

GOVERNANCE COMMITTEE AGENDA

Wednesday, 11th January 2017 at 7:15 PM

**Committee Room 1, Braintree District Council, Causeway House,
Bocking End, Braintree, CM7 9HB**

THIS MEETING IS OPEN TO THE PUBLIC
(Please note this meeting will be audio recorded)

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Members of the Governance Committee are requested to attend this meeting to transact the business set out in the Agenda.

Membership:-

Councillor M Dunn	Councillor Miss V Santomauro (Vice Chairman)
Councillor J Elliott (Chairman)	Councillor Mrs M Thorogood
Councillor J Goodman	Councillor R van Dulken
Councillor D Hufton-Rees	

Members unable to attend the meeting are requested to forward their apologies for absence to the Governance and Members Team on 01376 552525 or email governance@braintree.gov.uk by 3pm on the day of the meeting.

N BEACH
Chief Executive

INFORMATION FOR MEMBERS - DECLARATIONS OF INTERESTS

Declarations of Disclosable Pecuniary Interest, Other Pecuniary Interest or Non-Pecuniary Interest

Any member with a Disclosable Pecuniary Interest, other Pecuniary Interest or Non-Pecuniary Interest must declare the nature of their interest in accordance with the Code of Conduct. Members must not participate in any discussion of the matter in which they have declared a Disclosable Pecuniary Interest or other Pecuniary Interest or participate in any vote, or further vote, taken on the matter at the meeting. In addition, the Member must withdraw from the chamber where the meeting considering the business is being held unless the Member has received a dispensation from the Monitoring Officer.

Question Time

The Agenda allows for a period of up to 30 minutes when members of the public can speak. Members of the public wishing to speak are requested to register by contacting the Governance and Members Team on 01376 552525 or email governance@braintree.gov.uk no later than 2 working days prior to the meeting. The Council reserves the right to decline any requests to register to speak if they are received after this time. Members of the public can remain to observe the public session of the meeting.

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Documents

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PUBLIC SESSION

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1 Apologies for Absence

2 Minutes of the Previous Meeting

To approve as a correct record the minutes of the meeting of the Governance Committee held on 28th September 2016 (copy previously circulated).

3 Public Question Time

(See paragraph above)

4 Declarations of Interest

To declare the existence and nature of any Disclosable Pecuniary Interest, other Pecuniary Interest or Non-Pecuniary Interest relating to items on the agenda having regard to the Code of Conduct for Members and having taken appropriate advice where necessary before the meeting.

Monitoring and Finance

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Audit and Governance

7 Internal Audit – Activity Report for the period to 14th December 2016 37 - 43

8 Annual Audit Letter 2015-2016 44 - 68

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10 Draft Treasury Management Strategy Statement 2017-18 71 - 91

11 Strategic Risk Management 92 - 113

Committee Operation

12 Forward Look – Twelve months to January 2018 **114 - 118**

13 Urgent Business - Public Session

To consider any matter which, in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.

14 Exclusion of the Public and Press

To agree the exclusion of the public and press for the consideration of any items for the reasons set out in Part 1 of Schedule 12(A) of the Local Government Act 1972.

At the time of compiling this agenda there were none.

PRIVATE SESSION

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15 Urgent Business - Private Session

To consider any matter which, in the opinion of the Chairman, should be considered in private by reason of special circumstances (to be specified) as a matter of urgency.

Second Quarter Performance Management Report 2016/17		Agenda No: 5
Portfolio: Finance and Performance Corporate Outcome: A high performing organisation that delivers excellent and value for money services Report presented by: Tracey Headford, Performance and Improvement Manager Report prepared by: Tracey Headford, Performance and Improvement Manager		
Background Papers: Second Quarter Performance Management Report 2016/17		Public Report:
Options: To note the report		Key Decision: No
Executive Summary: <p>The purpose of the attached report is to summarise the performance of the Council at the end of the second quarter (July to September 2016).</p> <p>As at the end of the second quarter, five projects have been completed and 38 are on track to meet their target dates. Four projects have experienced delays caused either by a third party involved in the project or due to requiring additional time to develop proposals or carry out additional research and engagement. Two projects have been cancelled.</p> <p>For performance indicators at the end of the quarter, thirteen have met or exceeded target, three performance indicators have missed target by less than 5% and two have missed target by more than 5%.</p> <p>Under performance has been noted in the following areas:</p> <p><u>Tonnage of residual waste not recycled</u> The tonnage of residual waste has reduced in the second quarter with an outturn of 104kgs (previously 120kgs in Q1) but has still not achieved the target of 99kgs. We continue to door step customers to encourage participation in recycling and increase the recycling rate which will also positively impact on the tonnage of waste.</p> <p><u>Call answering times in the Customer Service Centre</u> The average call answering time in the Customer Service Centre for the second quarter was 17 seconds against a target of 15 seconds. Resource issues and an increase in calls being received at peak times has meant the call answering target has not been met this quarter, however, it is felt that 17 seconds is still an excellent call answering time.</p>		

Number of jobs created through business advice and support

The number of jobs created through business advice and support has missed target by one. The figures are provisional and will be confirmed in the next quarter. Ignite are on track to meet the target at the end of the year.

Visits to Leisure Facilities

The total number of visits to our leisure facilities has slightly missed target in the second quarter, but overall for the year, target has been exceeded.

Processing Disabled Facilities Grants

The processing of disabled facility grants is demand led and reliant on referrals from Essex County Council and Greenfields which was lower than expected in the second quarter of the year. This performance indicator is reported cumulatively and at the end of the second quarter, the team have processed a total of 68 applications against a target of 72. The low number of referrals received has had a positive impact on the waiting list as the team were able to focus more resource into processing the small back log of applications.

Financial Performance

The financial information in the performance management report details the financial position as at the end of September 2016 providing an updated review of the financial position for the year. It examines the latest forecast for spending on day-to-day service provision compared to the budget for the year. Also included is a summary of treasury management activities; projected movements on the General Fund balance; and a summary of spending to date on capital investment projects.

Summary:

- An overall positive variance for the year is forecast of £303,000 (-2%) against the budget of £13.107million. This is an improvement of £99,000 from the position reported at the first quarter.
- Income is forecast to be overachieved by £169,000 of which £69,000 is due to the decision to acquire the property at Braintree College to support the provision of health facilities and £86,000 of additional interest from the decision to invest a further £2 million in pooled funds.
- There is a projected net underspend of £134,000 on staffing and other expenditure of which £67,000 is due to the cost of fuel continuing at a lower level than allowed when setting the budget and lower costs of refuse sacks.

For a detailed explanation of the financial performance, please refer to page 16 onwards of the full report.

Decision:

Members are asked to note the report

Any Corporate implications in relation to the following should be explained in detail.	
Financial:	An assessment of the Council's financial position against the agreed budget for the year is provided and is based on income and expenditure during the year.
Legal:	There are no legal issues raised by this report.
Safeguarding	There are no safeguarding issues raised by this report.
Equalities/Diversity	Equalities and diversity issues are considered fully in the Council's key projects, where appropriate.
Customer Impact:	Performance of front line services, including Customer Services, Housing Benefits and Planning, for the quarter is provided. A summary of complaints received in the quarter, analysed by outcome (justified, partially justified or not justified) is provided.
Environment and Climate Change:	The report provides details of progress in the delivery of the Council's key projects including projects around reducing energy consumption and carbon emissions
Consultation/Community Engagement:	Consultation is considered fully in the Council's key projects, as appropriate.
Risks:	Risks regarding the assumptions used in determining the predicted financial outturn for the year are identified.
Officer Contact:	Tracey Headford
Designation:	Performance and Improvement Manager
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SECOND QUARTER PERFORMANCE MANAGEMENT REPORT



1ST JULY TO 30TH SEPTEMBER 2016

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Section 1: Introduction and Summary






Purpose of the Report

The purpose of the report is to demonstrate the performance of the Council at the end of the second quarter in relation to the publication of the 'Annual Plan 2016/17'. This sets out the key activities and measures used to check our performance for the year and along with the Corporate Strategy 2016-20 sets out the priorities we are working towards. Further detail is given in relation to a set of business performance indicators covering finances, customer focus, our people and health and safety.






This report does not contain details of the numerous activities ongoing in each service area that also contribute to delivering what is important and will make a difference to all in the District. Full details of all projects and local and national indicators used to measure the outcomes are available upon request.

Summary of the Corporate Projects current position for the end of the second quarter

The following table provides updates for the end of the second quarter in relation to the key activities in the 'Annual Plan 2016/17'




Corporate Priorities	Status of projects and actions				
					
Environment and Place	-	8	-	-	-
Strategic Growth and Infrastructure	1	7	-	-	-
Economic Development	-	8	2	-	-
Heath and Communities	3	5	2	-	1
Finance and Performance	1	4	-	-	-
Overall Strategy and Direction	-	6	-	-	1
TOTAL	5	38	4	-	2

KEY:




-  Project completed
-  Project on target
-  Project scope/target date requires attention
-  Project requires amendment
-  Project aborted/closed

Summary of the Performance Indicators position for the end of the second quarter

The following table shows the performance for the end of the second quarter in relation to the quarterly and annually reported Performance Indicators that have targets set as defined in the 'Annual Plan 2016/17'.

Corporate Priorities	Status of indicators			
				Data Only
Environment and Place	3	-	1	-
Strategic Growth and Infrastructure	2	-	-	-
Economic Development	1	1	-	1
Health and Communities	1	2	-	-
Finance and Performance	6	-	1	-
TOTAL	13	3	2	1

KEY:

-  Performance Indicator has achieved target
-  Performance Indicator is up to 5% below target
-  Performance Indicator is 5% or more off target

Summary Position

In the second quarter, five projects have been completed and 41 projects are progressing well. However, the second quarter of the year has been challenging with two projects closed and four projects with an amber status due to delays experienced either by a third party involved in the project or due to requiring additional time to develop proposals or carry out additional research and engagement.

Thirteen performance indicators have achieved or exceed target, three have missed target by less than 5% and two have missed target by more than 5%. There are varying reasons for not meeting target in the second quarter and reasons are detailed in the report together with any action being taken to improve performance. Under performance will be closely monitored and in the majority of cases, performance is expected to improve over the year.



Environment and Place

Project description and comments	Target Date	Status
Expand the recycling waste service to all flats where suitable and introduce food waste recycling at participating primary schools within the District		
The recycling waste service has been expanded to 201 blocks and 2563 flats. 32 junior and infant schools have signed up to food recycling. A recycling rewards scheme funded by the Department of Communities and Local Government will be launched in December encouraging recycling in flats.	March 2017	▶
Expand our trade waste collection service to businesses across the District		
Continuing to work on the trade waste operational plan to market and develop the trade waste service, improving the service provided.	March 2017	▶
Work with other Essex Councils on waste minimisation campaigns to reduce residual waste		
The Essex Waste Management Partnership has established a work stream around waste prevention. In the second quarter, a scheme to recycle or repair electrical items was launched providing bins at a number of outlets across the district for residents to dispose of electrical items and events held to repair items. All Essex Authorities are currently working on a scheme to reuse and recycle old clothes and textiles launching in October.	March 2017	▶
Refurbish two play areas at Goldingham Drive, Braintree and Milton Avenue, Braintree to improve local play provision		
Site visits have been carried out with suppliers at both play areas to determine schemes and pricing prior to consultation with residents.	February 2017	▶
Repair and resurface the path network to our open spaces, sports grounds and cemeteries in Braintree and Witham providing a better and safer environment for visitors		
Tenders have been received and evaluated for the works required and a contract for the works has been awarded.	November 2016	▶
Help residents and businesses lower the costs of their energy bills and reduce energy consumption through our energy switching schemes		
An energy switching scheme for both residents and businesses in the district commenced in August 2016 and will run until 10 th October 2016.	March 2017	▶
Encourage residents to take pride in the District by reporting litter hotspots and litterbugs under the 'see-it, report-it' initiative		
In the second quarter of the year, residents have reported 729 incidents under the 'see-it, report-it' initiative.	March 2017	▶
Run a change in behaviour campaign to reduce litter and keep the District clean and tidy		
The Council relaunched the award winning anti car litter campaign in August with campaign messages appearing on bus shelters, petrol pumps and refuse vehicles throughout the district. The campaign is being run alongside a countywide 'Don't toss it - #BinIt' campaign in partnership with a number of businesses and local authorities across Essex.	March 2017	▶



Strategic Growth and Infrastructure

Project description and comments	Target Date	Status
Produce a draft Local Plan to ensure new homes, sustainable growth and economic development for the District		
The background evidence base studies that feed into the Local Plan have been completed for the preferred options draft. The timetable for the Local Plan has been adjusted to take into account the shared working between Authorities on the shared strategic plan and garden communities and the end date of this project has been moved from September 2016 to February 2017.	February 2017	▶
The consultation on the draft Local Plan finished on the 19 th August with 3100 comments received. Responses and amendments to the Local Plan will be reported to members throughout the year.	February 2017	▶
Support the development of planning applications relating to the delivery of major sites in the District		
Three major planning applications have been determined in the second quarter of the year granting permission for a total of 526 homes.	March 2017	▶
Help make sure housing needs of the District are met over the next 5 years		
The new Housing Allocations Policy which sets out the requirements for allocating affordable housing has been agreed by Cabinet and is now published on the Gateway to Homechoice website.	August 2016	✓
Consultation on the draft version of the new Housing Strategy finished in August 2016 and the final draft of the strategy will be considered at Cabinet in November 2016.	March 2017	▶
Work with partner agencies to continue to drive forward strategic improvements to the A12/A120 and the Braintree to Witham rail link		
A working group has been set up with Highways England, Essex County Council and Braintree District Council to progress delivery of the A12/A120 slip roads. A plan detailing the extent of land required for the slip roads has been received and costs for options investigated. An executive summary has been provided to James Cleverly MP to lobby for funding. Briefings are being arranged for local Members and Group leaders at Braintree District Council.	December 2016	▶
The District Council has committed to part-fund a GRIP (Governance for Railway Investment Projects) study. Discussions have commenced with Abellio, which has been confirmed as the franchise holder. The District Council and Essex County Council will work with Abellio to build the business case and jointly lobby Network Rail to improve rail services for Braintree	March 2017	▶
Work with Essex County Council to reduce congestion at Springwood Drive roundabout		
ECC are working on an Integrated Transport package for Braintree looking at options and costs for improvements to the Springwood Drive roundabout. Minor improvements suggested by the local businesses on Springwood Drive have been submitted to the Local Highways Panel for consideration.	March 2017	▶



Economic Development

Project description and comments	Target Date	Status
Complete a programme of improvements to key industrial estates and business parks to support business growth and attract investment to the District		
Signage improvement works for the Springwood Industrial Estate are out to tender and will be assessed and appointed in November. Additional minor improvement works are being implemented on issues raised by businesses in June.	March 2017	▶
Designs and costings for grass verge improvements on Crittall Road are being drawn up as discussed with Witham Industrial Watch. Signage Improvements will be taking place in November.	March 2017	▶
Landowners on Bluebridge Industrial estate have been contacted to gauge interest in taking part in the improvement scheme. A meeting has been held between Braintree District Council and Essex County Council highways representatives to look at options and costs around road improvements	March 2017	▶
To strengthen business engagement by delivering a programme of events in collaboration with Essex Chambers of Commerce		
The Essex Chamber of Commerce are unable to deliver against their initial commitment of 4 events. An alternative 'in-house' programme of events has been prepared with two events planned in December and March based of issues raised by local businesses	March 2017	▲
Support 77 business start-ups in conjunction with IGNITE		
Since April 2016, a total of 41 business start-ups have been supported and a total of 55 jobs created through business advice and support provided. Seven new tenants now occupy the new units at Springwood Drive Enterprise Centre.	March 2017	▶
Support the establishment of a District education and skills board to address educational attainment and employment skills needs within the District		
Braintree District Council has appointed a manager and resource is being sought to assist with this area of work. This will include developing proposals for the District Education and Skills board.	March 2017	▲
Work with a range of partners and stakeholders to improve the three town centres in the District		
Braintree Town Centre – The structure and aims of the masterplan for a package of public realm, pedestrianisation and highway improvements has been discussed at a joint working officer group between Essex County Council and Braintree District Council and a project plan is in development. Once plans are formulated, local engagement will follow.	March 2017	▶
Halstead Town Centre –Essex Highways Network Management have evaluated the Masterplan regeneration proposals to establish the required works on the highway prior to completing the consultation design.	October 2016	▶
Witham Town Centre – A series of studies and reports are in progress to review the aims and objectives of the Masterplan regeneration proposals which will be presented to the project board in the third quarter.	October 2016	▶
Maximise superfast broadband coverage across the District by working with Superfast Essex		
Superfast Essex is undertaking a further open market review and sign-up drive from residents to identify areas interested in receiving Superfast Broadband ahead of the procurement exercise for Phase 3.	March 2018	▶



Health and Communities

Project description and comments	Target Date	Status
Work with Active Braintree Network to increase access to new sporting opportunities and activities		
The 'Get Outdoors' campaign was launched by Fusion in the summer to encourage residents to participate in outdoor activities including instructor lead sessions at outdoor gyms.	September 2017	✓
Encourage residents to be more active by developing a 'Be-Well' strategy		
The production of the 'Be-well' strategy has been delayed following changes to the Sport England strategy and delays in timescales for Active Essex to produce their strategy.	March 2017	⚠
Ensure the football pitches on the Deanery Gardens sports ground and the rugby pitch on King George V playing field are in year-round condition through the installation of a piped drainage system		
This project has been transferred into next year's delivery plan as the installation of a piped drainage system needs to take place outside the football season to minimise the impact on residents using the facilities.	September 2016	✗
Address the priorities for the District in a co-ordinated way through the Braintree District Health and Wellbeing Panel		
A healthy eating recipe book has been published and promoted through the Livewell website to encourage residents to eat a healthy, balanced diet.	September 2016	✓
The childhood obesity project called Livewell Child aimed at key stage one children has recruited 25% of the primary schools across the District. A schools workshop was held in September to ascertain ideas of interventions beneficial to all taking part.	March 2017	▶
Invest in local health facilities to help provide primary care services that can meet current and future needs as the District grows		
Members have approved proposals to invest in local health facilities across the district. Initial meetings have been held to discuss the opportunity to develop a doctors' surgery in Witham and the Council are working with the Clinical Commissioning Group to explore site options. Acquisition terms have been agreed with Colchester Institute to purchase premises at The College at Braintree to convert to a doctors' surgery.	March 2017	▶
Improve the living conditions, access to services and the health and wellbeing of vulnerable people on low incomes		
Braintree District Council continues to explore the availability of grants to improve the thermal efficiency of caravans and will be surveying residents of park communities to understand their requirements.	February 2017	▶
Run a winter warmth campaign to provide advice to residents on improving energy efficiency to help keep warm during the winter months		
The content of the winter warmth campaign is currently being produced and information is being gathered as to where material on keeping warm during the winter months can be circulated to best inform residents	February 2017	▶
Work towards making the District dementia friendly through the work of our Braintree District Dementia Action Alliance		
An application has been made to become a Dementia Friendly Community accelerator site. If successful, the Alliance will receive specialist support and funding enabling them to meet with hard to reach groups.	March 2017	▶

