversight arrangements established by the Council to monitor progress against the action plan and address the areas for improvement identified by the Ofsted</li><li>• the follow up activities by Ofsted through their subsequent focused inspection and monitoring visit.</li></ul> <p><b>Results of our work</b></p> <p>Notwithstanding the Council's response, in our view, the matters identified within the Ofsted inspection report represent a significant weakness in the Council's governance arrangements and in its arrangements for Improving economy, efficiency and effectiveness in services.</p> <p>A summary of the significant weakness in arrangements identified and the supporting recommendation for improvement are provided on page 11</p>

### 3. VFM arrangements – Risks of significant weakness in arrangements

#### Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified a significant weakness in the Council's arrangements to Governance. The identified weaknesses have been outlined in the table below.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
<p><b>Ofsted inspection: children's social care services:</b></p> <p>In March 2019 Trafford Children's Services was inspected by Ofsted under the Inspection of Local Authority Children's Service Framework. The report from this inspection was published in May 2019 and gave an overall rating of "inadequate" for the Council's service.</p> <p>This reflected a significant deterioration in the quality of the service since the previous inspection in 2015. Ofsted specifically reported that Senior Managers within the Council's service were not aware of the deterioration in performance and, had their inspection not taken place, the weaknesses would not have been recognised. The Ofsted report set out a number of areas for improvement both in terms of social care practice but also in leadership.</p> <p>Following the inspection, the Council took immediate action to respond to the findings. This included setting up an Improvement Board, with an Independent Chair, attended by senior politicians and senior officers from the Council and other key partners. The Board continues to provide oversight.</p> <p>A comprehensive action plan was also developed to address the findings in the report. This action plan is being implemented and is subject to regular review and updating in line with the Council's internal findings from quality assurance. Progress with this action plan is regularly monitored by the Improvement Board and the Department for Education through the involvement of an Improvement Advisor and a link officer.</p> <p>The Council recognises that a failure to address the weaknesses identified in the Ofsted report could adversely impact upon the safety of children. .</p>		●	●	<p>We recommend the Council ensures it is fully embedding and can sustain the actions it has put in place to address the Children's Services issues identified by Ofsted.</p> <p>In particular, the Council needs to ensure that social care practice is improved and is consistently focused on outcomes for children and families. The performance management framework supporting this needs to be robust with appropriate monitoring, challenge and escalation arrangements in place.</p>	<p>There is evidence that the Council recognised the seriousness of the issues raised in the May 2019 inspection report. The actions required to address Ofsted's findings were identified and an action plan developed, supported by the financial resources necessary to improve the service. An Improvement Board was put in place to provide oversight.</p> <p>Delivery of the action plan has been impacted by the Covid-19 pandemic. However, Ofsted have noted evidence that senior leaders have worked effectively with partners to maintain the provision of services for children in Trafford over the last two years.</p> <p>The Council is continuing its efforts to improve the service and ensure all of the issues identified by Ofsted are addressed.</p>

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### Background to Trafford MBC’s operating environment in 2020/21

The financial year 2020/21 has been a year of unprecedented challenge for the Council as it faced dealing with the global Covid-19 pandemic. This led to significant changes in how the Council delivers services to the residents of Trafford. Throughout the past year, the Council has had to adapt to new ways of working to ensure continuation of service delivery, alongside delivering new services to support the local communities through the pandemic. The financial impact of the pandemic on the Council has been significant.

During 2020/21 the Council has faced the additional costs including for additional responsibilities it faced in response to the pandemic and also because of the loss of income as a result of the national lockdowns and additional Tier 3 restrictions. Some of the government’s initiatives to respond to the covid-19 pandemic were supported by additional funding for the Council, and as a result, Trafford received significant additional funding in the form of government grants for 2020/21. Whilst the Council has received financial support from Government to address these issues, it understands this funding is one-off in nature. The Council continues to work to understand the longer-term impact of the pandemic, and adapt its financial plans as the national and local positions develop.

