

GOVERNANCE COMMITTEE AGENDA



THIS MEETING IS OPEN TO THE PUBLIC

This meeting will be audio recorded.

Date: Wednesday 18th September 2013

Time: 7.15pm

Venue: Committee Room 1, Causeway House, Bocking End, Braintree, CM7 9HB

Membership:

Councillor S Canning	Councillor I C F Parker
Councillor H D Johnson (Chairman)	Councillor D E A Rice
Councillor D J Louis	Councillor V Santomauro
Councillor J M Money	Councillor C M Thompson

Members are requested to attend this meeting, to transact the following business:-

PUBLIC SESSION

1. **Apologies for Absence.**
2. **Declarations of Interests.** To declare the existence of any interests 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.
3. **Minutes.** To approve the minutes of the meeting of the Governance Committee held on 26th June 2013. (Copy previously circulated).
4. **Question Time.** (See paragraph below).

Monitoring and Finance

5. **Annual Performance Management Report 2012/13.** To consider the attached report (page 4).
6. **Key Financial Indicators.** To consider the attached report (page 34).

Audit and Governance

7. **Internal Audit Activity Report including Reportable Recommendations Update.** To consider the attached report (page 38).

8. **(a) Statement of Accounts 2011/2012.** To consider the attached report.(page 46)
(b) Annual Governance Report 2011/2012. Cover report with agenda full report to follow. (page 56)
9. **Public Sector Internal Audit Standards.** To consider the attached report (page 58).
10. **Treasury Management Annual Report 2012/13 and Mid-year Report 2013/14.** To consider the attached report (page 67).

Committee Operation

11. **Governance Committee Self-Assessment.** To consider the attached report. (page 88)
12. **Forward Look 2013/2014.** To consider the attached report (page 91).
13. **Urgent Business.** 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. To agree the exclusion of the public and press for the consideration of the following items for the reasons set out in Paragraphs 2, 3 and 7 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

PRIVATE SESSION

15. **Urgent Business.** 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.

Alastair Peace
Member Services Manager

QUESTION TIME

Immediately after the Minutes of the previous meeting have been approved there will be a period of up to 30 minutes when members of the public can speak. Members of the public wishing to speak should contact the Council's Member Services Section on 01376 552525 or e-mail chloe.glock@braintree.gov.uk prior to the meeting. Members of the public can remain to observe the whole of the public part of the meeting.

If you require any further information relating to this Agenda, or wish to forward your apologies for absence, please contact Alastair Peace or Chloe Glock on 01376 552525 or e-mail chloe.glock@braintree.gov.uk.

The last page of this Agenda is numbered 95.

Fourth Quarter and Annual Performance Management Report 2012/13		Agenda No: 5
Corporate Priority:	Performance	
Report presented by:	Tracey Headford – Performance Improvement Officer	
Report prepared by:	Tracey Headford	
Background Papers: Fourth Quarter and Annual Performance Management Report 2012/13	Public Report: YES	
Options: To note the report	Key Decision: NO	
Executive Summary: The purpose of the report is to summarise the performance of the Council at the end of the year 2012/13 in relation to the publication of ‘Our plans for the District 2012/2013’ which sets out our key activities and measures used to check our performance for the forthcoming year and along with the Corporate Strategy 2012-2016 sets out the priorities we are working towards.		
<i>In summary at the end of the year: Projects</i> <ul style="list-style-type: none">• There are 40 projects in total of which:<ul style="list-style-type: none">○ 29 projects are completed○ 8 projects are on track○ 1 project has an amber status○ 2 project have a been cancelled		
<i>In summary at the end of the year: Performance Indicators</i> <ul style="list-style-type: none">• There are 24 performance indicators reported on of which:<ul style="list-style-type: none">○ 11 performance indicators have achieved target○ 7 performance indicator has missed target by less than 5%○ 3 performance indicators have missed target by more than 5%○ 1 performance indicator is for information purposes only and does not have any target set○ 1 cannot be reported on as data is not available until the end of July○ 1 indicator has not been given an end of year summary as the associated action was terminated early		
<i>Of the indicators which are reported quarterly:</i> <ul style="list-style-type: none">○ 8 met their quarterly target○ 5 missed their quarterly target by less than 5%○ 4 missed their target by more than 5%○ 1 is reported for information purposes only and does not have any target set		

The final quarter of the year, as with previous quarters, has been challenging which has impacted on some areas of performance. Although a number of performance indicators have not met their stretching targets at the end of the quarter or end of the year we have performed very well in the delivery of key projects in respect of our strategic priorities. All underperforming indicators are being monitored and action plans developed to mitigate any down turn in performance.