Support community groups to deliver local projects and activities through the introduction of a Councillor Community Grant Scheme		
The new Councillor Community Grant scheme was launched in September to provide Councillors with £1,500 each per year which they can allocate to community projects and initiatives in their local area.	September 2016	✓
Engage with young people by developing a young person's on-line forum helping them to have a voice on topics and concerns that affect them		
The development of a young person's on-line forum has been placed on hold whilst further research and engagement is carried out with young people regarding the benefits of creating the forum.	March 2017	⚠



Finance and Performance

Project description and comments	Target Date	Status
Continue to review how we deliver our services ensuring we provide value for money and focus our resources on what is important to those living and working in our District		
A schedule of planned service reviews continues to be updated to inform future reviews with the aim of minimising the budget gap	March 2017	▶
Develop commercial opportunities to generate income and identify further opportunities for income growth		
Strategic resource has been procured from the East of England Local Government Association (EELGA) to deliver the skills required and a Business Development Manager has been appointed to support the development of commercial opportunities. Business cases and options appraisals are being developed for identified projects which will be assessed using the Council's internal Investment Tool.	March 2017	▶
Use our Investment Strategy to maximise income and strengthen the Councils financial independence, supporting our ability to invest in the District		
Cabinet agreed in May a District Investment Strategy with resources of £28million identified for investment projects. Three investment opportunities were agreed at Cabinet and Council in July. The Strategic Investment group has agreed to invest a further £2 million in pooled equity funds taking the total invested in pooled funds to £14 million.	March 2017	▶
Improve customer focused services by delivering a programme of continuous improvement and achieve the Customer Service Excellence Standard for the third year		
Customer Service Excellence accreditation has been achieved for a further year with just one area of partial compliance and six areas achieving compliance plus. A further assessment is planned to take place in June 2017.	June 2016	✓
Improve our services through the use of technology to make sure they are easy and convenient to use		
Following the launch of the new responsive website in March, information on the website has been reviewed and improvements implemented to the ways in which customers access information. A module enabling customers to view their council tax bills securely on line will be launched in October.	March 2016	▶











Overall Strategy and Direction











Project description and comments	Target Date	Status
Continue to work in partnership with other Essex Authorities and other public and private sector organisations to develop devolution proposals for Essex to achieve greater local control of decisions and funds to deliver better outcomes for residents and businesses across the County and District		
A meeting was held between a small group of Essex Leaders and senior civil servants over the summer to explore options on devolution with or without a major. However, the Government policy remains (and has recently been confirmed again by the Prime Minister) that in order to secure a devolution deal, combined authority areas must have a directly elected mayor. This means that the Greater Essex devolution programme remains on hold.	March 2017	
Contribute to the work of the Essex Waste Management Partnership to lower collection and disposal costs across Essex		
The Essex waste officer's delivery group have established four work streams around Biodegradable waste, waste prevention, procurement and the review of the joint municipal waste strategy. A series of campaigns to recycle electrical items and textiles are being undertaken countywide in October 2016 and a reuse campaign is being programmed for the New Year.	March 2017	
Work with other local authorities in Essex to establish a building control shared service across the county which will deliver higher standards of customer service, retain and attract staff to reduce costs		
A decision has been made not to continue with the joint working initiative following the withdrawal of a number of authorities from the project. A meeting will be held in October to review the lessons learnt.	March 2017	
Drive forward economic growth and infrastructure improvements in the District and surrounding areas by continuing to work with the Haven Gateway Partnership		
Essex County Council and Highways England held a number of forums in September which Braintree District Council attended to engage with community groups involving Parish and Town Councils to explain the process for the improvements to the A12 and the options for the A120.	March 2017	
Work with Essex County Council, Highways Agency and other Essex District councils on the options for the new A120 route		
Braintree District Council is actively participating in a number of different forums that Essex County Council and their consultants have set up.	March 2017	
Continue to work with key partners including neighbouring councils on the strategic planning for the housing and economic growth required in the District to support the work in the new Local Plan		
Cabinet agreed a budget to develop a business case for a Housing Development Company. External consultants have been appointed to inform the business case in partnership with Colchester Borough Council. Continuing to work with three other local authorities on proposals for North Essex Garden Community projects to deliver over 30,000 homes and 10,000 jobs.	March 2017	
Develop and deliver a District Investment Strategy that invests in improved and new infrastructure, economic growth and regeneration projects and new health facilities to meet the needs of the District now and in the future		
In May, the Council approved its £28 million District Investment Strategy to help improve the district and support current and future growth. In the second quarter, Cabinet and Council have approved the delivery of a mixed use regeneration scheme including health facilities on the site behind the Town Hall	March 2017	

in Braintree and to deliver and fund a scheme to acquire new premises to lease to health providers in Braintree.		
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Section 3: Managing the Business

Our Performance Indicators in Detail

Performance Indicator	2016/17						Comments
	Q1 Outturn	Q2 Outturn	Q3 Outturn	Q4 Outturn	Target for the Quarter	Status at the end of the Quarter	
Environment and Place							
Percentage of land that falls below cleanliness standards for litter	n/a	5%			6%		Recorded 3 times a year – July, November and March
Percentage of household waste sent for reuse, recycling and composting	54.13%	55.27%			53.50%		
Tonnage of residual household per household waste not recycled	120kgs	104kgs			99kgs		Tonnage has reduced in the second quarter but has still not achieved target. We continue to door step customers and a number of campaigns are underway to encourage recycling reducing waste to landfill
Percentage of fly tips cleared within 24 hours of being reported	100%	100%			100%		Represents 183 fly-tips dealt with in the quarter
Number of fuel poverty and domestic energy reduction installations carried out							Annually reported
Strategic Growth and Infrastructure							
Number of affordable homes delivered	8	27			27		
Number of homes granted planning permission	571	630			215		Three large developments have been determined in the second quarter of the year which accounts for 526 homes
Economic Development							
Number of new business start-ups in the District created in partnership with Ignite Business	22	19			18		The figures provided by Ignite are estimated and will be confirmed in the next quarter. A new monitoring process has been agreed providing more accurate and timely outturns in the future
Number of jobs created through business advice and support	29	26			27		
Percentage of District on high speed broadband connection	71%	71%			Data Only	N/A	Project is being delivered by Superfast Essex. End of phase one is where it is expected to be.

Performance Indicator	2016/17						Comments
	Q1 Outturn	Q2 Outturn	Q3 Outturn	Q4 Outturn	Target for the Quarter	Status at the end of the Quarter	
Health and Communities							
Number of Disabled Facilities Grants processed throughout the year	39	68			72		Indicator is reported cumulatively. This is a demand led service reliant on the number of referrals received which in the second quarter has been lower than expected. This has allowed the team to reduce the number of applications on the waiting list.
Total number of visits to our Leisure facilities	262,357	247,152			255,429		A reduction in the number of visitors to our leisure centres was seen in July and September. Cumulatively, the target has been exceeded
Number of passenger journeys on the Community Transport Scheme	14,168	12,797			12,631		
Finance and Performance							
Average call answer time in the Customer Service Centre	13 seconds	17 seconds			15 seconds		Resource issues and an increase in calls being received at peak times has meant the call answering target has not been met this quarter.
Time taken to process housing benefit/council tax benefit new claims	17.75 days	17.58 days			18 days		
Time taken to process housing benefit claim changes	6.41 days	5.87 days			6 days		
Percentage of Stage 1 complaints responded to within target	98.59%	92.90%			90%		
Collection rate for Council Tax	30.81%	59.25%			59.24%		
Collection rate for Business Rates	31.25%	58.43%			58.22%		
Percentage of invoices paid within 30 days of receipt	99.40%	99.04%			98.50%		

Complaints

The quarterly complaints analysis for the second quarter of 2016/17 is detailed below. This is compared with 2015/16 figures shown in brackets. The figures represent all three stages of the complaints process.

Complaint Category	Q1 2016/17	Q2 2016/17	Q3 2016/17	Q4 2016/17	TOTAL
Justified	112 (83)	52 (90)	(108)	(125)	(406)
Not Justified	72 (45)	104 (65)	(70)	(101)	(281)
Partially Justified	31 (17)	24 (30)	(21)	(24)	(95)
Not known	0 (0)	3 (1)	(1)	(0)	(2)
Total	215 (145)	183 (186)	(200)	(250)	(784)

Comments

The number of complaints received in the second quarter of the year has reduced due the Operations service area receiving fewer complaints than in the previous quarter. We continue to ensure customers are kept informed of any service disruptions regarding waste collections and where collections are missed, the majority are collected within 24 hours. The service continues to monitor issues with missed waste collections to help reduce the number of complaints received further.

At the time of writing the report, two stage 3 complaints and one stage 2 complaint were still being investigated and responded to.

In the second quarter of 2016/17, of the 183 complaints received:

- 170 are stage one complaints
- 9 are stage two complaints
- 4 are stage three complaints

There has been an increase in the number of complainants escalating their complaint to the next stage in the complaints process and this will be monitored to understand the reasons and to ensure complaints are dealt with appropriately at all stages.

A summary of Local Government Ombudsman cases:

In the second quarter of 2016/17 the LGO has received one new complaint. The new complaint received is currently being investigated. The LGO also issued a final decision on one complaint received in the previous quarter where they upheld maladministration but confirmed there was no injustice to the complainant.

Our Organisation

The following is a selection of our people performance measures:

People: Indicators of Performance	Q1 16/17	Q2 16/17	Q3 16/17	Q4 16/17	Change on previous period	Yearly Target
Total headcount	467	466			- 1	-
Total number of posts	476	477			+1	-
Number of temporary staff	44	42			- 2	-
Total staff FTE	420.36	419.46			- 0.9	-
Level of employee turnover	2.78%	3.43%			+ 0.65%	-
Number of leavers	13	16			+ 3	-
Number of starters	9	15			+ 6	-
Working days lost to sickness per employee	2.7 days	2.59 days			- 0.11 days	8.0 days
Percentage of staff with nil sickness	74%	54%			- 20%	-
Number of learning hours	9140.50	8276.50			- 864.00	-
Number of delegates	192	266			+ 74	-
Number of apprentices **	19	16			- 3	-

Year on Year Headcount Analysis	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	503	485	466	478	472	470

** BDC's apprenticeship programme runs from September each year. The figures reflect level 2 and level 3 apprenticeships.

Health & Safety

The following is a selection of our health and safety performance measures. The data is for information purposes only.

Health and safety is a crucial responsibility of everyone within the organisation. This information is used to improve the management of health and safety of staff, our customers, residents and other non-employees we come into contact with. Monitoring is undertaken by the corporate health and safety committee and action plans will be put in place where necessary.

Health & Safety: Indicators of Performance	Q1	Q2	Q3	Q4	
	(2015/16 figure in brackets)				
Total number of reported accidents/ incidents, calculated from:	11 (6)	12 (12)	(5)	(11)	
<i>Accidents/ incidents to employees</i>	8 (4)	9 (9)	(5)	(9)	
<i>Accidents/ incidents to contractors</i>	1 (2)	1 (1)	(0)	(2)	An Agency Worker received a fracture to their thumb whilst holding a branch that was being pruned by another member of staff.
<i>Accidents/ incidents to non-employees</i>	2 (0)	2 (1)	(0)	(0)	A child cut their foot on the lift door at the Town Hall Centre. The First Aider applied cleansing wipe and bandage and advised the mother to take the child to their GP or A&E. The second incident happened when a member of the public visiting Causeway House became unwell. The First Aider in attendance suspected the person was suffering from a heart attack and called the paramedics.
Time lost in days due to employee accidents/ incidents	105 (3)	16 (76)	(42)	(5)	
Number of reported verbal/ physical incidents to employees	1 (0)	1 (1)	(0)	(2)	The member of staff was subjected to verbal abuse from a resident whilst out on site. The member of public has been placed on the potential violence and aggression to staff register.
Number of near miss incidents	0 (1)	0 (0)	(1)	(0)	
Number of Accidents/ incidents registered resulting in insurance/ compensation claim	0 (1)	0 (0)	(0)	(0)	
Number of claims settled	0 (0)	0 (2)	(0)	(0)	

Financial Performance

This part of the report provides an updated review of the financial position for the year. It examines the latest forecast for spending on day-to-day service provision compared to the budget for the year. Also included is a summary of treasury management activities; projected movements on the General Fund balance; and a summary of spending to date on capital investment projects.

Summary:

- An overall positive variance for the year is forecast of £303,000 (-2%) against the budget of £13.107million. This is an improvement of £99,000 from the position reported at the first quarter.
- Income is forecast to be overachieved by £169,000; and there is a projected net underspend of £134,000 on staffing and other expenditure.

Revenue Spending by Services

Business Plan Service	Budget £'000	Projected Spend £'000	Adverse (Positive) variance against budget				RAG Status
			Staffing £'000	Other Expenditure £'000	Gross Income £'000	Total £'000	
Asset Management	(1,917)	(1,963)	5	7	(58)	(46)	G
Business Solutions	1,841	1,800	(6)	(23)	(12)	(41)	G
Community Services	563	558	(1)	(10)	6	(5)	G
Corporate Management Plan	1,362	1,330	(2)	(30)	-	(32)	G
Cultural Services	240	240	-	-	-	-	G
Environment	627	583	(57)	(4)	17	(44)	G
Finance	1,350	948	(76)	(23)	(303)	(402)	G
Governance	987	1,010	(1)	24	-	23	A
Housing Services	769	762	28	(34)	(1)	(7)	G
Human Resources	309	314	(2)	7	-	5	A
Leisure Services	(54)	(54)	-	-	-	-	G
Marketing and Communications	432	404	1	(7)	(22)	(28)	G
Operations	4,277	4,451	(24)	(47)	245	174	A
Sustainable Development	668	748	(36)	57	59	80	R
Service Total	11,454	11,131	(171)	(83)	(69)	(323)	G
Corporate Financing	1,803	1,686	-	(17)	(100)	(117)	G
Efficiency target	(150)	(13)	137	-	-	137	
Total	13,107	12,804	(34)	(100)	(169)	(303)	G

RAG Status: G = favourable or nil variance, A = up to 5% adverse variance or <£50k, R = > 5%

Staffing

Further analysis of the staffing budget variances is provided in the following table:

Business Plan – Staffing Budgets	Budget £'000	Projected Spend £'000	Adverse/ (Positive) variance £'000	RAG Status
Asset Management	298	303	5	A
Business Solutions	850	844	(6)	G
Community Services	345	344	(1)	G
Corporate Management Plan	1,166	1,164	(2)	G
Cultural Services	189	189	-	G
Environment	1,314	1,257	(57)	G
Finance	2,387	2,311	(76)	G
Governance	453	452	(1)	G
Housing Services	731	759	28	A
Human Resources	314	312	(2)	G
Leisure Services	124	124	-	G
Marketing and Communications	285	286	1	A
Operations	4,878	4,854	(24)	G
Sustainable Development	1,875	1,839	(36)	G
Service Total	15,209	15,038	(171)	G
Efficiency target	(150)	(13)	137	
Net Total	15,059	15,025	(34)	G

RAG Status: G = favourable or nil variance, A = up to 5% adverse variance, R = > 5% (Net Total adverse > Efficiency target)

Commentary on staffing variations:

Savings on staffing budgets are expected to be achieved through a combination of vacant posts, reductions in hours worked, appointments being made at lower grade/ scale points, and through other service restructures and efficiency reviews. Based on the information known at the end of the Quarter it is projected that across all services there will be a net underspend of £171,000 for the year against staffing budgets. The approved budget provided for a corporate efficiency target of £150,000 to be achieved from in-year staffing variances. Taking into account the projected net underspend across services and a corporate saving of £13,000 from the implementation of an annual leave purchase scheme for staff, it is currently anticipated that the target will be exceeded for the year by £34,000.

Whilst **Operations** is showing a net projected underspend of £24,000 this is comprised of a projected overspend on the **Waste Management** service of £100,000 where additional agency support is being required to provide cover due to a combination of factors: abnormally high sickness levels, holiday cover, and vacancies. The service continues to closely monitor the position, taking action where possible to contain costs. The suspension of the green waste service during December to February may provide opportunity to reduce the need for agency staff as directly employed staff can be redirected during this period. Mitigating this position the service has a projected underspend of £87,000 within **Management & Administration** where external funding is being applied to meet the costs of certain posts, and vacancies held over. Further savings totalling £37,000 are projected in areas such as **Horticultural Services, Street Scene & Protection, and Cemeteries** from current vacancies.

Other Service Expenditure

Services are currently forecast to underspend against their non-staffing expenditure budgets by a net £100,000. Contained within this net position are the following items:

Main positive variances:

- **Waste Management:** currently a projected underspend totalling £67,000, which is mainly due to the cost of fuel continuing at a lower level than allowed when setting the budget, and lower purchase costs of refuse sacks due to both price reductions and a lower number of sacks being used. The Council has been promoting the proper use of the recycling sacks provided to households and continues to monitor their use.
- **Corporate systems:** forecast underspend totalling £25,000 on voice and data networks, and spend on the Capita contract where service volumes have reduced.
- **Corporate Costs:** External audit fees are expected to be lower than budget by £25,000 coupled with a further reduction in bank charges (£5,000).

Offset by:

- **Governance:** a projected net overspend of £24,000, which includes £20,000 of additional costs being incurred for the hiring of sound system equipment for the committee areas which was necessary prior to the procurement of a new system.