### 2020/21 Financial Performance

We have undertaken a high level analysis of the audited financial statements, including the Movement in Reserves Statement and the Balance Sheet. The Council's balance sheet has remained stable. The cash and cash equivalents remain in line with previous year (£45m 2019/20; £43m 2020/21). Altogether, the Council's net current assets have increased from £179.2m to £211.4m at 31 March 2021.

The most significant change in the balance sheet relates to movements in the Council's share of the pension fund net liability (being a deficit position) of £350.89m, up from £250.04m in the prior year. It is not unusual to see material movements in the net pension liability and this is consistent with our experience at other local authorities. The deficit position is typical across the sector.

The Council's useable reserves have increased from £91.35m at 31 March 2020 to £200.35m at 31 March 2021. This reflects an increase in Earmarked General Fund Reserves to £174.35m (up from £63.18m the previous year).

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

### Financial planning and monitoring arrangements

On 20 February 2020 the Executive recommended the Council approve an overall net revenue budget of £175.52m. In setting up the budget for 2020/21, the Council identified an overall budget gap of £18.50m which was addressed by a combination of additional funding of £3.98m, use of reserves of £4.47m and £10.05m of service savings and additional income. Throughout the year the Council regularly updated and presented its budget monitoring reports to members. Budget information and performance through the year remained up-to-date through the challenging environment of the pandemic and allowed the Council to identify emerging pressures over the year.

The Council reported its revenue outturn position for the 2020/21 year as an overall underspend of £2.804 and overspend on Directorate budgets of £4.90m, offset by an underspend on Council Wide budgets of £7.71m. Gross COVID-19 financial pressures were £51.94m at year end and after the application of Government COVID-19 grants, contributions from the CCG and the facility to spread the shortfall in Council Tax and Business Rates income over future years, this resulted in a net pressure relating to COVID-19 reduced to £8.82m.

We have reviewed the Council’s budget setting papers for 2020/21 and confirmed the budget is linked to the updated MTFP approved at the same meeting. It includes details of key underlying assumptions including levels of inflation and pay increases alongside known changes to levies charged in respect of waste, transport, police and fire services.

We have considered the arrangements in place in respect of budget management as part of the Governance criteria on page 14.

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

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

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

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

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

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

In October 2021, the Executive approved the updated five year budget strategy proposals including the draft revenue budget proposals for 2022/23 and the Medium Term Financial Strategy (MTFS) for the period 2023/27.

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

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

For 2022/23, the details of managing the temporary COVID pressures including via the redirection of reserves are explained in detail. Plans to identify recurrent savings programme in this context are now being developed and will be detailed in the final budget report due to be agreed in February 2022.

At November 2021, the budget gap for the five years, before applying any of the draft budget proposals, was estimated to be £61.51m. This comprised of £54.41m of "business as usual" expenditure and funding pressures and £7.10m of COVID-19 pressures.

This included a gap of £21.75m for 2022/23 before any savings measures were applied. However, this gap reduced by £17.10m through a combination of savings, additional funding from central government sources and additional income generation, together with a planned use of use of earmarked reserves. This left a savings gap of £4.65m still to be closed through work that was continuing into the new calendar year.

The Council has a good track record of delivering its savings programmes to bridge budget gaps. However, this has been more challenging since 2020 because of the impact of Covid19 and the shift in the management focus this required. The forecast at November 2021, shows the savings programme of £9.06m is approximately £2.86m below target for the year. This will be offset by savings elsewhere in the cost of services, most notably where budget allocations are held as "contingency".

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### Arrangements and approach to 2021/22 financial planning

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

The initial budget for 2021/22 identified an overall gap of £25.44m. The Council addressed this through a combination of additional resources including £5.20m from council tax income and the application of reserves to cover £8.34m of COVID-19 pressures and £2.80m of “business as usual” pressures, together with a net £9.10m of service savings and other additional income.