Decision:

Members are asked to note the report.

Corporate Implications

Financial:	See page 17 onwards of the full report. Discussed as a separate agenda item
Legal:	N/A
Equalities/Diversity	N/A
Customer Impact:	N/A
Environment and Climate Change:	N/A
Consultation/Community Engagement:	N/A
Risks:	N/A
Officer Contact:	Tracey Headford
Designation:	Performance Improvement Officer
Ext. No.	2442
E-mail:	tracey.headford@braintree.gov.uk

**Fourth Quarter 1st January to 31st March 2013
and Annual Performance Management Report 2012/13**



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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 fourth quarter and at the end of the year in relation to the publication of 'Our plans for the District 2012/13'. This sets out the key activities and measures used to check our performance for the year and along with the Corporate Strategy 2012-16 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 year

The following table provides updates for the end of the year in relation to the key activities in 'Our plans for the District 2012/13'




Corporate Priorities	Status of projects and actions				
					
Place	5	1	0	0	1
People	7	1	1	0	0
Prosperity	8	2	0	0	0
Performance	4	2	0	0	0
Partnership	5	2	0	0	1
TOTAL	29	8	1	0	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 year




The following table shows the performance for the end of the year in relation to the quarterly and annually reported Performance Indicators that have targets set as defined in 'Our plans for the District 2012/13'.

Corporate Priorities	Status of indicators			
				Data Only
Place*	2	3	0	0
People*	2	0	1	0
Prosperity	5	0	1	0
Performance	2	4	1	1
TOTAL	11	7	3	1

* One indicator has not been given and end of year status due to the associated project being terminated early.

** One indicator outturn is not yet known as reporting is not due until July 2013.

KEY:

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

Summary Position

The final quarter of the year continues to be very challenging which has impacted on some areas of performance and the end of year outturn position. All underperforming indicators are being monitored and action plans are being developed to mitigate any down turn in performance.

29 of our projects are now complete, eight continue on track, one is experiencing delays and two were cancelled in the year.

The Council has focused over the last year on delivering our valued services and completing an ambitious programme of projects. We have also focused on implementing projects to support businesses and our town centres and these initiatives will continue in the next year.



Our Priorities

- Keep our district clean and tidy
- Protecting our environment
- Provide green space for everyone to enjoy

Project description and comments	Target Date	Status
Improve the appearance and visual impact of the key gateways leading into our towns and villages	May 2013	
The wet weather at some locations has delayed planting by two months. The end date of the project has been amended to reflect this. Planting sites are now marked out ready for planting in May.		
Reduce the number of households in fuel poverty by working with national organisations to reduce energy costs and installing energy saving measures in domestic properties	March 2013	
All work in this area is being progressed through the Essex Energy Partnership enabling many households to make energy efficient improvements.		
Encourage households to produce less waste and recycle more	March 2013	
A further 16,400 households are now included in the food waste recycling service providing almost everyone who lives in the district with the opportunity to recycle their food waste.		
Expand the anti-litter campaign with a focus on litter thrown from cars	March 2013	
In the last year, there have been 233 cases of car litter reported resulting in 80 fixed penalty notices. There will be further targeted campaigns running next year.		
Work with schools and local communities to encourage more people to take pride in their neighbourhoods and to actively get involved in keeping their local areas clean	March 2013	
Over the year, a number of schools and communities have taken part in litter picks and litter competitions to raise awareness. Tabor Academy is currently running an inter-house competition to reduce litter.		
Work with Southview school and the local community to provide a community orchard and allotments	April 2013	
The project will not be delivered this year. The school will again be looking at fundraising and we will continue to provide support where required.		
Complete the Halstead River Walk pathway	March 2013	
The Halstead river walk was completed in February providing a much improved green transport route.		