External Income

A significant proportion of the Council's budget is reliant on external income. Grants and subsidies from government, alongside income from business rates are major elements, totalling over £52 million. These income streams are either fairly predictable as they are determined at the start of the year as part of the annual Local Government Finance Settlement; or variations

can be largely offset by commensurate changes in expenditure, e.g. subsidy received on housing benefits is related to the level of payments made.

The amount of business rates ultimately retained depends on the actual amounts collectable (taking into account changes in the Valuation List, exemptions and reliefs granted, and provisions for non-collection and rating appeals). Variances are accounted for via the Collection Fund and taken into account when determining future budgets and council tax setting. Fluctuations from those elements which have a direct impact on the General Fund revenue account, e.g. the levy payable on growth or grants received from Government to fund certain discretionary reliefs, are managed via the business rate retention reserve.

As a participant in the Essex Business Rates Pool the Council is entitled to a share of the extra business rates retained "locally" which will be rebated against the 2016/17 levy. The determination and receipt of the actual amount of the Council's share will be made after year-end returns have been collated from each of the participating authorities and as such no estimate of the amount was included in the original budget.

Other external income for which the Council has budgeted £13.707million comes from a variety of sources that are subject to external demands and other influences, meaning these are more susceptible to variations against budget. It is currently forecast that services will over achieve against their income budgets by a net £169,000, as shown in the table below:

Business Plan	Updated Budget £000	Joint Financing & Other Reimburs.	Sales, Fees & Charges	Rents	Other Income	Total	RAG status
		5,057	5,241	2,543	866	13,707	
		<i>Adverse (Positive) Variance £000 against Budget :</i>					
Asset Management	2,584	-	6	(64)	-	(58)	G
Business Solutions	15	(12)	-	-	-	(12)	G
Community Services	210	-	8	-	(2)	6	A
Corporate Management Plan	-	-	-	-	-	-	G
Cultural Services	108	-	-	-	-	-	G
Environment	810	2	(13)	-	28	17	A
Finance	2,153	(147)	-	-	(156)	(303)	G
Governance	34	-	-	-	-	-	G
Housing	44	-	(2)	1	-	(1)	G
Human Resources	-	-	-	-	-	-	G
Leisure Services	723	-	-	-	-	-	G
Marketing & Communications	27	-	(12)	-	(10)	(22)	G
Operations	5,360	39	207	3	(4)	245	A
Sustainable Development	1,213	-	59	-	-	59	A
Service Total	13,281	(118)	253	(60)	(144)	(69)	G
Corporate Financing	426	(100)	-	-	-	(100)	G
Total	13,707	(218)	253	(60)	(144)	(169)	G

RAG Status: G = positive or nil variance, A = up to 5% adverse variance or <£50k, R = adverse variance greater than 5% and >£50k at Individual Business Plan level

Joint Financing & Other Reimbursements

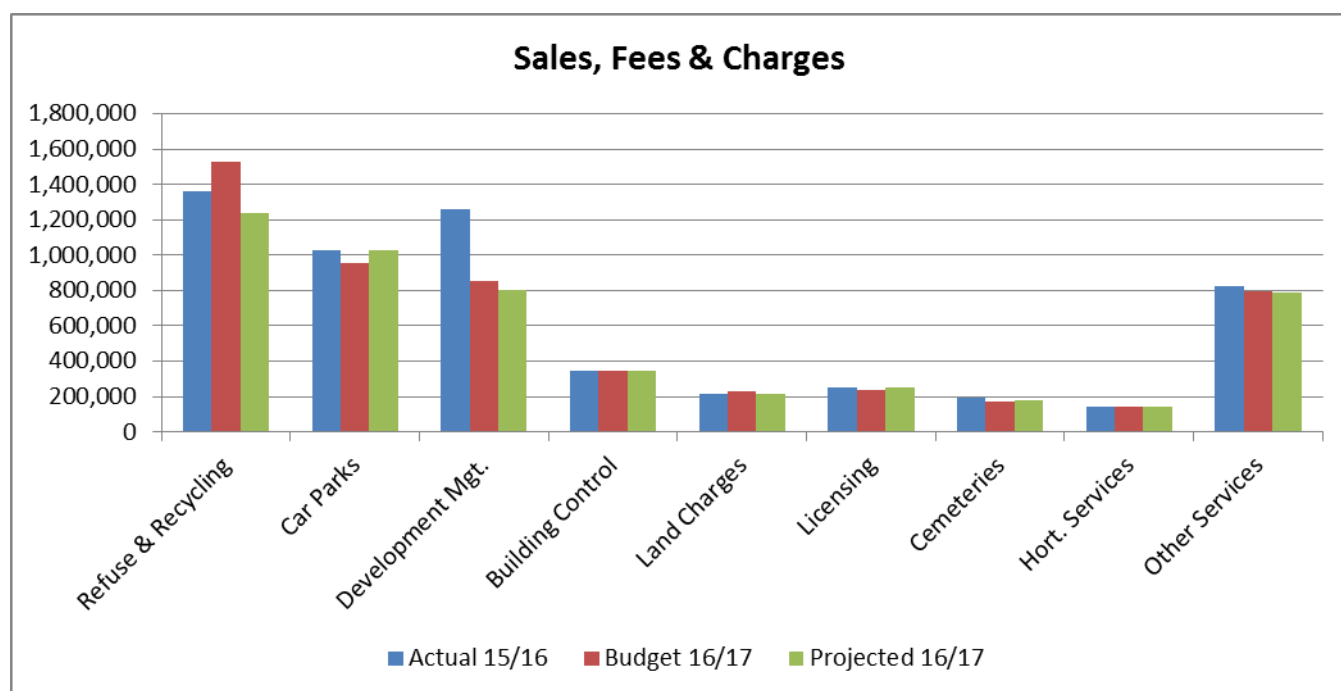
The total budget for income from joint financing and other reimbursements is £5.057million, against which it is currently predicted to be over-achieved by £218,000. The main sources of income and forecast outturn are:

- **Essex County Council:** a £2.205million budget for contributions towards services such as community transport, horticultural services, food waste service, and recycling. An adverse variance of £33,000 is currently forecast mainly due to a recalculation by Essex County Council of income due under the Waste Management Inter-Authority Agreement.

- **Procurement Hub:** subscriptions from participating authorities along with commission's receivable from the use by other organisations of the procurement frameworks set-up by the Hub give a total budget of £543,000. Arrangements with the participating authorities provide for rebates (shown as expenditure) against their subscriptions based on the overall financial performance of the Hub in the year.
- **Council Tax sharing and other collection investment arrangements:** £426,000 was provided in the budget as Braintree's share from the major precepting bodies of the additional council tax being collected. Based on last year's performance it is expected that income growth will continue into 2016/17 giving a projected over-achievement of £100,000. In addition, the Council has budgeted for arrangements with the major precepting bodies to provide £112,000 towards improving council tax collection arrangements, including prevention and detection of fraud, and partial funding towards the exceptional hardship fund.
- **Benefit overpayment recoveries and administrative penalties:** based on last year's outturn it is anticipated that recoveries will be higher than the original budget allowance of £284,000 by £148,000.

Sales, Fees & Charges

The budget for income from sales, fees & charges is £5.241million. The current projection is for an overall under achievement of £253,000. The following chart shows the main income streams:



Commentary on Fees and Charges:

- **Refuse & Recycling - Sale of Recycling Materials:** The budget for income from sales is £624,000. A new 5-year extension to the contract for mixed dry materials has been agreed in year, the financial arrangements of which involve the income receivable for the current year being reduced by 50%. This will then be recovered over the following two years by a reduction in the gate fee to be charged by the contractor. The market for recyclable materials has deteriorated over recent months such that local authorities are now paying gate fees rather than receiving income for disposal of recyclable materials. The impact in the current year is a reduction in income of £270,000. In addition, the Council is receiving a lower price for glass materials than was provided in the original budget following on from the reductions experienced over the 2015/16 financial year

giving a predicted shortfall of £57,000.

- **Car Parks:** The trend identified at the first quarter continues to be maintained resulting in the income from pay and display car parks still being forecast £73,000 higher than the budget in line with the outturn for 2015/16.
- **Development Management:** In 2015/16 the Council experienced a significant spike in planning application fee income. The approved budget for 2016/17 reflected an element of this growth with an addition to base budget of £125,000. Based on the amount of income received in the first six months and using past experience, service management are now less confident than at the first quarter that income will achieve the higher budgeted amount. Application fee income is market driven and subject to economic influences. A small number of larger scale applications are responsible for a substantial margin in income achieved. At present the extent of the projected under-achievement in income is £50,000 for the year. Progress towards the adoption of the Local Plan should in future be reflected in a trend of increasing housing delivery bringing the associated application fee income; however, as noted above predicting the timing of this income is inherently difficult.
- **Land Charges:** Income is projected to be lower than budget by £13,000; however, this is an improvement over the position reported at the first quarter (-£38,000) due to a one-off increase in work required by Greenfields Community Housing. The current projection of £216,000 is broadly in line with the income achieved in 2015/16.

Rental Income

The budget for rental income from land & property is £2.543million – comprising the investment & commercial property portfolio, markets, housing properties, and other let properties. The forecast for the year is currently an over achievement of £60,000.

Commentary on Rental Income:

Asset Management: additional rental income of £69,000 has been assumed based on the anticipated completion of the acquisition of Block B at the College in Braintree, which was recently approved by Members as part of the District Investment Strategy to support the re-provision of health facilities in the Braintree area whilst also generating commercial rental income for the Council.

Other Service & Corporate Income

Total budgeted Other Income is £866,000 which comprises mainly the following streams:

- **Investment & Other Interest Income:** The budgeted amount is £621,000, but is now expected to be higher by £86,000 as an extra £2million was added to the Council's long-term pooled funds in December 2015 and not reflected in the original budget.
- **Solar Panel Feed-in-Tariffs:** the budget provides for an expected £124,000 of income from investment in solar panels at various Council facilities. However, due to changes by the Government in the tariff arrangements the Council halted its investment in panels at the George Yard car park and its extension of the installation at Witham Leisure Centre. Consequently, it is predicted that, after taking account of slightly better returns on existing schemes, there will be a net shortfall against the budget of £40,000.
- **Government grant:** included in the overall variance is an additional £66,000 of government grant towards administration of the Local Council Tax Support scheme, for which details of entitlement were not announced until after the Council had agreed the budget for 2016/17.

Treasury Management

The Council's treasury management activity for the year is summarised in the table below:

Amount Invested at the Start of the Year	Activity for the year		Amount Invested at 30 Sept
	New Investments	Investments Sold or Matured	
£36.27m	£59.62m	£39.50m	£56.39m
Average amount invested to end of quarter			£52.42m
Highest amount invested			£60.23m

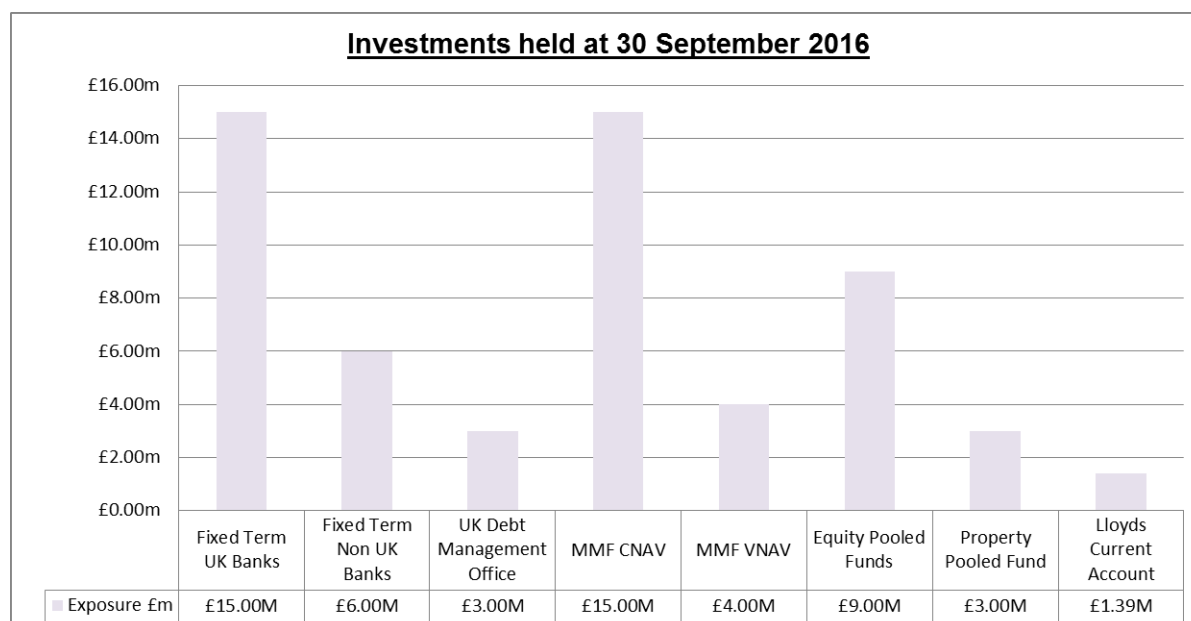
The Council has £12million currently invested for the long-term in a mixture of property and equity funds. Further additions to the funds are planned to be made in October/ November. Remaining investments have been in short-term instruments including call accounts and term deposits with UK and Non-UK banks, deposits with the UK Government Debt Management Office (DMO), and Money Market Funds (MMF).

Interest and dividends earned to the end of the quarter total £235,000, which is equivalent to an annualised rate of return of 1.62%:

Investments	Average Amount Invested	Interest & Dividends Earned	Annualised Return %
Long-Term Pooled Funds	£12.00m	£315,000	5.25%
Short-Term	£40.42m	£109,000	0.54%
Total	£52.42m	£424,000	1.62%

Investment returns have been increased by the dividend income from the long-term investments; however, as the funds are exposed to market conditions their value can fluctuate. At the end of the quarter the market valuation for all funds was £12.500million, representing an unrealised gain of £500,000 against the amount invested – this is an improvement on the previous quarter of £720,000 reflecting the recent bounce back in equity markets as the value of sterling has continued to slide following the vote to leave the European Union.

At the end of the quarter the Council's investment portfolio comprised the following:



CNAV = Constant Net Asset Value i.e. the Fund value is expected to remain constant

VNAV = Variable Net Asset Value i.e. the Fund value and therefore amounts invested can fluctuate

General Fund Balances

General Fund balances are held for the following reasons:

- As a contingency against unforeseen events that may require funding above that originally provided for in the approved budget
- To meet short-term or non-recurrent one-off costs that are not provided in the base budget and/ or are incurred to achieve future savings and efficiencies.

Based on the outturn set out above, the projected movement on the General Fund balance is as follows:

	£'000
Balance at 1 April 2016	8,421
Add:	
Budgeted addition	526
Projected variance at Q2	303
Less:	
Allocated to Investment Strategy	5,000
Est. Balance at 31 March 2017	4,250

Movements shown on the General Fund balance are in respect of:

- The budget approved by Council for 2016/17 included an anticipated addition to balances of £526,234.
- The projected outturn variance for the year is currently results in an addition of £303,000.
- Cabinet approved a district investment strategy at its meeting on 23 May 2016, which included proposals to allocate £5million of the General Fund unallocated balances.

Risks and Assumptions

The forecasts reflect service managers' "best estimate" of the predicted outturn for the year. The previous year outturn and trends in-year have been considered; however, as always, these are subject to changing circumstances and unforeseen events. Directors and service managers continue to scrutinise all expenditure commitments in light of the planned savings set out in the Medium Term Financial Strategy.

External income is inherently difficult to predict as it is substantially demand led and impacted by external factors.

Capital Investment

In February 2016 the Council approved new capital projects for 2016/17 totalling £1.993million. Taking into account projects in progress carried forward from earlier years, the in-year approval of new projects, and the estimated timing of delivery of all projects, the overall amount expected to be spent on capital in the current year is £6.082million.

The capital investment programme is reported over two themes:

- General Fund Services – Spending on Council owned/ used assets and services.
- Housing investment – mainly spent on partnership schemes with social landlords, and providing disabled facilities grants and home improvements grants.

The current spend against the programme for the year is shown below:

	Programme 2016/17	Actual spend	Grants approved not yet paid	Budget remaining	Spend & grants approved at end of Quarter
	£'000	£'000	£'000	£'000	%
General Fund Services	4,531	647	-	3,884	14%
Housing Investment	1,280	603	151	526	59%
Capital Salaries	271	136	-	135	50%
Total	6,082	1,386	151	4,545	25%

The General Fund Services programme for the year includes:

- A programme of planned maintenance and other refurbishment works to Council owned buildings and community facilities, including parks and open spaces, play areas, and car parks.
- Purchase of replacement vehicles for operational services
- Investment in new technology
- New cycleways and footpaths

Recent additions to the above programme include:

- The purchase and conversion of Block B at the College in Braintree which will then be leased out to provide replacement health facilities for the St Lawrence General Practitioner surgery as well as providing the Council with a commercial rent.
- A project to construct 4 small workshop units at the rear of the new Enterprise Centre (the Centre) located on Springwood Drive to provide much needed grow on space for businesses. These workshop units will be managed by the Council to provide employment opportunities and deliver a revenue income. In addition, the Council will also develop additional car parking for use by Ignite Business Enterprise in marketing and promoting the Centre for training and conference facilities.

The housing investment programme includes spending on provision of disabled facility grants, and financial support to social landlords to develop affordable home schemes.

At its meeting held on 23 May 2016, the Cabinet approved a District Investment Strategy which would utilise a combination of new borrowing, New Homes Bonus, and currently unallocated reserves giving a total of £28million to support the District's strategic growth ambitions. On 5th September 2016, the Council approved three projects totalling £14.3million, of which £1.987million is expected to be spent in the current year and is included in the programme reported above. As further projects are developed and approved, these will be added into the overall capital programme.

Capital resources

The main sources of new capital resources anticipated for the year are the sale of assets (£3.515million), preserved right-to-buy (RTB) receipts (£500,000) and the Council's share of the VAT shelter operating in conjunction with Greenfields Community Housing (£589,000).

Greenfields has reported that 18 RTB sales were completed by the end of the Quarter generating £1.809million for the Council, which already exceeds the amount anticipated by £1.309million. This compares to 23 sales and £1.713million received for the whole of 2015/16. VAT shelter monies due to the Council up to the end of the Quarter were £113,000, suggesting

that the level of works being undertaken by Greenfields falling within the arrangement is lower than previously anticipated.