We have reviewed the budget monitoring papers presented to members during the year. As at November 2021, this reflected a forecast outturn pressure of £2.42m due to shortfall in the budgeted savings programme and increases in demand in Children’s and Adults services. This pressure can be offset by underspends elsewhere

### Challenges to the Medium Term Financial Strategy.

The updates MTS identified a budget gap over the five year period of £61.5m before applying any budget proposals. This gap is made up of £54.41m of “business as usual” pressures on both expenditure and funding, and a further £7.10m of Covid-19 specific pressures.

Whilst the Council has identified some budget measures to close this gap, there are a number of uncertainties that the Council needs to take into account. Critical to this is the impact of the covid pandemic in terms of its impact on the Council’s costs but also on income streams, including the dividend from the investment in the airport. Beyond this, the local government settlement announced in December 2021 provided only a one year settlement which creates additional complexity for the Council’s medium term financial planning. In particular, the Council will need to make assumption about the financial impact of the changes to social care funding, including plans for capping and charging, the continued integration of health and social care, the outcome of the planned fair funding review, business rates reform including changes to business rates retention rates and the business rates reset, changes to the New homes Bonus and the impact of the levelling up agenda, together with any associated changes to associated funding streams.

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

**Based on the above considerations we are satisfied there is not a significant weakness in the Councils arrangements in relation to financial sustainability.**

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### Risk management and monitoring arrangements

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

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

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

In order to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Council has a team of internal auditors, led by the Head of Internal Audit and a Counter Fraud and Enforcement Team. The annual Internal Audit plan is agreed with management at the start of the financial year and reviewed by the Accounts and Audit Committee prior to final approval. financial year and is reviewed by the Audit and Governance Committee prior to final approval. The 2020/21 Internal Audit plan was approved by the Accounts and Audit Committee in July 2020.

The audit plan is based on an assessment of risks the Council faces and is determined to ensure there is assurance on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. We have reviewed the Internal Audit Plans for 2020/21 and 2021/22 and confirmed work is planned on a risk based approach. The risk rating of each audit area determines the frequency of audit, with key areas such as Information Systems and Finance being subject to annual audit procedures.

Internal Audit progress reports are presented to each Accounts and Audit Committee meeting including follow

up reporting of recommendations not fully implemented by agreed due dates. This allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an opinion on the overall adequacy and effectiveness of the Councils framework of governance, risk management and control. the work completed during the year. For 2020/21 the Head of Internal Audit concluded that an adequate level of assurance can be given that the Council's overall framework of governance, risk management and control remains appropriate and has been complied with.

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

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

### Arrangements for budget setting and budgetary control

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

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



# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria continued

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

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

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

We have reviewed a sample of the finance reports which have been prepared throughout the 2020/21 year which evidence that an appropriate level of detail is included to keep Directors, the Corporate Leadership Team and members informed of any actual or potential overspends, including detail on how these areas are being managed.

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

## Decision making arrangements and control framework

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

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

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

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

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

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria continued

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

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

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

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

An action plan was also developed to address each of the findings in the report. Separately work began to identify the financial resources required to support the service going forward, including the use of reserves.

Implementation of the action plan was subject to oversight from the Improvement Board and the DfE through the involvement of an Improvement Advisor and a link officer. It has been subject to regular review and updating in line with the Council’s internal findings from quality assurance and other review activity to ensure it remains on track and is delivering. Progress is regularly reported to Members.

In March 2020, Ofsted undertook a short focused visit to consider the Council’s services for children in the light of the Covid-19 pandemic. Although not a full inspection, the formal letter to the Council received in May 2020 noted that:

*“Since the start of the COVID-19 pandemic in 2020, senior leaders have worked effectively with partners to maintain the provision of services for children in Trafford. In addition to responding to the pandemic, leaders have continued to focus on service improvement by incorporating the changes required into their wider planning. Existing governance arrangements were also enhanced to focus on longer-term strategic progress in addition to the response required for the immediate crisis”.*

*“During this visit, inspectors found a developing culture of leaders and staff being open to learning and welcoming of any feedback that would support practice improvement. Prior to this visit, senior leaders*

*presented a comprehensive self assessment that demonstrated that they now have a more accurate understanding of the quality of the services that children currently receive. They also understand the significant amount of development that is required to improve social work practice with children and their families”*

Ofsted also noted that the Council continued to have challenges with its workforce and that the planned restructure of the service had been delayed by the pandemic This has limited the ability of the Council to fully address all of the actions needed to ensure the safety of children.