Our Priorities

- Support vulnerable people in our community
- Promote safe and healthy living
- Encourage flourishing communities

Project description and comments	Target Date	Status
Increase our support to vulnerable people to enable them to stay in their own homes	March 2013	
In 2012/13 95 disabled facility grants have been approved totalling £500,000. The current waiting list has reduced by 40% since the start of the year.		
Develop the Community Transport Service further by increasing passenger numbers and journeys, with a focus on vulnerable people living in the most isolated areas	March 2013	
Profiling helped identify groups of vulnerable and isolated people who could benefit from the Community Transport scheme. In 2012/13 there were a total of 59,777 passenger journeys which is a 4% increase on the number of passenger journeys in 2011/12.		
Work in partnership with other agencies to tackle 'rogue traders' who prey on vulnerable people	March 2013	
Information pack developed to give to vulnerable residents at risk of "doorstep" rogue traders. BDC Staff have worked with Essex County Council Trading Standards and have been trained in the use of a shared database to report doorstep incidents.		
Improve three play areas across the district providing new equipment and fencing to Bramble Road Witham, Fisher Field Braintree and Riverside Braintree	March 2013	
All play areas have been installed with new play equipment and safety surfacing providing a better play experience for local children.		
Create a skate park in Silver End	March 2013	
The skate bowl at Silver End was formally opened in October.		
Install play equipment at Witham Town park	April 2012	
New play equipment has now been installed for a wide range of ages and abilities as well as for those with disabilities which has much improved this important town centre park.		
Continue to build Witham Leisure Centre	August 2014	
Section 77 secretary of state consent has been received. Further detailed design meetings have been held with the Contractor. Works due to start on site end April/ early May 2013.		
Complete John Ray Park cycleway	October 2013	
This project has been delayed due to the original scope needing to be changed to accommodate a redesigned footbridge to link the cycle path.		
Support and Monitor the projects selected for Mi Community funding	March 2013	
In total 20 local community groups have benefitted from Mi Community funding over the past two years. All projects will continue to be monitored and support provided where necessary.		



building
a prosperous district
prosperity



Our Priorities

- Boost employment skills and support business
- Promote and improving our town centres
- Securing appropriate infrastructure and housing growth






Project description and comments	Target Date	Status
Organise events to provide local support to NEETs		
In partnership with Groundwork and Greenfields, the Council will be launching a pre-apprenticeship project called 'The Green Team' in April providing a 16-week voluntary employment training scheme for ten young people providing them with an opportunity to gain a nationally recognised qualification and improve employment prospects.	March 2013	✓
Provide further places on the modern apprentice scheme		
Eight new apprentices started in various departments across the Council in November 2012. Three apprentices progressed onto a Level 3 qualification and one apprentice started a public/private joint working arrangement. Two apprentices have successfully secured employment with the Council.	March 2013	✓
Establish Town Centre improvement Design for Braintree and Witham		
A set of workshops with members and key groups have commenced to look at the potential for the Town Centres. They will be proposing a list of key projects and the economic impact of these projects	June 2013	▶
Complete improvements to Sandpit Lane and start work on St Michael's Fountain		
Investigative works and a report have been carried out on St Michael's Fountain and landscaping improvements have started in Sandpit Lane. Main work packages for the projects start in August 2013.	October 2013	▶
Introduce initiatives to assist businesses in the Town Centres		
8,000 indi cards have been distributed and various events held in the towns for Christmas, Easter and the launch of the Portas Pilot. Successfully carried out the "loving your high street" awards; window dressing workshops; issued a Christmas gift guide and set up a pop up shop in Braintree Town Centre assisting new businesses. Existing businesses have taken advantage of the cheaper advertising rates in George Yard car park.	March 2013	✓
Work in partnership with the developer on the land behind the Town Hall		
A development agreement has been exchanged with Henry Boot Developments Ltd in June 2012 who are working on securing pre-lets for the scheme before submitting a planning application to move the scheme forward.	March 2013	✓
Work in partnership with owners of the Newlands Centre		
The new owners, New River Retail have carried out a light refurbishment including improvement works to the roof and two empty units. The new owners are keen to regenerate the centre and are trying to identify a tenant to anchor a redevelopment scheme.	March 2013	✓
Spring clean the Town centres		
A deep clean of all pavements in Halstead, Witham and Braintree Town Centres took place in April. The street furniture has been reviewed and a maintenance programme set up to replace furniture and bins.	March 2013	✓


Provide 50 affordable homes across the District	March 2013	
71 affordable homes have been provided across the District in 2012/13.		
Bring 55 empty homes back in to use	March 2013	
A total of 74 empty homes have been brought back in to use in 2012/13. The Empty Home Rescue scheme was successfully launched with Colne Housing in September 2012 and there are currently 8 properties being considered. Work around the Empty Homes rescue will continue into next year.		