Under the housing transfer agreement with Greenfields the Council has received £134,000 under clawback arrangements where land transferred from the Council has now been sold. A further £106,000 has also been received from repayment of housing renovation grants and for the release of restrictive covenants.

Grants received include £730,000 from the Better Care Fund via Essex County Council to part fund the Council's disabled facility grant programme. This is an increase of £312,000 against the budgeted sum of £418,000.

Key Financial Indicators – 30 th November 2016		Agenda No:6
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services Delivering better outcomes for residents and businesses and reducing costs to taxpayers	
Report presented by:	Trevor Wilson, Head of Finance	
Report prepared by:	Trevor Wilson, Head of Finance	
Background Papers: Agenda item 10, Audit Panel 21 st September 2006		Public Report
		Key Decision: No
Executive Summary:		
<p>The attached schedule (Appendix A) of key financial indicators provides details of performance recorded for the financial year to 30th November 2016.</p> <p>Commentary:</p> <ol style="list-style-type: none"> The net General Fund revenue budget for the year is £13.108million. The net expenditure incurred for the five months to 30th November was £6.638million. This represents a positive variance of £530,000 compared to the profiled budget of £7.168million. The predicted outturn for the year, conducted at the end of the half year, is a positive variance of £303,000; the variance is split between an over-achievement of income (£169,000) and a reduced level of expenditure compared against budget (£134,000). The total budget for Salaries for the year is £14.973million. Expenditure on salaries for the year to the end of November was £9.78million. This compares to a profiled budget of £9.87million. The positive variance of £90,000 is after allowing for £100,000 of the Efficiency Factor (£150,000 for the year). Expenditure on capital projects, to the end of November, was £2.85million against the Capital Programme of £6.356million. The main schemes, by budget, included in the programme are: Purchase of Block B Braintree College (£1.81m) Disabled Facilities Grants (£0.92m); Purchase of head lease Springwood Drive (£0.5m); Planned maintenance of council assets (£0.63m) and purchase of road sweepers (£0.31m). The total Council Tax collectable debit for the year is £80.34million. The collection rate as at the end of November is 77.75% (£62.47million collected), which compares to a rate of 77.92% for the same period last year, a small reduction of 0.17%. 		

- e) The total Business Rates (National Non-Domestic Rates) collectable debit for the year is £44.23million. The collection rate as at the end of November is 76.47% (£33.82million collected), which compares to a rate of 76.14% for the same period last year, a small improvement of 0.35%.
- f) A total of 905 write-offs of Council Tax, with a value of £173,491, have been authorised in the year to 30th November: 101 in respect of the current year and 804 in respect of previous financial years.
- g) A total of 64 write-offs of Business Rates, with a value of £193,994, have been authorised in the year to 30th November: 14 in respect of the current year and 50 in respect of previous financial years.
- h) The amount of sundry debts owed to the Council, i.e. monies other than for Council Tax and NNDR, was £3.072million, of which £1.629million was in respect of Housing Benefit overpayments. The target for 2016/17 is to reduce the debt outstanding, excluding Housing Benefit overpayments, Museum Trust debt and invoices raised in March in respect of 2017/18, to £600,000 or less by 31st March 2017.
- i) Sundry debts, excluding housing benefit overpayments, were £1.443million at the end of November. This reduces to £0.788million after allowing for large value invoices raised at the end of the month, the Museum Trust debt and charging orders.
- j) The rate of return achieved on investment of the Council's balances and funds in the year to-date is 0.49%. This return was achieved on an average amount invested of £40million and relates solely to monies placed with banks, building societies, the Debt Management Office and in Money Market Funds.
- k) Dividends received/declared in the first five months of the year totalled £333,920 in respect of the investment of £14million in four equity funds (Threadneedle, M & G (Global Dividend Fund and Extra Income Fund) and Schroders) and one property fund (CCLA). The market values of these pooled funds show an unrealised net increase in the principal sum of £619,750 as at 30th November 2016. These investments have been placed in the knowledge that their capital values will be subject to volatility but overall their trend has been positive over the medium term (i.e. over a minimum of 3 years).
- l) Detail of the Council's investments of surplus monies, totalling £49.19million as at 30th November 2016, is provided at Appendix B.

Decision: Members are asked to accept the report of the Key Financial Indicators as at 30th November 2016.

Purpose of Decision: To provide evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues that may arise.

Any Corporate implications in relation to the following should be explained in detail.

Financial:	Actual income and expenditure as at the end of November shows a positive variance of £530,000 compared to the profiled budget of £7.168million. The predicted outturn for the year, conducted at the end of the half year, is a positive variance of £303,000. Collection rates on council tax and business rates have small variances compared to that achieved at the same period last year.
Legal:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	No direct impact but process of monitoring financial performance provides assurance of this element of the Council's governance arrangements.
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	Regular consideration of a suite of Financial Health Indicators is recommended good practice.
Officer Contact:	Trevor Wilson
Designation:	Head of Finance
Ext. No:	2801
E-mail:	Trevor.wilson@braintree.gov.uk

Key Financial Indicators at 30th November 2016
APPENDIX A

	Full Year Budget 2016/17	Actual as at 30 Nov 2016	Profile to 30 Nov 2016	Variance from Profile	
	£'000	£'000	£'000	£'000	%
General Fund - Revenue (Controllable)	13,108	6,638	7,168	-530	-7.4%
Capital Programme (Excl. capital salaries incl. below)	6,356	2,850			
General Fund - Salaries	14,973	9,780	9,870	-90	-0.9%

	Full Year Target	Actual as at 30 Nov 2016	Actual as at 30 Nov 2015	Variance
Council Tax collection in year - %	98.00%	77.75%	77.92%	-0.17%
Council Tax collection - income collected for year - £m	£79.82	£62.47	£59.20	£3.27
Write-offs in year (April to November) - £'000		£15	£20	-£5
Write-offs in year - (April to November) - number		101	122	-21
Write-offs all years (April to November) - £'000		£173	£57	£116
Write-offs all years - (April to November) - number		905	466	439
Business Rates collection in year - %	98.50%	76.47%	76.14%	0.33%
Business Rates collected for year - £m	£44.43	£33.82	£33.11	£0.71
Write-offs in year (April to November) - £'000		£85	£13	£72
Write-offs in year - (April to November) - number		14	21	-7
Write-offs all years (April to November) - £'000		£194	£150	£44
Write-offs all years - (April to November) - number		64	81	-17
Creditors - payment of invoices within 30 days of receipt	98.5%	99.3%	99.1%	0.21%

Debtors - Balance Outstanding	31-Mar-14	31-Mar-15	31-Mar-16	30-Nov-16	Variance Aug to Mar.
	£'000	£'000	£'000	£'000	%
Service Level Agreement charges - principally Tabor Academy and residents of Twin Oaks, Stisted	239	334	319	181	-43.3
Capital Projects - currently - development site, east of High Street, Halstead	4	8	8	4	-50.0
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	24	37	143	48	-66.4
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	156	1	10	4	-60.0
Development	24	257	271	160	-41.0
Finance	360	36	61	38	-37.7
Leisure	258	234	169	229	35.5
Operations	484	984	288	709	146.2
Housing	113	89	77	70	-9.1
Sub-Total - excluding Hsg. Benefits	1,662	1,980	1,346	1,443	7.2
Housing Benefits	1,188	1,620	1,647	1,629	-1.1
Total	2,850	3,600	2,993	3,072	2.6
Target for 2016/17 is for Debt Outstanding (excluding Housing Benefits, Museum Trust debt, charging orders and large value invoices raised in final days of the month-end) to be £0.6million by 31 March 2017.			505	788	
Profile by Recovery Stage:					
Invoice	1,238	2,078	1,377	1,646	
Reminder	291	254	275	404	
Final Notice	348	198	190	-	
Pre-legal	453	424	338	350	
Enforcement Agent	446	406	426	245	
Tracing Agent	33	15	4	11	
Charging Order	41	35	23	32	
Attachment to Benefits		190	360	384	
Total	2,850	3,600	2,993	3,072	
Write-offs in month - value - £'000	-£0.3	£1.8	£1.6	£3.0	
Write-offs in month - number	19	35	23	71	
Write offs in year - value - £000	£8.3	£28.0	£20.0	£13.7	
Write-offs in year - number	386	492	245	309	

Progress on achieving Efficiency Savings Targets

The amount of the Efficiency Savings target included in the budget for 2016/17 is a net amount of £150,000. The underspend on salaries of £90,000, recorded above, is after offsetting £100,000 of the target.

Appendix B

INVESTMENT PORTFOLIO AS AT 30 NOVEMBER 2016							2017/18						
	Ref	£m	% rate	Type	Placed	Maturity	Maturity Profile £m						
							Liquid	Dec-16	Jan-17	Feb-17	Mar-17	Sep-17	Longer
UK Banks		9.69											
Santander Group													
Santander UK PLC	1127	0.00	0.40%	Instant	Variable	Instant	0.00						
Santander UK PLC	3265	3.00	0.46%	Fixed	12-Aug-16	13-Feb-17				3.00			
Lloyds TSB Group													
Lloyds Current Account	N/A	0.69	0.40%	Instant	Variable	Instant	0.69						
Bank of Scotland PLC	3217	2.00	1.00%	Fixed	21-Sep-16	21-Sep-17						2.00	
Bank of Scotland PLC	3246	1.00	1.00%	Fixed	1-Sep-16	1-Sep-17						1.00	
Barclays Bank PLC													
Barclays Bank PLC	3286	1.50	0.292%	Fixed	5-Oct-16	13-Jan-17			1.50				
Barclays Bank PLC	3301	1.50	0.289%	Fixed	12-Sep-16	19-Dec-16		1.50					
UK Building Societies		5.00											
Nationwide Building Society													
Nationwide Building Society	3159	2.00	0.42%	Fixed	21-Sep-16	22-Mar-17					2.00		
Nationwide Building Society	3245	1.00	0.40%	Fixed	19-Aug-16	20-Feb-17				1.00			
Coventry Building Society													
Coventry Building Society	3281	2.00	0.35%	Fixed	3-Oct-16	3-Mar-17					2.00		
Other Local Authorities		0.00											
UK Debt Management Office		0.00											
UK Debt Management Office		0.00	0.00%	Fixed									
Non UK Institutions		6.00											
Australia & New Zealand Banking Corp													
Landesbank Hessen-Thüringen	3280	3.00	0.36%	Fixed	17-Oct-16	3-Mar-17					3.00		
	3279	3.00	0.35%	Fixed	3-Oct-16	3-Mar-17					3.00		
Money Market Funds		14.50											
Goldman Sachs	2651	3.00	Variable	Instant	16-Nov-09	Instant	3.00						
Deutsche Sterling	2856	2.50	Variable	Instant	4-Aug-10	Instant	2.50						
Standard Life Liquidity	2857	5.00	Variable	Instant	4-Aug-10	Instant	5.00						
Royal London Cash Plus	3249	4.00	Variable	Instant	15-May-15	Instant	4.00						
Pooled Funds		14.00											
CCLA Property Fund	8228	3.00	Variable	Lterm	30-Oct-14	Lterm						3.00	
Threadneedle UK Equity	8229	5.00	Variable	Lterm	3-Nov-14	Lterm						5.00	
M & G Global Dividend	8230	2.50	Variable	Lterm	3-Nov-14	Lterm						2.50	
M & G Extra Income Fund Sterling	8230	1.00	Variable	Lterm	18-Oct-16	Lterm						1.00	
Schroders Income Maximiser	8231	2.50	Variable	Lterm	3-Nov-14	Lterm						2.50	
		49.19					15.19	1.50	1.50	4.00	10.00	3.00	14.00

Internal Audit – Activity Report for the period to 14th December 2016		Agenda No:7
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Lesley Day, Audit Insurance and Fraud Manager	
Report prepared by:	Lesley Day, Audit Insurance and Fraud Manager	
Background Papers:		Public Report
Internal Audit Assignments		Key Decision: No
Executive Summary:		
<p>To provide Members with details of and outcomes from the audit assignments completed during the period 9th September to 14th December 2016. This includes for each assignment:</p> <ul style="list-style-type: none"> • the key controls covered • number of recommended action points and their priority • audit opinion • brief details of the high priority recommendations (if applicable) <p>An update on the Reportable recommendations is also attached.</p>		
Recommended Decision:		
To accept the activity report for the period 9 th September to 14 th December 2016.		
Purpose of Decision:		
To advise Members of the audit assignments completed for the period 9 th September to 14 th December 2016.		

Any Corporate implications in relation to the following should be explained in detail.

Financial:	None
Legal:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	None
Officer Contact:	Lesley Day
Designation:	Audit, Insurance and Fraud Manager
Ext. No:	2821
E-mail:	lesley.day@braintree.gov.uk

INTERNAL AUDIT
COMPLETED ASSIGNMENTS to 16th December 2016

Type	Topic	Days Taken	Recommendations	Key Controls Covered	High Priority recommendations	Agreed Implementation date	Audit Opinion
			L M H				
Non-core System	Consultants	5	0	<ol style="list-style-type: none"> 1. Consultants are appointed in accordance with the Contract Procedure Rules as detailed in the Constitution 2. Following receipt and recording of quotations/tenders, an official order is placed via Marketplace 3. Operational Risk Register reviewed 			We are satisfied that reliance can be placed on the key controls as described.
Non-core System	Concessionary Transport	4	0	<ol style="list-style-type: none"> 1. Invoices are raised promptly in respect of the hiring of minibuses 2. Payments for social car mileage payments are recorded and accurate 3. Payments in respect of concessionary transport are approved by an authorised signatory 4. Official receipts are issued for all payments received by the minibus drivers 5. Operational Risk Register reviewed 			We are satisfied that reliance can be placed on the key controls as described.
Corporate	Mi-Community	7	0	<ol style="list-style-type: none"> 1. Review of the processes for applications under the scheme ensuring they have been examined using set criteria 2. Application forms are completed in all cases 3. Applications reviewed by the appropriate officers 4. Approval of the grant applications by the correct officers 5. Approval of the grants by the Mi-Community Working Group 6. Legal agreements signed by the applicant and the council 7. Grant money paid directly to the name stated on the application 			We are satisfied that reliance can be placed on the key controls as described.

				<div>8. When approved appropriate review processes in place to ensure that grant money is spent in accordance with the legal agreement</div> <div>9. Operational Risk Register reviewed</div>						
Non-core System	Mileage Claims	5	0	<div>1. All mileage claims are reasonable and authorised</div> <div>2. All leased car drivers hold current, valid driving licences</div> <div>3. All vehicles used to claim business mileage are insured for business use</div> <div>4. Mileage claims are paid at NJC Car Allowances or the locally agreed leased car rate; as applicable</div> <div>5. Operational risk register reviewed</div>			We are satisfied that reliance can be placed on the key controls as described.			
Non-core System	Members Allowances	6	0	<div>1. To ensure Members mileage claims, car parking and train travel are correct</div> <div>2. Expenses are claimed only in respect of approved duties</div> <div>3. Claims are authorised and paid correctly</div>			We are satisfied that reliance can be placed on the key controls as described.			
Non-core System	Fees and Charges	3	0	<div>1. The fees and charges schedule is approved annually by Council</div> <div>2. Service Unit Managers review charges annually for appropriate prior to submitting to Accountancy for inclusion in the Schedule</div> <div>3. Fees and Charges are correctly applied to customer accounts</div> <div>4. Costs to internal customers are correctly recharged to the relevant service units</div>			We are satisfied that reliance can be placed on the key controls as described.			
Core System	Creditors	7	<table><tr><td></td><td>2</td><td></td></tr></table>		2		<div>1. Only authorised staff may commit the organisation to expenditure</div> <div>2. Invoices are processed only when the goods or services have been received and at the correct amount</div> <div>3. All expenditure incurred is accurately and correctly</div>			We are satisfied that reliance can be placed on the key controls following implementation of the recommendations agreed in the
	2									

				recorded 4. There is adequate segregation in the ordering, receiving and payment functions 5. Fraud & Corruption checklist 6. Information Technology management 7. Operational risk register reviewed			Action Plan.			
Core System	Treasury Management	2	0	1. Investments are made only in accordance with the approved policy and limits 2. All investment income due and the repayment of principal is properly accounted for 3. Investments are properly recorded 4. Fraud & Corruption checklist 5. Information security management 6. Operational Risk Register reviewed			We are satisfied that reliance can be placed on the key controls as described.			
Core System	Main Accounting	5	0	1. All direct journal inputs to the general ledger are complete, accurate and properly authorised 2. Transactions posted from feeder systems are complete and accurate 3. Unrecognised account codes or suspense balances are reviewed and cleared on a timely basis 4. Information security management 5. Operational Risk Register reviewed			We are satisfied that reliance can be placed on the key controls as described.			
Operational	Markets	3	<table><tr><td></td><td>1</td><td></td></tr></table>		1		Braintree market (Saturday), Witham market (Saturday) and Braintree market (Wednesday) 1. that all market traders were able to provide an official receipt issued by the Market Superintendent 2. That the carbon copies of the receipts agree to those issued to the traders 3. The footage of the stall measured agrees to the			We are satisfied that reliance can be placed on the key controls following implementation of the recommendation agreed in the Action Plan.
	1									

				records maintained by the Market Superintendent 4. The amount banked agrees to the total of receipts for that particular day 5. Operational Risk Register reviewed			
--	--	--	--	--	--	--	--

H=High A significant weakness which if not addressed, has the potential to undermine the financial and operational management due to risk of serious error, irregularity or inefficiency.

M=Medium Where improvements in control are needed to further reduce the risk of undetected errors or irregularities occurring.

L=Low To strengthen the overall control environment by building upon existing controls in place or to improve to comply with best practice guidance.

