

ACCOUNTS AND AUDIT COMMITTEE

24th November 2022

PRESENT

Councillor B. Brotherton (in the Chair)

Councillors: J. Lloyd (Vice Chair), G. Carter, S. Ennis, W. Hassan, D. Morgan; R. Thompson and Mrs. J. Platt.

In attendance

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

1. ATTENDANCES

Apologies for absence were received from Councillor Whetton and Whitham.

2. QUESTIONS FROM MEMBERS OF THE PUBLIC

No questions from members of the public were received.

3. DECLARATION OF INTEREST

No declaration of interest was disclosed by Members.

4. MINUTES

RESOLVED – That the minutes of the meeting held on 28 September be approved as a true and correct record.

5. AUDIT UPDATE – AUDIT PROGRESS REPORT – NOVEMBER UPDATE

The External Auditor thanked the Chair for the opportunity to present an update and proceeded to inform the Committee that it would be a relatively brief update given that the audit for 2021/22 was underway and she confirmed that the Trafford Council Finance team was fully cooperating with her team which in terms enabled them to achieve set targets. Mrs Murray stated that at present there was no urgent matter to be discussed at this meeting and that her intention to sign off was affected by the

national infrastructure accounting issue affecting all local authorities who have any infrastructure assets.

Parliament will consider a statutory instrument on 30^h November which if passed, will be enacted on Christmas Day. Once published the Council will need to give it consideration in terms of accounting policies and send through any amendments for audit. Mrs Murray envisaged that the sign off would take place in the early spring and proceeded to explain that the second part of the report highlighted a list of documents that Members might find useful in their role of Governance of the Council. In particular two documents in the list are of relevance. The first document on the list explains how Audit meet the quality standards expected by the Committee. The second document of particular relevance is item 3 on the list which explains the changes around how Councils can use capital receipts.

RESOLVED - That the report and documents highlighted be noted.

6. 2021/22 ANNUAL GOVERNANCE STATEMENT

The Audit and Assurance Manager presented a report on behalf of Legal and Governance, a draft version of this report was initially presented to Members back in July 2022. In accordance with the Accounts and Audit regulations this report now needs to be finalised to accompany the final accounts once approved. The report presented tonight does not present many changes from the version submitted back in July as it refers to the 2021/22 period. The few changes made to the report refer to the medium term financial position given a number of developments over the last few months and also to the issue around information governance particularly to align it with the strategic risk register.

The Audit and Assurance Manager asked the Committee to approve the statement on the basis that it would not be finalised until the accounts are. The report would then be signed off by the Chief Executive and Leader before it is published on the Council website.

RESOLVED – That the report be noted.

7. TREASURY MANAGEMENT 22/23 MID-YEAR PERFORMANCE REPORT

The Finance Manager stated that the report before the Committee is one of three Treasury Management reports that they produce per year and this highlights the performance of the treasury management of the Council for the first six months of the financial year. The main point is the increase in the interest rate, the Council strategy and budget was agreed and published in February, however the situation has changed significantly since then. It was initially expected that the basic rate was going to be 0.6% but now it will be around 4.5% by May 2023. The increase interest rates has been positive news for the Council with the returns expected from the Council's investments above budget by approximately which has gone up by about 2 million pounds. The only other change is around indicators; now the Council is required to

produce indicators every quarter which will now be publishing in the bi-monthly budget monitoring.

Councillor Thompson asked if although in the first few months of the year the Council has not had to make any new borrowing, was there any indication that this may be the case going forward and what would it look like. She was informed that the Council has various debt instruments due to expire in the next 6 to 12 months; particularly with the expected change in the interest rate in December there was a possibility that the Lender Option Borrower Option (LOBO) loans could be reviewed. In this instance the Council would either refinance or potentially pay the cash surpluses. The decision would be made based on the Council's cash flow and rates available elsewhere. It does not necessarily mean that there is a need to restructure the debt but equally this may still be the case.

RESOLVED – That the report be noted.

8. BUDGET MONITORING REPORT 2022/23 – PERIOD 6

The Head of Financial Management presented a combined report making reference to the report presented at the previous Committee meeting and stated that at present the Council is forecasting an outturn pressure of £6.06m consisting of £0.56m service budget pressures and £5.5m related to inflationary pressures, largely due to the 2022/23 pay award and energy inflation.

Action is being taken to manage the service pressure through the use of contingency budgets, reserves and management control

Councillor Morgan stated that he appreciated the relevant investment in Social Care and Children Services and enquired about what it was felt was the significant risk based on the current budget position that could wildly affect the outcome for the rest of the year. He was informed that this is an area that is always managed very carefully, however individual placements can vary, with recent experience of two placements causing major costs. There is about £0.8m between the adult and children contingency to accommodate unknown pressures which is normal at this stage in the budget.