Ofsted then undertook a monitoring visit in September 2021 and provided updated findings in November 2021.

*“Although there are some early signs of improvement in the quality of assessments and child protection planning for children, this has been limited by challenges resulting from the instability of the workforce and weaknesses in management oversight of frontline practice. Despite this, the work reviewed during this visit showed that most children’s situations were improving as a result of the intervention taking place.”*

*“Increased corporate and political commitment, and stronger governance of children’s services have enabled effective implementation of strategic plans to support improvement. Since the appointment of the current Director of Children’s Services (DCS) in February 2020, an effective performance management framework has been established that ensures leaders have an accurate understanding of the quality of social work practice. Significant development work has been progressed with the local partnership and a full restructure of children’s services has recently been undertaken.”*

However, the Council recognises that it has more to do to ensure there is consistency in social work practice and to ensure services are focused on outcomes for children and families. Activity continues to deliver the actions required.

**Notwithstanding the above, as highlighted on page 10, we have identified a significant weakness in arrangements against the Governance reporting criteria as a result of the matters arising from the Ofsted’s inspection of Children Social Care Services.**



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

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

### Performance Management

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

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

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

Notwithstanding the overall performance management framework in place across the Council, significant weaknesses were identified in performance across children's services during the 2019 inspection and subsequent follow ups. This is discussed in more detail on page 16.

### Arrangements for effective partnership working

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

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

The Council identified Key Performance Indicators for each of the areas within the contract, including minimum acceptable performance levels and target performance levels, Actual performance is monitored and reported on a regular basis. There are contractual mechanisms available to the Council to impose financial penalties where performance falls below acceptable levels and these have been used in previous years. However, during 2020/21, the Council has recognised the additional pressure of the pandemic on services and applied a

moratorium on financial penalties.

The Council is now undertaking a formal "seven year review" of the contract. There are arrangements in place for reporting back to members on this outcome of this review.

The Council also had a strategic partnership with Trafford Leisure CIC for the provision of services from Council owned facilities. Again, 2020/21 has provided a challenging year but the Council has remained committed to the service and has agreed some significant investments in the facilities in line with it's leisure strategy.

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

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

### Arrangements for commissioning services

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

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

The Council is a member of STAR Procurement which is a shared procurement service with Stockport, Tameside and Rochdale Councils. STAR report back to the Council on a regular basis and we have seen evidence that this approach is delivering financial savings and social value requirements. During 2020/21, STAR introduced a revised 10 Point Plan to support their approach to working differently with local businesses as part of the Covid-19 response.

**We have identified a significant weakness in arrangements against the economy, efficiency and effectiveness reporting criteria as a result of the matters arising from the Ofsted's inspection of Children Social Care Services.**

# 04

Section 04:

**Other reporting responsibilities and  
our fees**

# 4. Other reporting responsibilities and our fees

## Matters we report by exception

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

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

We have not exercised any of these statutory reporting powers tailor as appropriate where powers have been used.

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

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

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data. We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.

# 4. Other reporting responsibilities and our fees

## Fees for work as Council’s auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Risk Assurance Committee in May 2021. Having completed our work for the 2020/21 financial year, we can confirm that our fees are as follows:

Area of work	2019/20 fees	2020/21 fees
Scale fee in respect of work in line with Code of Audit Practice	91,800	91,800
Fee Variation – Financial Statements related work	28,600	TBC
Fee Variation – Value for Money related work	NIL	TBC
Total Fee	119,608	TBC

\* Fee variations subject to confirmation from PSAA.

## Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.

# Karen Murray, Partner – Public Services

[Karen.murray@mazars.co.uk](mailto:Karen.murray@mazars.co.uk)

## **Mazars**

One St Peter's Square

Manchester

M2 3DE

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

\*where permitted under applicable country laws.