Reportable Recommendations - Update

Area of review	Reported recommendations	Status
Performance Indicators and Data Quality	Monitor completion of compulsory Vision training modules by newly appointed officers.	Awaiting decision on future of software provision
	Implement a routine of sample checking PIs published in the Annual Plan, and where poor quality data is identified agree a means of addressing with the relevant manager.	Completed
Fleet Management	Put in place an effective means of monitoring the rectification of vehicle defects.	Revised date January 2017
	Perform random checks on PIs as reported by RTR to ensure accurate reporting	Revised date January 2017
	Clarify responsibilities of notification of replacement vehicle details to Fleet and encourage proactivity of officers to help to ensure all vehicles are promptly insured.	Completed
	Review documents held within Fleet and on Fleet Management 's' drive and put in place an efficient filing system, deleting obsolete documents and information to enable an effective management and monitoring system. This applies to both manual and electronic files.	Revised date January 2017
Commercial Properties	Ensure corporate credit checks are completed for all potential tenants	Implemented
	Include Other Income to the circulation list for all rent reviews, new tenants, assignments etc	Implemented
Sundry Debtors	Ensure that the correct price is charged for the hire of amenity vehicles and ensure previously raised invoices are corrected	Completed
Refuse Collection	Ensure new customers sign and return their Trade Waste Agreement	Implemented
	Reconcile 2 nd Green Bin records between Siebel and Echo to ensure correct invoicing	Completed

There we no RIPA applications submitted for this period.

Annual Audit Letter 2015/2016		Agenda No:8
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Ernst Young, External Auditor	
Report prepared by:	Ernst Young, External Auditor	
Background Papers:	Public Report	
Annual Audit Letter 2015/2016	Key Decision: No	
Executive Summary:		
<p>The purpose of the Annual Audit Letter is to communicate the key issues arising from the work carried out by Ernst & Young, the Council's external auditors, during the financial year 2015/2016. A copy of the letter is attached at appendix A.</p> <p>The key areas covered within the letter are:</p> <ul style="list-style-type: none">• Statement of Accounts – an unqualified true and fair opinion was issued on the 2015/2016 financial statements.• Value for Money – an unqualified value for money opinion was issued as the auditor was satisfied, in all significant matters, that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.• Satisfied that the Annual Governance Statement is not inconsistent or misleading with other information that the external auditor was aware of from their audit of the financial statements.		
Recommended Decision:		
To receive and accept the Annual Audit Letter for 2015/2016 from Ernst & Young.		
Purpose of Decision:		
For Members to receive the Annual Audit Letter for 2015/2016.		

Any Corporate implications in relation to the following should be explained in detail.

Financial:	None
Legal:	A positive report from the external auditor regarding the work carried out for 2015/2016 confirming an unqualified opinion on the Council's Accounts for 2015/2016 and determining that arrangements are in place to achieve value for money.
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	None
Officer Contact:	Lesley Day
Designation:	Audit, Insurance & Fraud Manager
Ext. No:	2821
E-mail:	lesley.day@braintree.gov.uk

Braintree District Council

Annual Audit Letter for the year ended 31 March 2016

October 2016

Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies 2015-16". It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

A hand with white nail polish is holding a blue and silver pen, writing on a document. In the background, there is a white mug on the left, a calculator in the center, and a laptop on the right. The scene is set on a desk with papers and a window with blinds in the background.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Braintree District Council (the Council) following completion of our audit procedures for the year ended 31 March 2016.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources
<hr/>	
Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 14 September 2016
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 28 September 2016

In December 2016 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Kevin Suter

Executive Director
For and on behalf of Ernst & Young LLP

Purpose



Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2015/16 Audit Results Report to the 28 September 2016 Governance Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.



Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2015/16 audit work has been undertaken in accordance with the Audit Plan that we issued on 23 March 2016 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2015/16 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The background of the slide is a blurred photograph of a desk. On the desk, there is a laptop displaying a financial chart, several glasses of water, and some papers with financial data and charts. The scene is brightly lit, suggesting a window in the background.

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 28 September 2016.

Our detailed findings were reported to the 28 September 2016 Governance Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation.</p> <p>We considered the following accounting estimates on property, plant and equipment, and pensions liabilities to be the most significant in your accounts. We considered the estimates and the key judgements made to be reasonable.</p> <p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business</p>
<p>Revenue and expenditure recognition</p> <p>Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated</p>	<p>Our testing has not revealed any material misstatements with respect to revenue and expenditure recognition.</p>

due to improper recognition or manipulation.

We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end.

For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Overall our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Council's financial position.

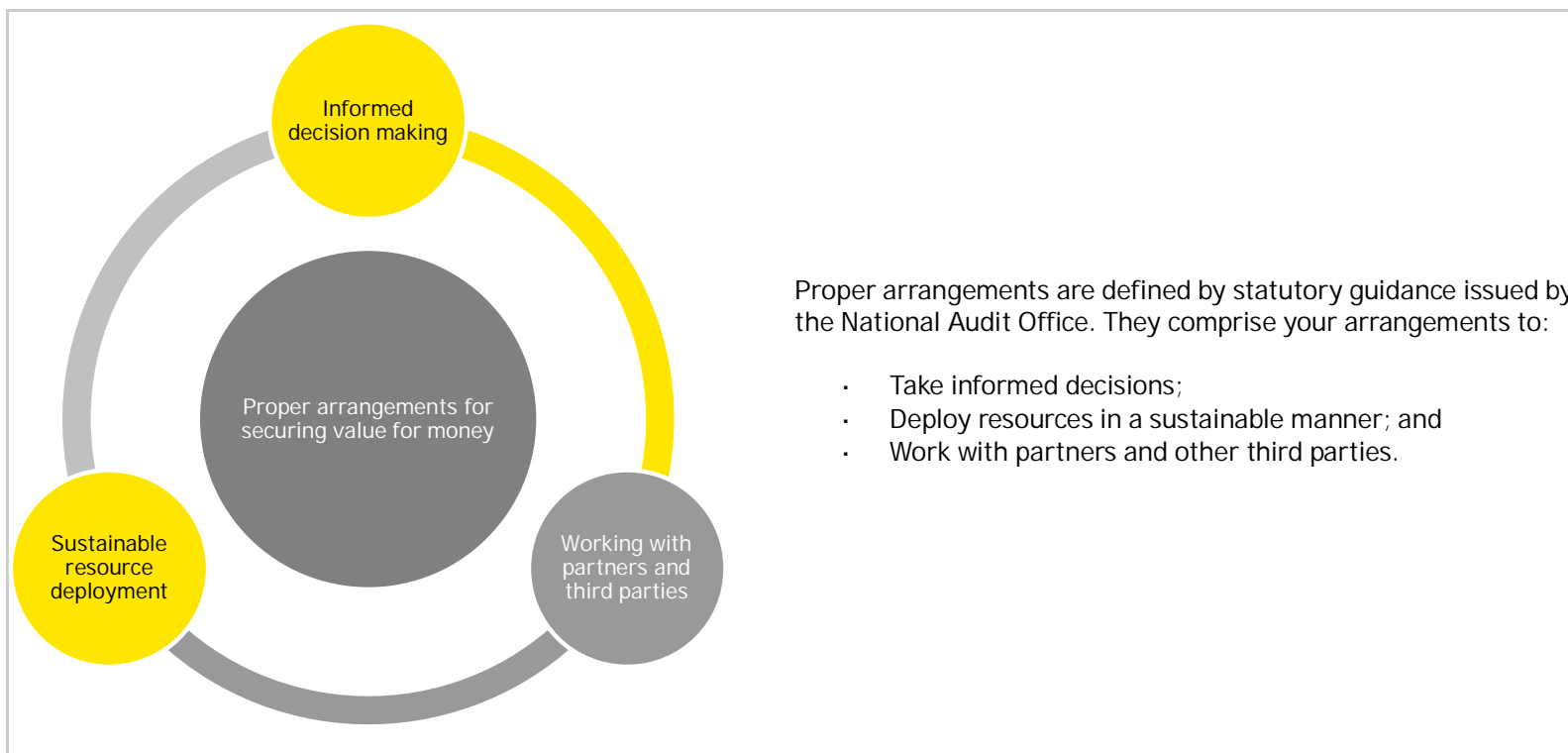
Our testing of income and expenditure found that it was appropriately classified, and our cut-off testing established it was recorded in the correct year.

Our testing did not identify any expenditure which had been inappropriately capitalised.

Value for Money

Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.



We issued an unqualified value for money conclusion on 28 September 2016.

Our audit planning did not identify any significant risks in relation to these criteria, and the completion of our audit did not identify any significant matters in relation to the Council's arrangements.



Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2015/16 financial statements from member of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Governance Committee on 28 September 2016. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

A close-up, shallow depth-of-field photograph of a person's hands holding binoculars. The person's face is blurred in the background, focusing attention on the binoculars and the text overlay. A bright yellow rectangular box is positioned on the left side of the image, partially overlapping the binoculars.

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Area	Issue	Impact
EU referendum	<p>Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. For entities in the public sector, there is likely to be an impact on investment property valuations if confidence in the wider UK property market falls; and the valuation of defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact of these issues, but there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.</p>	<p>Many of the issues and challenges that face the UK public sector will continue to exist, not least because continued pressure on public finances will need responding to. Additionally it may well be that the challenges are increased if the expected economic impacts of the referendum and loss of EU grants outweigh the benefits of not having to contribute to the EU and require even more innovative solutions.</p> <p>We are committed to supporting our clients through this period, and help identify the opportunities that will also arise. We will engage with you on the concerns and questions you may have, provide our insight at key points along the path, and provide any papers and analysis of the impact of the referendum on the Government and Public Sector market.</p>

Appendix A

Audit Fees

Appendix A Audit Fees

Our fee for 2015/16 is in line with the scale fee set by the PSAA and reported in our 2015/16 annual fee letter.

Description	Final Fee 2015/16 £	Planned Fee 2015/16 £	Scale Fee 2015/16 £
Total Audit Fee – Code work	59,756	59,756	59,756
Total Audit Fee – Certification of claims and returns	13,728	13,728	13,728

Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA. Our actual fee will be determined on completion of the Housing Benefit subsidy claim, due by 30 November 2016.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

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ED None

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Certification of Claims and Returns Annual Report 2015-16		Agenda No:9
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Ernst Young, External Auditors	
Report prepared by:	Ernst Young, External Auditors	
Background Papers:		Public Report
Certification of claims and returns annual report 2015-16		Key Decision: No
Executive Summary:		
<p>The purpose of the Certification of claims and returns annual report 2015/2016 is to summarise the results of the work carried out by Ernst & Young, the Council's external auditors, on the Housing Benefit Subsidy Claim. A copy of the report is attached at appendix A.</p> <p>From 1st April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.</p> <p>For 2015/2016 these arrangements required only the certification of the housing benefits subsidy claim. In undertaking this work, Ernst Young followed a methodology determined by the Department for Work and Pensions but did not undertake an audit of the claim.</p> <p>Although the Auditors issued a qualification letter in relation to the housing benefit claim detailing a number of issues, the amendments had a marginal effect on the grant due, increasing subsidy due to the Council of £778.</p> <p>The actual certification fees for 2015/2016 was £13,728. The Council's indicative certification fee for 2016/2017 is £13,778 which was prescribed by PSAA in March 2016.</p>		
Recommended Decision: To receive the Certification of claims and returns annual report for 2015/2016.		
Purpose of Decision: For Members to receive the Certification of claims and returns annual report for 2015/2016		

Any Corporate implications in relation to the following should be explained in detail.

Financial:	None
Legal:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	None
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Draft Treasury Management Strategy Statement 2017/18		Agenda No:10
Portfolio	Finance and Performance	
Corporate Priority:	Providing value for money	
Report presented by:	Phil Myers, Financial Services Manager	
Report prepared by:	Phil Myers, Financial Services Manager	
Background Papers: None		Public Report
		Key Decision: No
Executive Summary:		
<p>The Council has adopted the Chartered Institute of Public Finance and Accountancy's <i>Treasury Management in the Public Services: Code of Practice</i> (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.</p> <p>The CIPFA <i>Prudential Code for Capital Finance in Local Authorities</i> (the Prudential Code) requires the Council to ensure that its capital investment plans are affordable, prudent, and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code requires that a number of indicators are approved by the Council and monitored each year.</p> <p>In addition, the Department for Communities and Local Government (CLG) has previously issued <i>Guidance on Local Council Investments</i> that requires the Council to approve an investment strategy before the start of each financial year, and <i>Guidance on Minimum Revenue Provision</i> (MRP) which requires the Council to approve an annual MRP statement setting out its policy on the methodologies adopted for making provision for the repayment of debt.</p> <p>The Treasury Management Strategy Statement (TMSS) seeks to fulfil the Council's legal obligation under the <i>Local Government Act 2003</i> to have regard to both the CIPFA Codes and the CLG Guidance. This report encompasses the draft TMSS for 2017/18, to be used as the basis for scrutiny of its contents by the Committee. At this stage the draft TMSS contains a number of financial indicators which are provisional and will need to be updated in line with the final capital and revenue budget proposals and Medium Term Financial Strategy that will be considered by Full Council at its meeting on 22 February 2017. Whilst it is expected that changes will be necessary to the financial metrics these are unlikely to result in a change in</p>		

the overall borrowing and investment strategies and the approach to managing the inherent treasury risks.

At this stage the potential financing implications of the proposed North Essex Garden Communities as set out in a report to Full Council on 12 December 2016, have not been reflected in the TMSS. Any future changes required to the TMSS will be based on decisions yet to be taken by Full Council.

The TMSS is set within an external context of UK and global economic conditions and regulatory changes that drive both interest rate expectations and the general credit outlook. The Council's treasury advisor, Arlingclose, is forecasting a central case for the UK Bank Rate to remain at 0.25% during 2017/18 and beyond. Bail-in legislation means that credit risk associated with making unsecured bank deposits has increased relative to the risk of other investment options available to the Council, although this does not appear to be adequately reflected in the returns from cash deposits. The TMSS contains a more detailed economic and interest rate forecast set out in **Appendix A**.

Based on the Council's proposed capital programme, including the District Investment Strategy (DIS), forecasts have been developed of the Council's future borrowings and investment balances. These show an expected increase in internal borrowing for 2016/17 due to a switch in the financing method for replacement refuse freighters leading to a saving of around £50,000 per annum over 7 years. External borrowing is projected to increase in 2018/19 and 2019/20 as part of the funding mix associated with the DIS – an alternative would be to increase internal borrowing which may be more cost effective in the short-term; however, this may also require a reduction in the amount held in Pooled Funds. The projected increase in borrowing means that the cost of financing would over the medium term switch from a net credit to small net cost, as the financing of the DIS takes effect; however, offsetting this will be an expected increase in income from property rentals.

The Council's primary objectives for investment of cash balances are security, liquidity and then yield. In the low interest rate environment coupled with a changing regulatory framework, diversification and lengthening the investment horizon has been the Council's response to these changes over recent years and this remains a key element of the strategy going forward. The Council currently has £14million invested in five Pooled Funds (four equity funds and a property fund) as medium to long term investments, with capacity within the limits set to add a further £1million. Whilst these Funds can display some volatility over market valuation they also continue to provide additional up lift in yield (circa 5% p.a.).

In the event of a default (or assessed likelihood of default) on investments it is the Council's revenue reserves which must absorb any financial loss. Over the medium term these are forecast to be around £16million. The TMSS provides for a maximum limit of £5 million being lent to any one group, or individual financial institution (including money market funds and other pooled funds) which represents around 30% of the forecast level of revenue reserves.

<p>The budget for investment income in 2017/18 is £773,000 (including £700,000 of estimated dividend income to be received from Pooled Fund investments). The budget for debt interest to be paid in 2017/18 is £282,000, with a further £142,000 estimated interest payable within the annual rental payment made on finance leases. The budget is also required to reflect any Minimum Revenue Payment (MRP) required under the Council's MRP policy which is estimated at £719,020 in 2017/18.</p>
<p>Decision: The Committee is asked to:</p> <ol style="list-style-type: none"> 1. Review the draft Treasury Management Strategy Statement; and 2. To consider whether the Committee would like to propose any amendment or provide comments or observations which the Cabinet Member for Finance and Performance can take into account when presenting the final Treasury Management Strategy Statement to Cabinet and Full Council.
<p>Purpose of Decision:</p> <p>The Council's Constitution requires that prior to consideration by Cabinet and Full Council, the draft Treasury Management Strategy Statement is reviewed and scrutinised by the Governance Committee.</p>

Any Corporate implications in relation to the following should be explained in detail	
Financial:	The financial implications of the treasury management activities are set out in the tables and indicators contained in the TMSS.
Legal:	The Treasury Management Strategy Statement (TMSS) fulfils the Council's legal obligation under the <i>Local Government Act 2003</i> to have regard to the guidance issued by the Chartered Institute of Public Finance and Accountancy and the Department for Communities and Local Government.
Safeguarding	None
Equalities/Diversity	None
Customer Impact:	None direct but the outcomes of the treasury management activities impact on the Council's financial resources to meet its priorities and service objectives.
Environment and Climate Change:	None
Consultation/Community Engagement:	Consultation on the TMSS is via the Governance Committee prior to its consideration by Cabinet and Full Council.
Risks:	<p>The TMSS seeks to set a framework to manage the inherent risks around treasury management activities, which effectively comprise:</p> <ul style="list-style-type: none"> * Security – ensuring investments are repaid and minimising the potential for loss through diversification. * Liquidity – ensuring that cash is available for both capital and revenue purposes when required, and where borrowing is considered this is done on a basis that is prudent, sustainable, and affordable. * Interest rate – limiting exposure to fixed and variable interest rates, and refinancing risks of both debt and maturing investments.
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Treasury Management Strategy Statement 2017/18

1. Introduction

- 1.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.
- 1.2. The CIPFA *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) requires the Council to ensure that its capital investment plans are affordable, prudent, and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code requires that a number of indicators are approved by the Council and monitored each year.
- 1.3. In addition, the Department for Communities and Local Government (CLG) has previously issued *Guidance on Local Council Investments* that requires the Council to approve an investment strategy before the start of each financial year, and *Guidance on Minimum Revenue Provision* (MRP) which requires the Council to approve an annual MRP statement setting out its policy on the methodologies adopted for making provision for the repayment of debt.
- 1.4. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Codes and the CLG Guidance.
- 1.5. Through its treasury management activities the Council is exposed to a range of financial risks and the successful identification, monitoring and control of these risks are therefore central to the Council's treasury management strategy.
- 1.6. This TMSS is based on plans set out in the Council's *Budget and Council Tax 2017/18 and Medium-Term Financial Strategy 2017/18 to 2020/21*. At this stage the potential financing implications of the proposed North Essex Garden Communities as set out in a report to Full Council on 12 December 2016, have not been reflected in the TMSS. Any future changes required to the TMSS will be based on decisions yet to be taken by Full Council.

