

Auditor's Annual Report

Trafford Metropolitan Borough Council –
year ended 31 March 2022

November 2023



Contents

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

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

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 2022. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

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



Opinion on the financial statements

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



Value for Money arrangements

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



Wider reporting responsibilities

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

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

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 2022 and of its financial performance for the year then ended.

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

Our Audit Completion Report, presented to the Council’s Audit and Governance Committee on 27 September 2023, provides further details of the findings of our audit of the Council’s financial statements. This includes our conclusions on the identified audit risks and areas of management judgement, internal control recommendations and audit misstatements identified during the course of the audit. There are no matters raised in our Audit Completion Report 2021/22 that we need to repeat in this report

Qualitative aspects of the Council’s accounting practices

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

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

Significant difficulties during the audit

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

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

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

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

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

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

Internal control recommendations

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

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

2. Audit of the financial statements

Internal control recommendations

Description of deficiency

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

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

Potential effects

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

Recommendation

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

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

Management response

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

03

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary



3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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



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



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



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

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

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

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

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

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

Phase 2 - Additional risk-based procedures and evaluation

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

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

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

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

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

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

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

- **Other recommendations**

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

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

Introduction



Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

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

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

3. Commentary on VFM arrangements

Financial Sustainability

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



3. VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements

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

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

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

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

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

2021/22 Financial Performance

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

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

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

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

Financial planning and monitoring arrangements

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

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

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

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

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

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

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

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

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

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

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

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

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

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

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

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

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

Arrangements and approach to 2022/23 financial planning

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

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

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

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Challenges to the Medium-Term Financial Strategy.

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

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

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

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

3. Commentary on VFM arrangements

Governance

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



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management and monitoring arrangements

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

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

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

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

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

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

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

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

Arrangements for budget setting and budgetary control

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

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

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

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

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

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

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

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

Decision making arrangements and control framework

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

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

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

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

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

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Regulators – Ofsted review of Children’s Services

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

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

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

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

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

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

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

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

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



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

Performance Management

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

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

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

Arrangements for effective partnership working

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

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

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

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

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

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

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

Arrangements for commissioning services

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

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

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

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

3. Commentary on VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



3. VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year

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

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

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.

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

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

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

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

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

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

Fees for other work

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

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

Mazars

Karen Murray, Partner

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.