Councillor Carter thanked the Head of Financial Management for a very informative report. He enquired about the SEN school budget which is managed by them and how this generated an overspend for the Council. He was informed that within the DFG budget that the government distributes there are several pots such as the primary school, secondary school and the special education needs pot. The SEN pot is particularly under pressure; same as the Council's social care budget. In the past the Council had to manage this within its own resources whereas recently a change occurred in the programme where all the school pots have to be managed within the actual DFG grant available. So it technically protects the Council as an entity. The accumulative deficit is identified separately from the council's General Reserves. When the grant is received it is distributed and if there is a shortfall on it, it is carried over to the following year. The DFG deficit is a national issue. Many other Councils

have been carrying out a DFG deficit for years. Over the last couple of years Trafford Council has become more effective managing this and its deficit is not particularly big compared to other authorities. Two years ago the Department for Education stated that Councils have to come up in conjunction with schools to form a deficit correction plan. There is still demand within the system therefore it will take time to resolve. This was recognised also in the Autumn Statement last week, with 2.5 billion pounds extra put in the school budget this year. The government is realising that there are not enough resources in the system to manage such pressures.

Councillor Carter also enquired about how much of the £5.5m inflationary pressure is still to be addressed. . He was told that the £5.5m estimate was indeed a fluid figure given the fluctuations in energy costs . The Council still carries out spot contracts so if there is an opportunity to buy energy at a reasonable rate then the Council would buy. About £1.3 million within the £5.5 million figure relates to energy costs. In terms of the overall figure of £5.5500 million pounds, the Council was waiting further advice from the government relating to any further support they could provide. However, no further support will be provided by the government as clarified in the recent Autumn Statement so now the Council will look to manage that debt via the risk reserves. There is a contingency amount within the corporate budget of about £1.6 million for any unknown within the year. A million pounds of this could be used to meet the specific pressure of the energy costs.

Some funds are also coming in via the Health Service, during the last mini budget discussion they announced 500 million pounds nationally coming into the system for hospital discharge. The details were announced last week. The team is looking at how to utilise this from the national scheme to supplement the resource within our own budget. These are the types of mitigations being looked at, the other are savings programmes meant for next year, could they be brought forward to this year.

Councillor Carter went on to enquire about the investment side of things and wanted to know who was assisting the Council with the search for new investment opportunities and how the Council judges their performance as searchers. The Finance Manager informed that Trafford Council currently has a contract with CBRE, property advisers who present opportunities to the Council. The opportunities are vetted internally to ensure they meet the criteria of the approved strategy and then are presented to Investment Management Board (IMB) and if approved at stage 1, the opportunities presented receive further due diligence by the Council and then the IMB have a final opportunity to review. In terms of the performance for CBRE, the Council does not have a proposals performance related analysis in terms of numbers or frequencies apart from the fact that payment to CBRE is made based on whether the Council proceeds with the proposed investment opportunity.

Councillor Carter continued to say that presumably then Trafford Council is in competition with a lot of other authorities in terms of getting the best deals from CBRE and are we comfortable we are getting the best service. The Finance Manager informed that the contract for CBRE is due soon and a review of services will be assessed then looking at the wider market too. He also informed that the contract with CBRE was signed a while ago and that was deemed the best proposals source at the

time. Presently, there may be more providers in the market and the review of the procurement process will inform this.

Councillor Carter pointed at the £100,000 red rated savings under the heading Digital Strategy 'yet to be identified' and asked how could this be identified given that it has not been the case six months into the financial year.

The Head of Financial Management explained that the Digital Strategy is a wider concept in line with the principle that streamlining digital services across many areas of the Council will result in wider savings. A number of investments with IT looking at streamlining mechanisms and processes for instance, the team are working across many of the service areas of the Council prioritising the ones that would potentially deliver; the programme is being developed with the intention that the saving will be delivered.

Councillor Thompson asked whether there had been a genuine change in demographics in the area of Trafford presenting with 4000 more single tax claims and how this would affect the calculated income going forward. She also asked if this was not the actual case, how the Council would meet the challenge of addressing the potentially many false claims. The Head of Financial Management stated that they did challenge this information and that many new houses built in the area are indeed made of 1 or two bedrooms. The Council liaises with property developers on a regular basis and the pattern that is transpiring is that they are genuinely 1 or 2 bedrooms new builds that are going up in Trafford. A review of the shortfall in the tax base for next year is being looked at and one of the reason is the genuine single occupant discount claim that offsets against the Council's budget. A review is underway what is recurrent and what can be done about this and adjusted in the tax base for next year.