2. External Context

- 2.1. **Economic background:** The major external influence on the Council's treasury management strategy for 2017/18 will be the UK's progress in negotiating a smooth exit from the European Union. Financial markets, wrong-footed by the referendum outcome, have since been weighed down by uncertainty over whether leaving the Union also means leaving the single

- market. Negotiations are expected to start once the UK formally triggers exit in early 2017 and last for at least two years. Uncertainty over the future economic prospects will therefore remain throughout 2017/18.
- 2.2. The fall and continuing weakness in sterling and the near doubling in the price of oil in 2016 have combined to drive inflation expectations higher. The Bank of England is forecasting that Consumer Price Inflation will breach its 2% target in 2017, the first time since late 2013, but the Bank is expected to look through inflation overshoots over the course of 2017 when setting interest rates so as to avoid derailing the economy.
- 2.3. Initial post-referendum economic data showed that the feared collapse in business and consumer confidence had not immediately led to lower GDP growth. However, the prospect of leaving the single market has dented business confidence and resulted in a delay in new business investment and, unless counteracted by higher public spending or retail sales, will weaken economic growth in 2017/18.
- 2.4. Looking overseas, with the US economy and its labour market showing steady improvement, the market has priced in a high probability of the Federal Reserve increasing interest rates in December 2016. The Eurozone meanwhile has continued to struggle with very low inflation and lack of momentum in growth, and the European Central Bank has left the door open for further quantitative easing.
- 2.5. The impact of political risk on financial markets remains significant over the next year. With challenges such as immigration, the rise of populist, anti-establishment parties and negative interest rates resulting in savers being paid nothing for their frugal efforts or even penalised for them, the outcomes of Italy's referendum on its constitution (December 2016), the French presidential and general elections (April – June 2017) and the German federal elections (August – October 2017) have the potential for upsets.
- 2.6. **Credit outlook:** Markets have expressed concern over the financial viability of a number of European banks recently. Sluggish economies and continuing fines for pre-crisis behaviour have weighed on bank profits, and any future slowdown will exacerbate concerns in this regard.
- 2.7. Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council despite returns from cash deposits continuing to fall.
- 2.8. **Interest rate forecast:** The Council's treasury adviser, Arlingclose, is forecasting a central case for the UK Bank Rate to remain at 0.25% during

2017/18. The Bank of England has, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further falls in the Bank Rate look less likely. Negative Bank Rate is currently perceived by some policymakers to be counterproductive but, although a low probability, cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of concerns over leaving the European Union.

2.9. Gilt yields have risen sharply, but remain at low levels. The central forecast by Arlingclose is for yields to decline when the government triggers Article 50. Long-term economic fundamentals remain weak, and the quantitative easing (QE) stimulus provided by central banks globally has only delayed the fallout from the build-up of public and private sector debt. The Bank of England has defended QE as a monetary policy tool, and further QE in support of the UK economy in 2017/18 remains a distinct possibility, to keep long-term interest rates low.

2.10. A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Appendix A**.

3. **Local Context**

3.1. At 31 March 2016, the Council had £10.526million of borrowing and other long-term liabilities, and £36.167million of investments (including cash and cash equivalents). This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31-Mar-16 Actual £m	31-Mar-17 Forecast £m	31-Mar-18 Forecast £m	31-Mar-19 Forecast £m	31-Mar-20 Forecast £m	31-Mar-21 Forecast £m
CFR	8.428	9.472	8.738	11.989	19.786	19.172
Less other long-term liabilities *	-4.526	-4.201	-3.861	-2.506	-2.198	-1.979
Borrowing CFR	3.902	5.271	4.877	9.483	17.588	17.193
External borrowing	-6.000	-6.000	-6.000	-10.000	-18.500	-18.500
Borrowing in excess of CFR	-2.098	-0.729	-1.123	-0.517	-0.912	-1.307
Usable reserves	-30.782	-32.035	-25.337	-23.167	-23.593	-22.991
Working capital	-3.286	-3.300	-3.535	-3.853	-4.372	-4.690
Investments	36.166	36.064	29.995	27.537	28.877	28.988

3.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.

3.3. The Borrowing CFR reflects the amount of capital expenditure incurred which has not been financed from capital receipts or other resources and, therefore, is an indicator of the level of borrowing required for capital purposes. The table above shows that actual borrowing is greater than the Borrowing CFR; however this difference has reduced over recent years as the Council has implemented a number of “invest to save” property acquisitions and other similar projects which has utilised cash balances held as a result of legacy borrowing.

4. **Capital Expenditure and Borrowing Strategy**

4.1. The Council’s planned capital expenditure and financing plans are set out in the table below with further detail provided in the draft capital programme section of report on the *Council Budget and Council Tax 2017/18 and Medium-Term Financial Strategy 2017/18 to 2020/21*.

Table 2: Capital Expenditure and Financing Plans

	2016/17 Latest £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m
Capital Programme	5.489	4.771	2.337	1.662	1.661
District Investment Strategy (DIS):					
Committed schemes	1.986	1.438	5.339	5.816	0.000
Pipeline schemes	1.321	5.410	5.260	4.290	1.250
Sub-total DIS	3.307	6.848	10.599	10.106	1.250
Total Expenditure	8.796	11.619	12.936	11.768	2.911
Funded by:					
Capital Receipts	(2.863)	(3.973)	(4.919)	(1.988)	(2.493)
District Investment Strategy Reserve	(2.659)	(6.648)	(1.599)	(0.862)	0.000
Better Care Funding	(0.730)	(0.418)	(0.418)	(0.418)	(0.418)
Growth Area Funding	(0.178)	(0.405)	0.000	0.000	0.000
Third Party Contributions	(0.117)	(0.175)	0.000	0.000	0.000
New Homes Bonus	(0.078)	0.000	0.000	0.000	0.000
Revenue & Reserves	(0.628)	0.000	0.000	0.000	0.000
Total Finance	(7.253)	(11.619)	(6.936)	(3.268)	(2.911)
Change in CFR	1.543	0.000	6.000	8.500	0.000

4.2. Table 2 shows the Council’s capital expenditure plans for the current year and forecasts for the next four years and how this is currently proposed to be financed. Expenditure is analysed between the core capital programme and district investment strategy, the latter being further sub-divided between

schemes that have received approval to proceed and those which are pipeline schemes pending further detailed consideration.

4.3. In 2016/17 expenditure is expected to exceed the financing set aside by £1.543million. This reflects a switch in the method of financing the cost of replacement refuse freighters from using finance leases (via the Riverside Truck Rental contract) to internal borrowing i.e. using the Council's cash balances currently held on deposit with banks. This change in financing results in an expected saving of around £50,000 per annum over 7 years. There is also a forecast increase in the CFR of £14.5million over the period 2018/19 and 2019/20, which is a result of the District Investment Strategy (DIS) approved by Cabinet in May 2016. The DIS is aimed at supporting the Council's strategic growth ambitions for the district through a number of infrastructure and economic projects. The DIS was approved on the basis of utilising a mixture of Council funding from balances and New Homes Bonus, as well as new borrowing. Certain projects are also expected to leverage in funding from other partners. The TMSS is drafted on the assumption that changes in CFR as a result of the DIS will be matched by an increase in borrowing; however, the source of this borrowing will be kept under review as opportunity may exist to meet this in the short-term from internal borrowing from cash balances which could be more cost effective than taking on new external debt.

4.4. The following tables set out the Prudential Indicators required to support the Council's view that its current capital expenditure plans are affordable and sustainable in terms of their impact on the revenue account and Council Tax:

Table 3: Ratio of Financing Costs to Net Revenue Stream

	2016/17 Latest	2017/18 Forecast	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast
Ratio	-2.10%	-2.55%	-2.02%	-0.39%	0.44%

4.5. The above ratio identifies the trend in net financing cost (i.e. the cost of borrowing and other long term liabilities, less interest and dividend income from investments) against the Council's budget (or net revenue stream). The estimates of net financing costs include current commitments as well as potential new borrowing associated with the DIS. The table shows that whilst currently investment income more than offsets the cost of borrowing, this position will reduce over the medium term switching to a small net cost by 2020/21. This is based on the assumption that new external borrowing is drawn for the DIS. However, the above table does not take into account the revenue impact that some of the DIS projects will have in terms of generating net rental income to the Council.

4.6. Table 4 shows the incremental impact of potential capital investment on Council Tax. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and

the budget requirement arising from the proposed capital programme (i.e. the impact of new schemes added to the capital programme including those within the DIS).

Table 4: Incremental Impact of Capital Expenditure Plans on Council Tax

	Proposed Budget 2017/18	Forward Projection 2018/19	Forward Projection 2019/20	Forward Projection 2020/21
Incremental Impact	-£122,000	-£155,000	-£2,000	-£38,000
Band D Equivalent	-£2.39	-£2.99	-£0.03	-£0.71

4.7. The incremental impact on Council Tax takes account of any direct revenue costs that the capital projects might incur along with the opportunity cost of funding i.e. the reduction in interest income that would otherwise be obtained from investment; offset by any savings or additional income that the proposed capital projects are expected to generate.

4.8. The figures in Table 4 show a positive impact from the capital investment plans in terms of impact on council taxpayers. This benefit reduces in 2019/20 before increasing the following year, which recognises that with some of the projects under the DIS there is likely to be some delay between the need to finance capital expenditure and completion of projects to a point where the Council starts to receive an income stream.

4.9. The Council currently holds £6 million of loans. The balance sheet forecast in Table 1 and capital expenditure plans in Table 2 shows that borrowing is currently projected to increase to £10million by 31 March 2019, increasing to £18.5million thereafter based on the current expectations for the DIS and subject to decisions around the source of borrowing, i.e. internal or external.

4.10. The Council's current borrowing is in the form of two £3 million LOBO (Lender's Option Borrower's Option) type loans where the lender has the option to propose an increase in the interest rate at set intervals that, if exercised, means the Council has the option to either accept the new rate or to repay the loan at no additional cost. The loan agreements provide for these options at six monthly intervals (March and September) providing a potential refinancing risk; however, in the current low interest rate environment it is unlikely that the lender will exercise their option. In certain circumstances the Council may be able to negotiate premature redemption terms with the lender. The Council, in conjunction with Arlingclose continues to keep this option under review but will only proceed where any exit penalty is considered fair value and leads to an overall cost saving or a reduction in risk.

4.11. The Council is required to approve limits on borrowing activity by setting two indicators:

The Authorised Limit – this is the maximum (statutory) level of external borrowing determined by the Council. A total limit of £25 million will apply for 2017/18 and each subsequent year covered by the latest Medium Term Financial Strategy (MTFS), comprising both borrowing and other long-term liabilities.

The Operational Boundary – this is the probable level of external debt during the course of a year. Actual external debt could vary above or below this boundary for short periods; therefore, it is used as a means of monitoring debt to ensure that the authorised limit is not breached. The boundary is set by reference to the estimates of capital expenditure, the Capital Financing Requirement, and cash flow requirements. An overall limit of £11million will apply for 2017/18 and 2018/19, increasing to £21million for 2019/20 and 2020/21.

5. Annual Minimum Revenue Provision Policy 2017/18

5.1. Where a local authority has financed capital expenditure by debt, it is required to consider what revenue resources need to be set aside to repay that debt in later years. The amount charged to the revenue budget (and hence against Council Tax) is referred to as Minimum Revenue Provision (or MRP) and it is this requirement that ensures borrowing is affordable and sustainable.

5.2. Statutory guidance issued by CLG requires that the Council sets an annual policy with regards to the basis on which MRP is determined. The broad aim of the Guidance is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits (or where borrowing is supported by Government funding, MRP is aligned with the period over which grant will be received). There are different methodologies for calculating MRP depending upon the circumstances and it is for each Council, in conjunction with its external auditor, to determine what MRP is prudent to make. Taking into account the CLG Guidance the following methods of providing MRP are those that will be applied by this Council:

Regulatory method – this applies Regulations to any pre-2008 capital expenditure. As the Council's CFR on pre-2008 expenditure is negative there is no requirement for MRP to be made on this past expenditure (i.e. effectively the Council has over provided for past debt).

Asset life method – this is for new unsupported borrowing. MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments (or where appropriate on an annuity basis calculated using an annual interest rate equivalent to any related loan). MRP on purchases of freehold land will be charged over a maximum of 50 years. MRP on expenditure not related to fixed assets but which has been capitalised

by regulation or direction will be charged over a maximum of 20 years. The Council may calculate MRP on a period shorter than the expected life of an asset where it is acquiring assets on an “invest to save” basis or other investment type arrangement and is seeking a financial return over a defined period.

Lease life method – this is for assets acquired using finance lease arrangements. MRP will match the portion of the annual lease payment used to write-down the lease liability.

Capital loans and advances – where capital loans/ advances are made to other bodies and there remains an expectation that the sums advanced are to be repaid through either a formal loan repayment agreement or a planned future sale of an asset then no MRP will be charged. Such arrangements will be kept under review and MRP may be charged where doubt is raised over repayment of all or part of the sum advanced.

5.3. Based on the Council’s latest estimates of its CFR on 31 March 2017, the budget for MRP has been set as follows:

Table 5: Budget for MRP 2017/18

	31-Mar-17 Est. CFR £m	2017/18 Est. MRP £
Capital Expenditure before 01-04-2008	-1.904	-
Unsupported Capital Expenditure after 31-03-2008	6.175	379,340
Finance Leases	3.201	339,680
Loans to Other Bodies	2.000	-
Total	9.472	719,020

6. Investment Strategy

6.1. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Over the medium-long-term it can be assumed that provided the Council realises the savings required in its Medium Term Financial Strategy, then revenue income and expenditure will balance each other out. This means that the key drivers of future cash balances are changes in: capital and revenue reserves; working capital (i.e. amounts owed by and to the Council); and unfinanced capital expenditure (i.e. internal borrowing).

6.2. In 2015/16 the average sum invested across the year was £46million and peaked at just over £55million. In the current year the estimated average invested is currently around £53million with a peak of £60million. Looking forward, and based on the projected capital investment plans set out in Table 2 above, it is projected that the average balance for investment purposes will

reduce to £45million in 2017/18 and drop in the subsequent three years to around £39million per annum. These balances are based on the assumption that new borrowing is incurred to support the DIS, whereas if internal borrowing is used instead the average investment balance for the three years commencing 2018/19 will reduce to around £29million, with an estimated closing balance at 31 March 2021 of circa £16million.

6.2. Objectives: Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

6.3. Strategy: Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council has diversified into more secure and/or higher yielding asset classes a strategy which will be maintained in 2017/18 and into future years.

6.4. Approved Counterparties: The Council may invest its surplus funds with any of the counterparty types shown in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Table 6: Approved Investment Counterparties and Limits

Credit Rating	Financial Institutions: Unsecured	Financial Institutions/ Securities: Secured	Government/ Local Authorities	Registered Providers e.g. Housing Associations
UK Govt./ Local Authorities			Unlimited	
A or higher	£3m 13 months	£5m 5 years		£5m 5 years
A-	£3m 6 months	£4m 2 years		
BBB+	£2m 100 days	£3m 6mths		
Unrated Building Societies	£1m 6 months			
MMFs & Pooled Funds	£5m per fund			

This table must be read in conjunction with the notes below

6.5. Credit Rating: Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

6.6. Financial Institution Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of

credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

6.7. Financial Institution Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one financial institution will not exceed the cash limit for secured investments.

6.8. UK Government/ local authorities: Loans, bonds and bills issued or guaranteed by the UK Government or local authorities. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Deposits will be placed with the Debt Management Office where insufficient other counterparties are available and/ or for short-term cash flow purposes.

6.9. Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, retain a high likelihood of receiving government support if needed.

6.10. Money Market Funds (MMF) and Pooled Funds: Shares in diversified investment vehicles consisting of different investment instruments, including equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Pooled Funds whose value changes with market prices and/or have a notice period will be used for longer investment periods. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

6.11. Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and

- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn at short notice will be made with that organisation until the outcome of the review is announced. This policy will not apply to “negative outlooks”, which indicate a long-term direction of travel rather than an imminent change of rating.

6.12. Other Information on the Security of Investments: Regard will be given to other available information on the credit quality of organisations in which the Council invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

6.13. Specified Investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local Council, parish council or community council, or
 - a body or investment scheme of “high credit quality”.

The Council defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

6.14. Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor currently any that are defined as capital expenditure by legislation, such as acquisition of company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are contractually due to mature 12 months or longer from the date of arrangement; or investments with bodies and schemes not meeting the Council’s definition of high credit quality. Limits on non-specified investments are shown in the table below.

Table 7: Non-Specified Investment Limits

	Cash limit
Long-term investments	£10m
Investments without credit ratings or rated below the Council’s definition of high credit quality – including Pooled Funds	£15m
Total Non-Specified Investments	£25m

6.15. Investment Limits: The Council’s revenue reserves available to cover investment losses are forecast to average around £16million over the medium-term. On this basis the maximum that will be lent to any one organisation (other than the UK Government or other local authority) in accordance with Table 6 will represent around 30% of these reserves. A group of banks under the same ownership will be treated as a single organisation for the purpose of these limits. In addition to any sums held in accordance with the limits the Council may hold balances with Lloyds Bank Plc (Lloyds) for day-to-day banking activities. These sums will normally be no more than £1.5million, however, for practical purposes sums maybe higher for short periods to meet impending cash flow requirements. Limits also exclude the deposit with Lloyds held as a cash-backed indemnity for the Braintree Local Authority Mortgage Scheme.

6.16. Liquidity Management: The Council prepares a summarised cash flow forecast linked to its medium term financial strategy to determine the maximum period for which funds can prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to these forecasts. A detailed in-year cash flow statement is maintained to manage short-term liquidity requirements.

7. Treasury Management Indicators

7.1. The Council measures and manages its exposures to treasury management risks using the following indicators.

7.2. **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk and applies for 2017/18 and the subsequent three financial years. In determining the limits the following local circumstances have been taken into account:

7.3. The Council's outstanding borrowing is subject to six monthly call options when the interest rate could be varied; consequently this debt is treated as being at variable rate. The interest rate on lease finance and other long-term liabilities is set at the time of entering into the arrangement and therefore these are deemed fixed rate.

7.4. Investments are treated as variable where the period to maturity of an investment is up to 364 days, or have no set maturity date e.g. money market funds and pooled funds. Investments with a known maturity date greater than 364 days will be deemed fixed.