Our Priorities


- Provide value for money
- Deliver excellent customer service
- Improving our services through innovation

Project description and comments	Target Date	Status
Achieve the Customer Service Excellence Standard for our key services	September 2013	
The Housing Services team and Operations successfully achieved the standard in 2012/13 with both service areas achieving elements of compliance plus. Environmental Services have completed their pre-assessment with 16 partially compliant areas which they are now working on with a view to full assessment being carried out in summer 2013. Two other front line services are currently working towards achieving the standard.		
Ensure our services continue to be fit for purpose and offer value for money by undertaking a programme of Efficiency Reviews	March 2015	
Reviews have been carried out on a number of services this year. These reviews have been reported through to the Business Efficiency Review Board and the recommendations are being implemented by services to reduce costs, improve performance and improve customer satisfaction. The programme of reviews has been set for 2013/14.		
Assess and understand the implications of the Governments proposed Business Rates Retention scheme	December 2012	
A report on the principles of the proposed scheme was presented to Cabinet in December. This will now be incorporated into the budget and council tax setting for 2013/14		
Localisation of the Council Tax Benefit scheme	December 2012	
Full Council agreed the proposed scheme on the 10 th December 2012. A guide to the scheme will be published to highlight the changes.		
Implement the new leisure contract to deliver a customer focused, accessible and cost effective leisure service	September 2012	
The management of the leisure centres across the district has been successfully transferred to the new contractor Fusion Lifestyle. Fusion will be investing in new fitness equipment and aims to create more opportunities to get more people active and enjoying sport and exercise.		

Increase customer satisfaction with business and citizens using regulatory services	March 2013	
Satisfaction has been recorded at 93% which puts the council in the upper quartile of local authorities.		



The majority of our services and improvements are provided in partnership with others, whether it is with community groups, voluntary organisations, public sector or private sector organisations.

Project description and comments	Target Date	Status
Lobby for A120 improvements and a Braintree rail loop through the South East Local Enterprise Partnership	March 2013	
Lobbying has successfully led to a Ministerial visit on the A120 and Haven Gateway Partnership making the A120 its top priority. The rail loop has been included in the Eastern Rail Capacity Survey as a priority project.		
Work with local doctors and other health partners to develop and improve local health services	March 2013	
Good progress was made during the quarter with the Braintree Joint Locality Board supporting the creation of a Health and Wellbeing Panel for the District. A report to Cabinet is planned for July 2013 to support the Mid-Essex Clinical Commissioning Group Integrated Plan 2013-16 and the creation of the Health and Wellbeing Panel.		
Work with our partners to deliver better outcomes for residents through the county wide Community Budget programme and a neighbourhood budget pilot in Witham	March 2014	
Research and analysis has been undertaken to provide a more detailed profile of Witham, and of skills and worklessness issues. A workshop was held in February attended by representatives from 20 organisations working in Witham to help local people back into employment. Work is also underway to utilise elements of the Skills for Growth and Strengthening Communities initiatives within Witham.		
Work with our community safety partners and the new Police and Crime Commissioner to make our district safer	March 2013	
Established and still developing positive links with the Essex Police and Crime Commissioner and influencing approaches to addressing community safety. Braintree District has achieved a reduction in crime by 1.8% and 13.6% on anti-social behaviour. In addition, Braintree District is to become one of the two pilots on domestic abuse in the county in 2013/14.		
Work with water companies and the Environment Agency to increase resilience to drought by promoting efficient use of water across the district	March 2013	
This project was closed early as high levels of rainfall were experienced and therefore no benefits would be realised in progressing the project.		











Work in partnership with businesses across the district to create economic growth and new jobs	March 2013	
Ignite Business Enterprise was launched as a new company as a result of the merger of Business Development Services and Braintree Acorn Enterprise Units. Funding for an expansion to the Springwood Drive Centre has been approved which will provide 12 further business units and a training facility (this is subject to a new project in 2013/14).		
Work in partnership with retailers and town centre stakeholders to attract new businesses to our towns and increase footfall	March 2013	
Easter events held to increase footfall into the towns. The first pop up shop opened in Braintree town centre in March and is occupied by Tynska designs who are selling gem stone jewellery. The indi card continues to be a success with over 8,000 card distributed and more offers being added on a weekly basis. Further initiatives will be introduced next year to continue to attract new businesses to our towns and increase footfall.		
Response to Localism Act and Localism Framework	March 2014	
A Localism Board has been established to approve and monitor the programme of works on localism covering community right to bid, community right to challenge, community engagement and neighbourhood planning. All the requirements of the Community Rights programme have been successfully implemented.		