RESOLVED: That more details on the Digital Strategy potential savings delivery be provided at future meetings.

9. AUDIT AND ASSURANCE REPORT FOR THE PERIOD JULY TO SEPTEMBER 2022

The Finance Manager updated Members on the completed audit work carried out between July and September 2022. A number of audit reports were finalised during this period such as: Adult Social Care and Schools. Also a number of grant claims have been signed off. He drew the attention of Members to section 5 of the report where a list of audits completed could be found including the grant work signed off. There were also other works that are now at draft report stage namely, Payroll and Cloverlea Primary School. These will be presented at the next Committee meeting in February.

Work was also carried out around Highways funding, Covid19 test and trace funding and also universal drug treatment which was required through government to be internally audited providing them reassurance that the grant had been used in line with its conditions. In terms of other assurance work in section 6 of the report, there is

reference to other work carried out already covered in other areas of tonight's meeting Agenda such as the Strategic Risk Register and the Annual Governance Statement.

The Audit and Assurance Manager also informed Members that the recommendations made in response to the audit work during the period from July to September, have been accepted by management which is very positive.

RESOLVED - That a further update be provided at the meeting in February.

Councillor Morgan thanked the Manager for a very good report and queried about the timeframe for the implementation of the audit recommendations. The Audit and Assurance Manager stated that a number of audits in terms of implementations have been fairly straightforward; for instance the last few updates around schools have been implemented within a few months. He clarified that some of the reviews in the report cover wide areas. For instance, some reviews involve a number of different service areas and some of the recommendations have involved system development and therefore require longer timeframes e.g. up to a year.

Councillor Thompson referring to the client feedback section in the report wanted to know if there was any scope for managers and staff to provide any suggestions on improvements or doing things differently. Is there a forum that provides an outlet for this? She was informed that during the last year an online form had been developed and is issued after each report has been sent out and the feedback has increased thanks to this method. Also a review due to be carried out by CIPFA will provide a further opportunity to provide feedback.

10. STRATEGIC RISK REGISTER 2022/23 – NOVEMBER UPDATE

The Audit and Assurance Manager informed the Committee that CLT provided the risk updates and that most of the updates are to the end of October/early November so if there have been any major development during the last week it may mean that certain elements will need updating further. The key changes compared to the previous update are a new risk added, risk 7 covering the impact of the number of statutory changes and reforms around Social Care and Education. The Cost of living crisis, shown in risk 8, covering the impact of that on residents and businesses in the area of Trafford. Also a decrease in risk 16, covering Business Continuity, an acknowledgement of the progress made during the last year around this. A further update will be presented for the final quarter at next meeting.

Councillor Carter asked if the way Social Care charges for individual care will continue. It was highlighted that the timing around future expected changes had been delayed.

RESOLVED – That a further update be provided at the meeting in March.

11. FINANCIAL REPORTING COUNCIL FRC – NATIONAL REPORT ON MAJOR LOCAL AUDITS

The External Auditor presented the FRC public report, a review of audit quality for the 2021 audit cycle providing reassurance on the quality of work provided to the Council by the External Auditor. The review process is quite complex in terms of carrying out the review at firm wide level for the FRC to satisfy itself of how firms do things overall and then a sample is being subjected to a specific and more detailed inspection. Some of what is presented in the report refers to some of the challenges in the market overall, in terms of audit quality. The report aims to reassure on the depth of the quality checks carried out and the quality of the audit.

Councillor Morgan stated that he was happy that the FRC is addressing some of the issues currently faced in the audit industry namely the shortfall in personnel.

RESOLVED – That the report be noted.

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

The Audit and Assurance Manager stated that the work programme for the remainder of the financial year covering the next two Committee meetings, will include a report update from the Director of STAR and as mentioned by the External Auditor the 2021/22 Accounts will be presented now in the new calendar year.

RESOLVED – That the Committee Work Programme be noted.

13 URGENT BUSINESS (IF ANY)

No urgent business was received.

14. EXCLUSION RESOLUTION

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

15. AQR FINAL REPORT – 30 SEPTEMBER 2022

The Chair informed that the webcasting of the meeting will now terminate due to next report being discussed under the Exclusion Resolution status.

The External Auditor informed that the information presented in the report was the final result from the previous audit and that it had been a lengthy process, having started the review in June. The firm wide report had been carried out previously and this was the review of the Council's file. The External Auditor shared the report findings with the Committee.

RESOLVED – That the report be noted.

Meeting ends at 07.40 pm