7.5. The following limits shall apply:

- The upper limit on exposure to fixed interest rates will be 100% for debt, and £10million for investments.
- The upper limit on exposure to variable interest rates will be 80% for debt and 100% for investments.

7.6. **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limit on the long-term principal sum invested to final maturities beyond 364 days, or where the intention is to hold the investment for more than one-year, will be £25m.

8. Other Items

8.1. **Policy on Use of Financial Derivatives:** Financial derivatives may be embedded into loans and investments entered into by the Council where the objective is either to reduce interest rate risk and/ or to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits).

8.2. The Council does not intend to use standalone financial derivatives (such as swaps, forwards, futures and options) unless it can be clearly demonstrated that their use reduces the overall level of financial risks and only having taken appropriate specialist advice.

8.3. **Treasury Management Training:** The Corporate Director (Finance) will ensure that all Members with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

- 8.4. Relevant Members will be involved in strategy and other meetings with the Council's external treasury advisors; and provided with information and guidance as is deemed appropriate by the Corporate Director.
- 8.5. Senior staff with responsibility for the treasury management function have a professional responsibility to ensure that they are aware of, and apply the Codes and Guidance covering the treasury management function. In addition, all are subject to mandatory continuing professional development requirements.
- 8.6. The Council's external treasury advisor provides regular training events and workshops covering a variety of treasury management and related matters which officers attend. These events also provide opportunities to network with other local authorities and share best practice.
- 8.7. **Investment Advisers:** The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues.

9. Financial Implications

- 9.1. The budget for investment income in 2017/18 is £773,000 (including £700,000 estimated dividend income to be received from long-term pooled fund investments). The budget for debt interest to be paid in 2017/18 is £282,000, with a further £142,000 estimated interest payable within the annual rental payment made on finance leases.

Appendix A – Arlingclose Economic & Interest Rate Forecast November 2016

Underlying assumptions:

- The medium term outlook for the UK economy is dominated by the negotiations to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU and other countries.
- The global environment is also riddled with uncertainty, with repercussions for financial market volatility and long-term interest rates. Donald Trump's victory in the US general election and Brexit are symptomatic of the popular disaffection with globalisation trends. The potential rise in protectionism could dampen global growth prospects and therefore inflation. Financial market volatility will remain the norm for some time.
- However, following significant global fiscal and monetary stimulus, the short term outlook for the global economy is somewhat brighter than earlier in the year. US fiscal stimulus is also a possibility following Trump's victory.
- Recent data present a more positive picture for the post-Referendum UK economy than predicted due to continued strong household spending.
- Over the medium term, economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment.
- The currency-led rise in CPI inflation (currently 1.0% year/year) will continue, breaching the target in 2017, which will act to slow real growth in household spending due to a sharp decline in real wage growth.
- The depreciation in sterling will, however, assist the economy to rebalance away from spending. The negative contribution from net trade to GDP growth is likely to diminish, largely due to weaker domestic demand. Export volumes will increase marginally.
- Given the pressure on household spending and business investment, the rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes to the negative effects of Brexit on economic activity and, ultimately, inflation.
- Bank of England policymakers have, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further monetary loosening looks less likely.

Forecast:

- Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short term than previously expected.

- The likely path for Bank Rate is weighted to the downside. The Arlingclose central case is for Bank Rate to remain at 0.25%, but there is a 25% possibility of a drop to close to zero, with a very small chance of a reduction below zero.
- Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.12
Arlingclose Central Case	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Downside risk	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.40
3-month LIBID rate														
Upside risk	0.05	0.05	0.10	0.10	0.10	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.18
Arlingclose Central Case	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.29
Downside risk	0.20	0.25	0.25	0.25	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.34
1-yr LIBID rate														
Upside risk	0.10	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.23
Arlingclose Central Case	0.60	0.50	0.50	0.50	0.50	0.50	0.50	0.60	0.70	0.85	0.90	0.90	0.90	0.65
Downside risk	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.24
5-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
Arlingclose Central Case	0.50	0.40	0.35	0.35	0.35	0.40	0.40	0.40	0.45	0.50	0.55	0.60	0.65	0.45
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.47
10-yr gilt yield														
Upside risk	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
Arlingclose Central Case	1.15	0.95	0.85	0.85	0.85	0.85	0.85	0.90	0.95	1.00	1.05	1.10	1.15	0.96
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.47
20-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
Arlingclose Central Case	1.70	1.50	1.40	1.40	1.40	1.40	1.40	1.45	1.50	1.55	1.60	1.65	1.70	1.75
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.57
50-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
Arlingclose Central Case	1.60	1.40	1.30	1.30	1.30	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.60	1.41
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.57

Appendix B – Investment & Debt Portfolio Position

	31-Mar-16 Actual Portfolio £'000	30-Nov-16 Actual Portfolio £'000
External Borrowing:		
LOBO Loans from banks	(6,000)	(6,000)
Total External Borrowing	(6,000)	(6,000)
Other Long Term Liabilities:		
Finance Leases	(3,526)	(3,319)
Local Authority - Essex County Council	(1,000)	(1,000)
Total Gross External Debt	(10,526)	(10,319)
Investments:		
<i>Managed in-house</i>		
Impaired Investment	19	14
Short-term investments	12,000	20,000
Cash & cash equivalents	648	690
<i>Managed externally</i>		
Money Market Funds	11,500	14,500
Pooled Equity Funds	10,000	11,000
Property Fund	2,000	3,000
Total Investments	36,167	49,204
Net Investments	25,641	38,885

Strategic Risk Management		Agenda No:11
Portfolio: Corporate Services and Asset Management		
Corporate Priority: Delivering excellent customer service Report presented by: Trevor Wilson, Head of Finance Report prepared by: Trevor Wilson, Head of Finance		
Background Papers: Risk Policy, Strategy and Implementation Plan – Council 19 th April 2006. Strategic Risk Management report to Cabinet on 21 st March 2016		Public Report
Options: To agree, add to or amend the strategic risks identified in the report.		Key Decision: No
<p>Executive Summary: The report provides detail of the review of and updating of the Council's Strategic Risk Register as agreed by the Cabinet at its meeting on 29th November 2016.</p> <p>The Strategic Risk Register agreed by the Cabinet on 21st March 2016 was reviewed by Cabinet Members and the Corporate Management Team in October 2016; the outcome is the updated register.</p> <p>The register details the risks which have potential to impact on the delivery of the Corporate Strategy over the medium-term. In addition to undertaking this review of the register the Management Board ensures that the register continues to be current by regularly reviewing and updating the strategic risks, as necessary.</p> <p>The strategic risk register forms one part of the Council's overall approach to risk management, other facets include:</p> <ul style="list-style-type: none"> • processes for identifying and recording operational risks, • risk registers for major projects, • business continuity planning, and • emergency planning. <p>The number of strategic risks identified continues to be nine, although the narrative for each of the risks has been updated as appropriate. The updated register is attached at Appendix B.</p> <p>The number of risks above the Risk Tolerance Line (See Appendix A) and therefore requiring active management has remained the same at seven. The risk rating for the Local Plan risk relating to land owners submitting planning applications on unallocated sites has been reduced to C2 from B2 (likelihood of the risk reduces from High to Significant).</p>		

A summary of the changes to the risk ratings made at the reviews are shown in the table below:

Risk Rating	January 2016	October 2016
B2 (<i>High likelihood/ Critical impact</i>)	1	0
C2 (<i>Significant likelihood/ Critical impact</i>)	6	7
D2 (<i>Low likelihood/ Critical impact</i>)	2	2
Total number of risks on Strategic Register	9	9

Management Action Plans for managing each of the seven risks above the risk tolerance line are owned and maintained by a Corporate Director. Details of the risks together with the Management Action Plans are provided at Appendix B.

Decision:

Members are asked to note and endorse the Strategic Risk Register and the Action Plans for managing the high rated risks.

Purpose of Decision:

For members of the Governance Committee to be assured that the Council's strategic and operational risks, with a high risk rating, are being actively managed.

Any Corporate implications in relation to the following should be explained in detail	
Financial:	Risks and associated management action plans concerning the Council's finances are highlighted in risks numbers 1 and 7.
Legal:	There are no specific risks of a legal nature at this time.
Safeguarding	There are no specific risks regarding safeguarding at this time.
Equalities/Diversity	The Council's processes and approach to equalities and diversity are well developed and are not regarded as a risk.
Customer Impact:	The potential impact on a proportion of residents in the district, in particular vulnerable groups, of the Government's Welfare Reforms is identified at risk number 4. A management action plan is included detailing the actions taken and planned to reduce the risk.
Environment and Climate Change:	Risk concerning the Council's approach to climate change is identified as an operational risk by the relevant services.
Consultation/Community Engagement:	No specific risk identified concerning consultation and community engagement however these are important elements in a number of the strategic risks on the register e.g. Local Plan and Community Resilience.
Risks:	A robust Risk Management process is an important element of the Council's governance arrangements.
Officer Contact:	Trevor Wilson
Designation:	Head of Finance
Ext. No.	2801
E-mail:	Trevor.wilson@braintree.gov.uk

STRATEGIC RISK PROFILE
Braintree District Council – Reviewed in September 2016

APPENDIX A

LIKELIHOOD ↑	A				
	B				
	C			1,2,3(a,b&c),4, 6	
	D			5,7	
	E				
	F				
		IV	III	II	I
		IMPACT →			

KEY:

Likelihood:

- A – Very High
- B – High
- C – Significant
- D – Low
- E – Very Low
- F – Almost impossible

Impact:

- I – Catastrophic
- II – Critical
- III – Marginal
- IV – Negligible

Medium-Term Financial Strategy – 1

Risk Rating C2 (C2 January 16)

Management Board Owner – Corporate Director (CF)

Vulnerability	Trigger	Consequence
<p>The Council sets a Medium-Term Financial Strategy (MTFS), covering a four-year period, which is reviewed and updated annually.</p> <p>Assumptions are made about anticipated changes on the revenue account e.g. government grant levels, income levels, inflation, pay awards, council tax collection rates, business rates collection etc. together with planned and anticipated efficiencies, income generation, council tax levels, business rates appeals and the use of balances.</p> <p>Assumptions are also made regarding capital resources with a capital programme being planned and agreed against these resources.</p> <p>The Government issued the Final Settlement Funding Assessment (SFA) allocation to the Council for 2016/17 and provisional allocations for 2017/18 to 2019/20. The reduction between 2015/16 and 2019/20 is £2.55m or 44.7%. The allocations will be honoured if the Council publishes an Efficiency Plan.</p> <p>The Government issued proposals to change the New Homes Bonus from 2017/18 which are aimed at reducing the amounts payable to councils.</p> <p>The Chancellor of the Exchequer will deliver the Autumn Statement on 23rd November 2016. The first since the EU vote and under the new Prime Minister.</p> <p>The Government is proposing that 100% of Business Rates is retained by local government by the end of the current Parliament; a fundamental change to Local Government funding.</p>	<ul style="list-style-type: none"> • Other organisations which provide significant contributions to the Council face their own funding pressures and may require greater reductions than expected. • Circumstances change which render the planned cost reductions/additional income unachievable • Other financial assumptions prove incorrect. Including income budgets not achieved, particularly interest receivable from the £12m invested in equity and property funds. • Adverse economic conditions and market fluctuations cause changes at or before contract renewal. • Capital receipts are not received as planned. • Capital resources insufficient to finance capital programme. • Business rates collected are less than expected due to successful appeals being greater than the provision made. • Efficiency Plan is not accepted by DCLG increasing risk of further cuts in Government funding. • Business Rates baseline reset, as determined by the Needs Assessment, does not enable the Council to retain business rates growth achieved prior to reset. • Autumn Statement requires further savings from local government. <p>Page 96 of 118</p>	<ul style="list-style-type: none"> • Priorities and projects are not delivered. • Cuts necessary to services • Rushed decisions to find other savings • Staff unsettled and de-motivated. • Financial savings are not achieved; balances used more than planned. • Assets not fit for purpose • Satisfaction levels with the Council fall

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Robust budget review and setting process involving Management Board and Cabinet Members developed over a number of years</p> <p>Unallocated balances significantly exceed minimum level of £1.5m.</p> <p>Regular Budgetary Control and monitoring processes in place.</p> <p>A Financial Strategy Action Plan developed and agreed following Peer Challenge.</p> <p>Council policy to use New Homes Bonus to fund infrastructure projects and affordable homes and not to support the Council's revenue spending.</p> <p>Utilised borrowed monies, of £6m, to fund investments (e.g. commercial property and solar panels) to achieve improved rate of return over the medium-term.</p>	<p>Improve monitoring and forecasting of income.</p> <p>Delivery against the workstreams contained in the Action Plan consisting of:</p> <ul style="list-style-type: none"> Commercialisation and 'Better at Business'; Grow our economy – increase business rate pot and secure external funds; Finance and Investment Strategy; Review contracts and procurement; Increase our income; Management and Service Reviews; and Sharing services or joint work. <p>Monitor financial viability of key contract partners and commercial property tenants.</p>	Corporate Director (CF)	<p>Cost reductions and increased income delivered on time and as budgeted.</p> <p>Setting a balanced base budget and having plans to meet funding shortfalls in subsequent years of MTFS.</p> <p>Service and performance levels delivered as planned.</p> <p>Collection rates of council tax and business rates achieve planned levels.</p>	Monthly	<p>23 Nov 2016</p> <p>Feb. 2017 – Full Council sets council tax and budgets for 2017/18</p>	<p>Efficiency Plan produced and sent to DCLG for approval.</p> <p>MTFS provides a plan for a balanced base budget with the increase in council tax for 2016/17 at £164.52 (Band D).</p> <p>For planning purposes an increase in council tax of 2% is included for 2017/18 onwards.</p> <p>Estimated unallocated balance as at 31st March 2017 is £4.151m.</p> <p>Investment Strategy reviewed with maximum investment in equity and property funds set at £15m.</p> <p>Strategic Investment Group consisting of 3 Cabinet Members established.</p> <p>An Investment Evaluation Tool developed and operational to assess investment opportunities.</p>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Monitoring of investment counter-parties and returns on investments by Arlingclose, the Council's Treasury Management advisor.			Budget variations reported in timely manner with explanation and action plan, where appropriate			Responded to Government's initial consultations on 100% Business Rates Retention and Fair Funding Review.

Infrastructure – 2

Risk rating C2 (C2 January 16)

Management Board Owner – Corporate Director (JH)

Vulnerability	Trigger	Consequence
<p>The Council has identified Economic Development as a key Corporate priority for the District as set out in the Corporate Strategy.</p> <p>The District is looking for inward investment, job creation, business growth and investment in infrastructure. There is also a programme to sustain/grow our town centres.</p>	<p>Lack of investment in infrastructure prevents business growth and job creation.</p> <p>Prioritisation of schemes in Braintree district is not given importance by partners and/or funders.</p>	<ul style="list-style-type: none">• Reduction in new jobs• Loss of revenue / growth in business rates• Less employment• Lower inward investment• Fewer new businesses being created• Disinvestment by existing businesses creating job losses• Less investment in infrastructure as a result of less development• Reduced level of business growth and consequential reduction in business rate income retained.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Strong working relationship with Essex County Council, Haven Gateway, the South East Local Enterprise Partnership (LEP), and the Essex Business Board on key priorities for economic development.</p> <p>Working with the Haven Gateway Partnership, Essex County Council and Highways England on establishing a business case for improvements to the A120, and supporting technical work on route options.</p> <p>District Economic Development Prospectus agreed, setting clear economic priorities.</p> <p>District Investment Strategy agreed with a resource allocation of £28m; including New Homes Bonus funds received to 31st March 2017.</p>	<p>Continuing to develop a strong relationship with strategic businesses and working with them to lobby the South East LEP; Highways Agency; Network rail etc. to invest in the District's economic priorities.</p> <p>Ensuring that we have a realistic delivery plan and maximising the use of available resources to lever investment in delivery, including New Homes Bonus.</p> <p>Delivering regeneration programmes in the Districts three Town Centres to support the vitality of those centres and the work of the Town Teams.</p>	Corporate Director (JH)	<p>Creation of new jobs</p> <p>New Business starts</p> <p>Business growth in the District</p> <p>Inward Investment in the District</p> <p>Investment into District infrastructure</p>	Quarterly		<p>Business community consulted on District Economic Development Prospectus, which sets clear economic priorities for the period to 2026, and is to be refreshed in 2016/17</p> <p>Work to ensure that key infrastructure projects are included in the Essex and LEP Strategic Plans.</p> <p>Completion of Springwood Drive Enterprise Centre extension.</p> <p>Completion of feasibility, specification and business planning studies for Witham Enterprise Centre.</p> <p>Delivery of town centre infrastructure improvement projects in Braintree, Halstead and Witham underway.</p> <p>Established a £500,000 Business Growth Loan Fund.</p> <p>£250,000 investment in the Superfast Essex programme to provide additional connectivity for premises.</p>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Working in partnership with providers to provide new business start-ups and to grow businesses.</p> <p>Close engagement with strategic businesses in partnership with Essex Chambers, through a range of activity including Business Forums, the District Business Leaders Board, and direct contact with businesses</p>						<p>Progressing BDC sites which have been allocated for housing within the draft Local Plan.</p> <p>Inward investment offer developed through an Investment Prospectus and website improvements</p> <p>New interim head of projects post created to take major BDC projects forward</p>

Local Plan – 3

Risk Ratings: C2 (In January 2016: trigger a) was B2) and b) & c) were C2)

Management Board Owner – Corporate Director (JH)

Vulnerability	Trigger	Consequence
<p>Braintree District Council has an adopted Core Strategy and is in the process of preparing a new Local Plan. In line with government policy this will need to deliver a substantially higher target for housing numbers than was set out in the Core Strategy. Part of the strategy is to deliver new standalone garden communities.</p> <p>The Local Plan will be subject to an examination in 2017 and if found sound will hold full weight in planning decisions, up till this point it will hold limited weight based on its progress and the level of unresolved objections.</p> <p>Whilst the Local Plan is being produced, the Council may be at risk of being challenged by developers on its housing numbers.</p>	<p>a) Land owners submitting planning applications on unallocated sites.</p> <p>b) Lack of housing or economic growth leading to failure of allocated sites to deliver.</p> <p>c) Local Plan being found unsound when submitted for examination by the Planning Inspector.</p>	<ul style="list-style-type: none">• Council may have to approve planning applications on sites outside of those proposed resulting in development which conflicts with the agreed spatial strategy• Loss of appeals on planning applications for development on unallocated sites outside of development boundaries.• Infrastructure requirements of new developments may not be sufficiently met.• Lack of new jobs in the District and failure to deliver job target• Inability to attract inward investment or business growth• Inability to attract skilled workers to the District• Council not able to meet its objectively assessed need for housing including affordable housing