Section 3: Managing the Business

Our Performance Indicators in Detail

Performance Indicator	2012/13		Q3 Outturn	Q4 Outturn	Status at the end of the Quarter	Yearly outturn	Yearly target	Status at the end of the year	Comments
	Q1 Outturn	Q2 Outturn							
Place									
Percentage of land that falls below cleanliness standards for litter	n/a	3%	3%	3%	🟢	3%	9%	🟢	
Percentage of household waste sent for reuse, recycling and composting	60.20%	60.82%	53.44%	50.46%	🔴	56.65%	58.00%	🟡	Q4 figure has missed target due to reduction in green waste recycling caused by the prolonged wet and cold period. At the end of the year we are 3 rd best in the County for recycling performance.
Percentage of fly tips cleared within 24 hours of being reported	98.8%	98.45%	100%	100%	🟢	99.33%	100%	🟡	Represents 741 out of 746 fly tips cleared within target
Public Satisfaction with parks and open spaces	n/a	81%	n/a	82%	🟡	81.5%	85%	🟡	Levels of litter in some parks and open spaces continue to cause some public dissatisfaction, Increased monitoring is taking place and operational teams will litter pick as required.
The number of households supported by installing energy saving measures	Annually reported indicator					210	150	🟢	
The number of households and business assisted to install water efficiency measures	Annually reported indicator					368	500	N/A	This target was set during a drought but significant rainfall followed and associated actions terminated early and therefore the indicator was no longer relevant to measure the outcome associated with the project.
People									
Number of customers using our leisure centres	264,864	192,172	183,827	217,107	🔴	857,970	970,000	🔴	Fusion have made a very positive start to the contract and it is encouraging to see an increase in participation from Q3 into Q4. This is in line with Fusion Lifestyle's projections for this period. The effects of a more robust measuring tool which Fusion have adopted are being seen in the overall picture for the 2012-13 year. A revised baseline will be used to monitor participation in 2013/14.
Number of passenger journeys on the Community Transport Scheme	15,624	14,658	15,680	13,815	🟡	59,777	58,000	🟢	Overall the performance for the year shows a 4% increase. The drop in numbers for Q4 was due to the poor weather.
Percentage of Mi Community projects successfully completed	Annually reported indicator					TBC	100%	TBC	Round 1 projects are not due to report until July 2013 therefore completion rate not yet available.

Performance Indicator	2012/13				Status at the end of the Quarter	Yearly outturn	Yearly target	Status at the end of the year	Comments
	Q1 Outturn	Q2 Outturn	Q3 Outturn	Q4 Outturn					
Number of prosecutions against 'rogue trading'	5	4	3	2		14	10		
Prosperity									
Number of empty homes in the district returned to use	20	20	15	19		74	55		
Number of affordable homes delivered	16	20	19	16		71	50		
Number of young people assisted into education, employment or training through council and partnership schemes	Annually reported indicator					233	75		During the year the Council funded a NEET event and has worked with the National Apprenticeship Service, Essex County Council and Braintree College. The District Council has delivered 14 apprenticeships within the Council.
Percentage of empty shops in the district	Annually reported indicator					10%	8%		The Retail Study Update identified that within the three town centres of Braintree, Witham and Halstead there were 53 vacant units which equated to an overall vacancy rate of 10.2%, which is below the national average of 13.7%
Number of new business start-ups in the district	Annually reported Indicator					137	120		Working in partnership with Ignite Business Enterprise 137 new business start-ups have been created during the year.
Number of people using Council owned (district and town councils) car parks in Braintree, Witham and Halstead town centres	169,319	171,971	192,893	160,914		695,097	630,000		Figures for Q1 and Q3 have been revised following updates of data related to Halstead Car Parks.
Performance									
Percentage of enquiries resolved at first point of contact within the Customer Service Centre **	87.68%	82.05%	82.25%	82.60%		83.98%	85%		Significant number of complex calls required specialist knowledge. Currently working with departments to see where CSC can deal with queries more fully.
Time taken to process housing benefit/council tax benefit new claims	17.46 days	17.88 days	18.37 days	19.61 days		18.33 days	18 days		The performance target for the year was narrowly missed due to the outturn in Q4 being 19.61 days. A number of factors contributed to the Q4 performance including an increasing caseload, delays in receiving evidence requested from claimants to support their claim and delays in processing this information when received. The latter delay was due to a staff vacancy (January to March) and staff assisting with an increased volume of phone calls in March regarding the new Local Council Tax Support scheme. Action taken: the vacancy was filled in