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Joint working with other authorities to deliver stand-alone new garden communities which will deliver growth over a longer term period.</p> <p>Good working relationships with Town and Parish Councils and community groups.</p> <p>Core Strategy adopted in 2011.</p> <p>Statement of Community Involvement adopted in 2013.</p> <p>Programme of reporting and decision making through Local Plan Sub Committee and Council.</p> <p>Strong working relationship with major developers on key housing/commercial sites in the District.</p> <p>New Local Plan Issues and Scoping document consultation completed March 2015</p>	<p>Work programme keeps to timetable to ensure adoption of the Local Plan in line with the project plan.</p> <p>Close working relationship with major landowners and agents in the District to work together on delivery rather than in opposition.</p> <p>Extensive governance and working relationships in place with Colchester, Tendring and ECC Councils to progress the garden community project.</p> <p>Infrastructure implications will be a key part of the new Plan.</p>	Corporate Director (JH)	<p>Ensuring Local Plan process is adopted/ approved on target.</p> <p>Outcome of appeal decisions relating to non- allocated sites.</p>	Quarterly	Ongoing	<p>Local Plan evidence base in place with remaining work in progress.</p> <p>Sustainability Appraisal published in June 2016 and revisions underway</p> <p>Draft Local Plan published and subject to public consultation in June 2016.</p> <p>The District Council is working in partnership with 3 other Authorities on the North Essex Garden Communities project and has received funding and support from the DCLG and ATLAS.</p> <p>Budget provision of £250,000 agreed by this and each of the three other authorities to progress the Garden Communities project.</p>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>The Draft Local Plan which was published in June 2016 can now be given limited weight in planning decisions.</p> <p>An Appeals reserve fund of £300,000 has been agreed in the budget for 2015/16 to ensure the Council has sufficient funds to refuse applications which we consider unacceptable.</p> <p>A specific Local Plan budget of £480,000 was agreed in 2015/16 to ensure the funds are available to provide the necessary evidence base documents and other work required to produce the Local Plan in the timescales proposed.</p>						

Community Resilience – 4

Risk Rating C2 (C2 January 16)

Management Board Owners – Corporate Directors (CF) and (AW)

Vulnerability	Trigger	Consequence
<p>The Summer Budget 2015 outlined the Government's intention to make further reforms to Welfare payments. These changes commenced in 2016 and are in addition to a number of the previously notified changes. Universal Credit was introduced under a phased approach in the Braintree District from October 2015.</p> <p>In the 2015 Autumn Statement there were a number of announcements that impact on social/affordable housing.</p> <p>The extension of the Total Benefit Cap will be implemented in the Braintree District in November 2016.</p> <p>Proposed reduction in the Housing Related Support funding by Essex County Council which is likely to mean fewer supported housing schemes/bed spaces in the district and across the county.</p> <p>There are a number of deprived areas in the district with children in poverty, health inequalities, lack of skills and higher unemployment.</p> <p>A number of the schools in the district are low rated and educational attainment in the district (based on English and Maths GCSE results) is low compared to the rest of the county.</p> <p>There is a growing population of elderly people, within the district and nationally, a proportion of whom will require public services.</p>	<p>Demand for services from the Council and other public sector organisations increases which exceed supply.</p> <p>Essex County Council implements reduction and contract changes.</p>	<ul style="list-style-type: none">• Potential increase in homelessness, increased demand for temporary and potential use of bed & breakfast accommodation.• Increased demands on the Council's Housing and Customer Services.• Increased health inequalities.• Increase in number of households in fuel poverty• Increase in number of children in poverty.• Requests for Discretionary Housing Payments and/or Exceptional Hardship Fund payments exceed resources allocated.• Housing projects at risk of closure increase and potential increase in sofa surfing and rough sleeping. Associated impacts on other services i.e. health and police.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Partnership working with Citizens Advice, Greenfields CH, Dept. for Work and Pensions and Fusion to assist those affected by the welfare changes.</p> <p>Discretionary Housing Payments allocation from the Government of £207,638 in 2016/17. Short-term assistance available to tenants facing difficulty with their rent.</p> <p>Exceptional Hardship Fund of £14,200 for 2016/17. Short-term support available to council tax support claimants.</p> <p>Response to Essex CC regarding Housing Related Support proposals and to the Government on the Homelessness Reduction Bill.</p> <p>Meetings with supported housing providers and engaged in consultation events.</p> <p>Homelessness Strategy 2013 to 2018 and associated action plan.</p>	<p>Revised action plan to be Prepared by Officer Welfare Reform group.</p> <p>Regular reviews of the impact the changes are having on those affected.</p> <p>Work jointly with Job Centre Plus to agree a formal partnership agreement regarding Universal Credit.</p> <p>Continued dialogue with Essex CC and housing providers.</p> <p>Exploring alternative funding arrangements to seek to sustain housing projects.</p> <p>Continue to review and implement actions in the Homelessness Strategy.</p> <p>New Homelessness Strategy 2018 to 2023 - consultation to commence in 2017.</p>	Corporate Director	<p>Services able to meet increased demand</p> <p>Funding sufficient to support those residents in extreme financial difficulties with council tax and/or rent.</p> <p>Increased number of residents in employment.</p> <p>That a level of supported housing is retained in the district with continued nominations rights available to this Council.</p> <p>Second reading of the Homelessness Bill October 16.</p>	Quarterly		<p>Service Level Agreement with Citizens Advice to provide money advice service to residents, extended to 31 March 2018</p> <p>Health and Wellbeing Panel for the District established and working with a range of partners.</p> <p>Meetings held with Job Centre plus regarding the working arrangements for the roll-out of Universal Credit in the Braintree District. Jobs Fair held at Causeway House 12th February 2016 and 23 September 2016.</p> <p>Active engagement in the National Practitioner Support Service (NPSS 'Gold Standard' programme. This is about tackling and preventing homelessness. The Council achieved the Bronze Standard in 2015, one of the first 10 councils to achieve this.</p> <p>School Readiness booklet being produced</p>

Service and Project Delivery – 5

Risk Rating D2 (D2 January 16)

Management Board Owner – Corporate Director (CF)

Vulnerability	Trigger	Consequence
<p>Reduced resources impact on the Council's ability to deliver good quality services. Service delivery and resilience requires a well-managed and motivated workforce with the capacity and capability to deliver. The Council has recognised the important challenges around workforce planning and talent management for the future.</p> <p>Health & Safety - Breach in processes/ procedures leading to a health and safety or security incident (including an act of terrorism).</p> <p>Service delivery is heavily reliant on the availability of systems.</p> <p>A number of Council services require and retain personal data which needs to be kept secure. Cyber security threats are worldwide and vigilance is paramount. New Data Protection Act requirements are due to come into force in 2018.</p> <p>Business continuity plans are in place.</p> <p>The Council has approved a number of significant projects. It is essential that there is the capability and capacity available to deliver.</p>	<p>Key people leave or are unavailable for work (small teams or specialist areas are most vulnerable).</p> <p>Competitive recruitment markets particularly in relation to the growth agenda.</p> <p>Major incident.</p> <p>Computerised systems unavailable for use for a prolonged period.</p>	<ul style="list-style-type: none"> • Service failure or performance declines • Mistakes made and corners cut • Customer satisfaction falls • Employees are disengaged and demotivated. • Loss of good people. • Increased key person dependency • Loss of corporate memory • Failure to deliver Council's priorities and Annual Plan • Remaining staff fail to cope • Change programmes difficult to implement • Actual or potential injury or loss of life. • Break down in public order. • Financial loss / impact on value of assets; • Reputational damage • The organisation is stretched too far and resulting in service delivery failure

Affordable Housing – 6

Risk rating C2 (C2January 16)

Management Board Owner – Corporate Director (JH)

Vulnerability	Trigger	Consequence
<p>Although the number of new homes is likely to be significant over the next Local Plan period, there are a number of issues that may limit the number of new affordable homes we can deliver:</p> <p>There are no large-scale developments with affordable homes currently on site, apart from Premdor, Sible Hedingham (which is progressing very slowly).</p> <p>The 1% rent cut for social housing has reduced the available resources for providers and led to reduced offers to developers.</p> <p>Developers are becoming more and more likely to challenge the provision of affordable housing on the basis of viability.</p> <p>The Housing and Planning Act requires housebuilders to build a certain percentage of 'starter homes' when enacted, which will diminish the availability of 'traditional' affordable housing from this source.</p> <p>The HCA is likely to divert funding from new rented housing schemes to forms of shared ownership. In addition a number of other changes are putting pressure on LAs and providers. These include: Right to Buy entitlement to assured tenants of Housing Associations.</p> <p>The benefit cap reduced from £26,000 to £20,000 means that most providers are unwilling to consider building or buying new 4 bed homes.</p>	<p>Potential number of affordable houses not provided.</p> <p>Government issues Regulations requiring 20% of housing provision to be starter homes.</p> <p>Developers push back on the number of affordable homes required on developments.</p> <p>Large number of claimants affected by the Local Housing Allowance changes.</p>	<ul style="list-style-type: none"> • Affordable housing need not met • Homeless households remain longer in temporary accommodation as fewer rented homes become available for letting through 'Gateway to Homechoice' • Cost to the Council of temporary accommodation increases • Young people/key workers leave the district • Some housing associations withdraw from higher-risk accommodation, such as supported housing schemes • Inability to find suitable affordable accommodation for larger families • Unable to provide supported housing in particular for under 35's, who will not receive enough benefit to cover the rent for self-contained accommodation.

Vulnerability	Trigger	Consequence
Local Housing Allowance (LHA) rates and conditions will apply to social housing from 2018 but will apply to all tenants who took up residence after April 2016.		

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>New Housing Strategy drafted and adopted early in 2016/17</p> <p>Up-to-date viability assessment and updated 'toolkit' to undertake individual assessments.</p> <p>Work with Greenfields to make best use of Community Housing Investment Partnership (CHIP) fund to support affordable housing development in the district.</p> <p>Work with a range of housing associations to ensure that we can meet the varied needs of local residents and make sure we do not miss out on affordable housing opportunities.</p> <p>Underwriting schemes and purchase of land for affordable housing developments as opportunity and finance allow.</p> <p>Working with other providers.</p>	<p>Housing Research and Development Team continues to look for innovative ways of increasing affordable housing with developers and Registered Social Landlords.</p> <p>Use of Stat Nav toolkit to help identify need across the District.</p> <p>Build working relationships with developers to deliver affordable housing through S.106 agreements.</p>	Corporate Director (JH)	Local target for an average 100 dwellings per annum	Quarterly		<p>Local Plan in progress. Affordable Housing Viability Study has been completed.</p> <p>Housing Strategy update completed and ready for consultation</p> <p>Meetings arranged with Greenfields to consider use of resources, including terms of transfer agreement.</p> <p>Regular meetings with all housing associations with local development programmes.</p> <p>StatNav data updated each year</p> <p>84 completions of new affordable homes expected in 2015/16. We expect low levels of completions in 2016/17 (54-68 homes expected) but over 100 starts expected on Greenfields sites in Braintree, Kelvedon and Hatfield Peverel.</p> <p>Cabinet agreed to explore the possibility of creating a Housing Development Company.</p>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
						<p>Authority delegated to Cabinet Members for Planning and Property and Performance and Efficiency to agree acquisitions and funding commitments within the overall affordable housing budget in order to allow timely decisions to be taken and prevent opportunities being lost.</p> <p>Agreement with Greenfields CH for it to pay 50% of the remaining monies held in the CHIP Fund (development) to the Council.</p>

Return on Investments – 7

Risk Rating D2 (D2 January 16)

Management Board Owner – Corporate Director (CF)

Vulnerability	Trigger	Consequence
<p>The Council has an Investment Strategy which seeks to optimise use of available resources by investing in property, housing and other assets as well as investing surplus monies with financial institutions to achieve a reasonable rate of return.</p> <p>The security of the money invested is paramount but the Investment Strategy distinguishes between the investment of monies available only in the short-term due to cashflow requirements and monies (core funds) which are available for investment over the medium to long-term.</p> <p>The Council has set a limit of £15million on the amount of funds to be invested in pooled funds (equities and property) with the aim of achieving higher rates of return and capital growth over the medium term (3 to 5 years).</p> <p>The Council has increased its property portfolio where return on investment has been attractive and the quality of the tenant and the tenancy term has been good.</p> <p>The impact of the current economic climate on financial institutions makes the selection of: a strong counterparty, with which to invest; the selection of an asset, to purchase, and the tenant, to occupy and rent property, crucial.</p>	<p>Failure of investment counterparty.</p> <p>Tenant ceases trading leading to void period and requirement to find a new tenant.</p> <p>Collapse in the equity market at a time when the Council needs to release money by selling the equity pooled funds.</p> <p>Funds are needed to be recalled at short notice.</p>	<ul style="list-style-type: none">• Loss of the principal sum and / or interest due• Loss of rental income and increased costs (e.g. unoccupied business rates)• Unplanned service cuts and / or use of balances• Decline in Council reputation

Vulnerability	Trigger	Consequence
Regular monitoring of investment counterparties is essential and this is currently undertaken by Arlingclose, our Treasury Advisors.		

Forward Look – Twelve months to January 2018		Agenda No:12
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services Delivering better outcomes for residents and businesses and reducing costs to taxpayers	
Report presented by:	Trevor Wilson, Head of Finance	
Report prepared by:	Trevor Wilson, Head of Finance	
Background Papers:		Public Report
		Key Decision: No
Executive Summary:		
<p>To present to Governance Committee the report schedule for the year with a brief summary of each report so that Members can see the routine audit and accounts business that will come before the Committee in each cycle together with the annual cycle of governance reports.</p> <p>There may be ad-hoc reports added, either at the request of members, the external auditor or from officers, during the year.</p>		
Recommended Decision:		
Members are asked to note the report schedule for the next twelve month period.		
Purpose of Decision:		
To agree the work and reports which will be undertaken and presented to the Governance Committee over the coming 12 months.		

Any Corporate implications in relation to the following should be explained in detail.

Financial:	None
Legal:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	None
Officer Contact:	Trevor Wilson
Designation:	Head of Finance
Ext. No:	2801
E-mail:	Trevor.wilson@braintree.gov.uk

Report Schedule

Date	Report	Summary
22nd March 2017	Internal Audit Plan 2017/18	To present the Internal Audit Plan for the 2017/18.
	External Audit Work Plan	To receive the audit work plan from Ernst & Young, the Council's external auditor.
	Internal Audit Activity report	To present details of the completed audit assignments.
	Governance Committee Annual Report	To consider and approve the Committee's Annual report for 2016/17 to be presented to full Council.
	Governance Committee self-assessment	For members to undertake an evaluation of the Committee's effectiveness and identify any training needs.
	Financial Indicators report	To present details of key financial indicators for the year to end of February 2017.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report advising of progress on projects, performance indicators and the forecast position on revenue spending and the capital programme.
29th June 2017	Annual Governance Statement 2016/17	To present for approval the Annual Governance Statement for incorporation in the Statement of Accounts. Regulation 6 (1) of the Accounts and Audit Regulations 2015 requires "The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk".
	Internal Audit Annual Report	To present the Annual Report on Internal Audit for 2016/17.
	Financial Indicators report	To present details of key financial indicators for the year to end of May 2017.
	Risk Management – Operational Risks & Information Asset Risks	Details of the annual review of the Council's Operational Risks and Information Asset Risks
	Risk Management – Strategic Risks Report	To provide a copy for information of the Cabinet Report on the Council's Strategic Risk Register which details significant business risks being monitored and managed by

		Management Board in line with the Council's Risk Management Strategy.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report advising of progress on projects, performance indicators and the forecast position on revenue spending and the capital programme.
	Treasury Management Strategy	To present a year-end report on the delivery and performance of the Treasury Management Strategy for 2016/17
6th September 2017	Receipt of the Statement of Accounts for 2016/17 together with the External Auditor's Final report to Governance Committee	To consider and approve the Statement of Accounts for 2016/17, which will have been subject to external audit. The draft Statement of Accounts is due to be certified by Corporate Director, by 30th June 2017. The external auditor's report provides a summary of the work the external auditor has carried out during their audit of accounts. The conclusions they have reached and the recommendations they have made to discharge their statutory audit responsibilities are reported to those charged with governance at the time they are considering the financial statements. In preparing their report, the Code of Audit Practice requires them to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance'.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report advising of progress on projects, performance indicators and the forecast position on revenue spending and the capital programme.
	Internal Audit Activity report	To present details of the completed audit assignments.
	Treasury Management Strategy	To present a mid-year report on the delivery and performance of the Treasury Management Strategy for 2017/18.
	Financial Indicators report	To present details of key financial indicators for the year to July 2017.
10th January 2018	Annual Audit Letter 2016/17	To present the Annual Audit Letter covering the Council's financial audit. The Committee receives the report on

		behalf of the Council and may make observations to Cabinet who can decide to take action to make improvements based on the external auditor's assessment.
	Grant Claim Certification for year ended 31 st March 2017	To receive external auditors report
	Draft Treasury Management Strategy 2018/19	To present the draft Treasury Management Strategy for 2017/18. The Governance Committee to review and make observations on the draft to the Cabinet, which will then present the Strategy to Full Council for approval in February 2017.
	Internal Audit Activity report	To present details of the completed audit assignments.
	Financial Indicators report	To present details of key financial indicators for the year to end of November 2017.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report advising of progress on projects, performance indicators and the forecast position on revenue spending and the capital programme.
	Risk Management – Strategic Risks Report	To provide a copy for information of the Cabinet Report on the Council's Strategic Risk Register which details significant business risks being monitored and managed by Management Board in line with the Council's Risk Management Strategy.
	Standards Annual Monitoring Officers Report on the Standards Framework	Report from the Head of Governance on the activity of the Standards Sub-Committee for 2017/18.