Performance Indicator	2012/13				Status at the end of the Quarter	Yearly outturn	Yearly target	Status at the end of the year	Comments
	Q1 Outturn	Q2 Outturn	Q3 Outturn	Q4 Outturn					
Time taken to process housing benefit/council tax benefit change of circumstances	5.54 days	6.31 days	5.91 days	5.90 days		5.91 days	6 days		April and the letter to claimants requesting them to supply evidence has been amended to ask for this within fourteen days (previously thirty days).
Percentage of minor planning applications processed within 8 weeks	70.45%	76.06%	68.24%	58.57%		68.47%	77%		With an increased number of large complex major applications in the latter part of the year a management decision was taken to focus Planning Officers' time on processing major applications. This resulted in a reduced number of minor applications being processed with the 8 week period.
Number of stage 2 complaints received	11	6	3	7	Data Only	27	n/a	Data Only	
Percentage of stage 1 complaints responded to within 7 working days	95.4%	94%	95.8%	93.7%		94.8%	90%		
Overall customer satisfaction with the way Braintree District Council runs things	n/a	91%	n/a	86%		88.5%	89%		Although we have missed our ambitious target by 0.5% the satisfaction score is approx. 19% above the national average for councils.
Percentage of residents who agree that Braintree District Council provides value for money	n/a	62%	n/a	65%		63.5%	67%		Although the target is just missed, the level is still higher than national average levels for councils, which currently sits at 50%. The potential reason for below target outturn may be because we did not send out the 'how your money is spent' booklet information with council tax bills this year, placing it online instead.

** The way this indicator has been calculated has been subject to change following a data quality review. Quarterly outturns are based on raw data for the quarter, rather than an average of the monthly outturns. This has resulted in minor changes to previously published data.

Customer Services & Views

The following is a selection of our customer service performance measures:

Customer Service: Indicators of Performance						
	Q1	Q2	Q3	Q4	End of Year	Target
Average telephone response time in the Customer Service Centre	16 seconds	13 seconds	8 seconds	12 seconds	13 seconds	15 seconds
Number of transactions carried out via the Council website	23,845	23,834	21,111	22,718	91,508	85,000
Number of unique visitors to the Council website	104,678	91,852	96,012	101,611	394,153	400,000
Percentage of avoidable contacts	n/a	14.7%	n/a	12.06%	13.44%	n/a

Customer satisfaction surveys – 2012/13

We continually seek to keep track of how our residents feel about us and the services we provide. In the past, the Governments national surveys such as the 'Place Survey' and the 'BVPI Survey' were used to monitor residents' satisfaction with Councils. Although these surveys are no longer compulsory, for us this information is still a high priority. Therefore we have introduced our own on-going satisfaction survey to gather feedback and comments from our customers. In February this year, Essex County Council consulted with residents via their Tracker Survey and we have included these results below.

During the year (between June 2012 and March 2013), 1,457 customers completed our survey and the Essex County Council Tracker Survey. The results are as follows:

- ✓ 93% of residents are satisfied with the local area as a place to live [2011/12: 92%]
- ✓ 88.5% of residents are satisfied with the way Braintree District Council runs things [2011/12: 89%]
- ✓ 63.5% of residents agree that Braintree District Council provides value for money [2011/12: 63%]
- ✓ 78% of residents feel informed about the services and benefits available from Braintree District Council [2011/12: 78%]

The following results are regarding main services provided or supported by Braintree District Council

- ✓ 81% of residents are satisfied with the way public land is cleared of litter and refuse [2011/12: 87%]
- ✓ 90.5% of residents are satisfied with their waste collection service [2011/12: 90%]
- ✓ 81.5% of residents are satisfied with parks and open spaces [2011/12: 86%]
- ✓ 65.5% of residents are satisfied with the sports and leisure facilities [2011/12: 65%]
- ✓ 80.5% of residents are satisfied with council tax collection [2011/12: 82%]
- ✓ 70% of residents are satisfied with planning services for applications and decisions [2011/12: 70%]

Further consultations will take place through 2013-14 and the results will be reviewed and published every six months.

Complaints

The quarterly complaints analysis for 2012/13 is detailed below. This is compared with 2011/12 figures shown in brackets.

Complaint Category	Q1 2012/13	Q2 2012/13	Q3 2012/13	Q4 2012/13	TOTAL
Justified	89 (85)	84 (117)	115 (60)	60 (52)	348 (314)
Not Justified	106 (64)	100 (108)	100 (69)	86 (119)	392 (360)
Partially Justified	13 (16)	27 (16)	10 (14)	7 (16)	57 (62)
Not known	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Total	208 (165)	211 (241)	225 (143)	153 (187)	797 (736)

Comments

The number of complaints received in 2012/13 has increased compared to last year. This is due to the high number of complaints received relating to missed waste collections due to the roll out of the food waste collection service to the remainder of the District at the end of September whilst crews familiarised themselves with the new routes and collection points.

A summary of Local Government Ombudsman cases:

In the fourth quarter of 2012/13 two new LGO complaints were received by the Council. Both relate to Environmental Services (one fly tipping the other Licensing (taxi)). The Council has already received the LGO's final decision in respect of the Licensing complaint and is included in the information below.

The Council received the final decisions in respect of 7 LGO complaints

- Not to pursue investigation - 3
- Investigation Discontinued - 2
- Investigation completed - 2

Of those investigations completed – in only one case there was some finding of fault by the Council in terms of the way the complaint was handled, but the LGO found that it did not cause enough injustice to require a remedy from the LGO.

Our Organisation

The following is a selection of our people performance measures:

People: Indicators of Performance	Q1 12/13	Q2 12/13	Q3 12/13	Q4 12/13	Change on previous period	Yearly Target
Total headcount	466	468	472	466	- 6	-
Total number of posts	480	476	482	475	- 7	-
Number of temporary staff	29	32	38	39	+ 1	-
Total staff FTE	448.58	433.39	430.22	424.44	- 5.78	-
Permanent staff FTE	378.51	375.83	394.05	388.16	- 5.89	-
Temporary staff FTE	29.29	28.92	36.17	36.28	+ 0.11	-
Level of employee turnover	1.68%	3%	3.18%	2.36%	- 0.82	-
Number of vacant posts	6	5	15	15	0	-
Number of vacancies (FTE)	6	4.5	14.45	14.7	+ 0.25	-
Number of temporary leavers	1	6	6	2	- 4	-
Number of permanent leavers	9	16	9	9	0	-
Number of starters	8	13	14	5	- 9	-
Working days lost to sickness per employee	1.27 days	1.69 days	1.65 days	1.68 days	+0.03 days	8.0 days
Number of learning days	765.50	784	812	713.38	- 98.62	-
Average learning days per employee	1.64	1.67	1.72	1.89	+0.17	≥3.5 days
Number of apprentices	8	6	12	12	0	-

Year on Year Headcount Analysis	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	586	567	541	503	485	466

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 and making the workplace safer for staff and our customers.

Health & Safety: Indicators of Performance	Q1	Q2	Q3	Q4	
	(2011/12 figure in brackets)				
Total number of reported accidents/ incidents, calculated from:	21 (7)	17 (11)	8 (13)	12 (22)	
<i>a. Accidents/ incidents to employees</i>	17 (7)	13 (9)	7 (12)	9 (19)	
<i>b. Accidents/ incidents to contractors</i>	2 (0)	1 (1)	0 (0)	3 (2)	
<i>c. Accidents/ incidents to non-employees</i>	2 (0)	3 (1)	1 (1)	0 (1)	
Time lost in days due to employee accidents/ incidents	39 (3)	7 (8)	4 (12)	6 (50)	
Number of reported verbal/ physical incidents to employees	1 (1)	3 (0)	0 (1)	0 (0)	
Number of near miss incidents	1 (2)	0 (0)	0 (1)	0 (2)	
Number of Accidents/ incidents registered resulting in insurance/ compensation claim	3 (0)	2 (1)	2 (1)	1 (3)	
Number of claims settled	0 (0)	0 (0)	0 (0)	0 (0)	

Managing our Business Key Performance Indicators: Financial Performance

Summary:

The final spend for the year is £15.271million compared to the budget of £16.159million, giving an overall positive variance of £887,609, or -5% against budget. The overall variance is a combination of under-spends against expenditure budgets of £449,538, and a net over-achievement of income of £438,071. This compares to a projected variance at the third quarter review of a positive variance of £884,000 and the provisional outturn reported to Cabinet in May was a predicted positive variance of £865,900.

The Cabinet in May approved requests to carry forward unspent budgets, totalling £218,060, in 2012/13 to 2013/14.

A significant proportion of the positive variance for the year was planned and was primarily attributable to the re-letting of the leisure management and ICT contracts and an increase in the price received from the sale of recyclates. These savings/additional income were taken into account in agreeing the Medium-Term Financial Strategy 2013/14 to 2016/17.

There is a net increase on the General Fund balance for the year of £313,818, giving a total at the year-end of £7.704 million.

Service Issues:

The main service issues that are contained within the financial outturn are:

Expenditure variances

- **Salaries** – across all services there is a salary under-spend of £277,000. An overall corporate efficiency target was set at £416,350 for the year which includes £337,960 that would normally be met through staff turnover and a further £78,390 targeted at savings generated from service reviews. The final net position is therefore a shortfall against these targets for the year of £139,000.

Business Plan – Salary Budgets	Original Controllable Budget £'000	Updated Controllable Budget £'000	Projected Full Year Spend £'000	Variance Adverse/ (Favourable) £'000	Variance %
Business Solutions	746	758	754	(4)	-1%
Community Services	830	861	817	(44)	-5%
Corporate Management Plan	1,079	1,046	1,001	(45)	-4%
Environment	1,594	1,555	1,532	(23)	-1%
Financial Services	2,259	2,253	2,178	(75)	-3%
Housing Services	591	592	598	6	1%
Operations	4,334	4,357	4,309	(48)	-1%
People & Democracy	905	871	839	(32)	-4%
Sustainable Development	1,691	1,686	1,674	(12)	-1%
Service Total	14,029	13,979	13,702	(277)	-2%
Efficiency target and profiled savings	(416)	(416)	-	416	-
Net Total	13,613	13,563	13,702	139	1%

- **Leisure Management** – The award of a new leisure management contract commencing from 1 September 2012 led to a significant reduction in the cost of operating the Council’s leisure facilities. This includes achieving a guaranteed return from investment to be made by the Council on creating new and improved health and fitness facilities. After making allowance for certain one-off costs the net saving against budget was £425,000 in the year.
- **ICT Contract** – The Medium Term Financial Strategy provided for savings following the joint procurement for ICT services which resulted in the appointment of Capita. The amount of the savings to be achieved was subject to “due diligence” the completion of which has resulted in additional savings in the current year of £92,000. Future year budgets have allowed for the on-going savings achieved on the contract. A one-off in-year saving of £31,000 made against the contract variation budget has been requested to be carried forward to fund improvements to IT facilities for supporting remote working.
- **Corporate overheads** – savings of £71,500 were achieved across a number of corporate budget heads including: external audit fees, bank charges and income collection costs, telephony costs, and insurance premia, which were in excess of the planned reductions that had already been allowed in the original budget.
- **Economic Development** – An overall under-spend on the service of £84,000; this includes a budget provided for a range of projects that were delayed due to staff vacancies. Part of the under-spend has been agreed to be carried forward to provide administrative support to the newly expanded Economic Development team, which with the agreed increased staffing resources available will deliver against the project budget: developing initiatives for addressing youth unemployment and training, engagement with businesses, and broadband development across the district.
- **Housing services** - the cost of dealing with homelessness and other temporary accommodation needs was less than budget by £59,000 – the service is demand led and therefore it is difficult to predict the level and nature of involvement required. A reserve of £30,000 has been set aside to meet the future costs anticipated from the transfer of Craig House, the cost of relocating the tenants from Trinity House and the decommissioning costs prior to the disposal of Trinity House.
- **Local taxation & benefit fraud administration** – The outturn reflects an under-spend of £34,000 on debt recovery, legal and court costs relating to collection of local tax and benefit fraud overpayments, and additional income from administrative penalties (£8,000). The carry forward requests agreed included £10,000 to provide for additional costs in 2013/14 relating to benefit fraud prosecutions referred to the Crown Court, the cost of which is generally higher than normal.
- **Concessionary Fares** – a one-off reduction of £24,000 against the cost of taxi-tokens following the final financial reconciliation of the scheme which ceased during 2011/12.

Income positive variances

Additional income above budget was received in the following areas:

- **Refuse & recycling** – An over-achievement of income from the sale of recycling materials of £173,000. At the time of setting the budget for 2012/13 the Council was negotiating the contract for sale of recycling materials and allowed a minimum £35 per tonne, however, currently around £50 per tonne is being achieved. This additional income has now been reflected in the base budget for 2013/14. Under the Inter-Authority Agreement (IAA) on Waste with Essex County Council the Council is rewarded financially for achieving improved recycling performance. The original recycling target under the IAA was 45% against which the Council has been improving performance – due in part to the food waste service – with a rate for the year of 56.65% resulting in reward grant of £113,000, or £21,000 more than the budget provision. Additional income totalling £76,000 has been achieved from recycling credits, trade waste charges, and other income. Part of the additional income (£90,000) has been earmarked for feasibility work on the redesign of the service and to increase recycling and street cleansing activities.
- **Development Control** – An over-achievement of £55,000 of fee income from a combination of an increase in statutory fees by 15% from November and increased number of major retail applications. Fee income was £567,000, compared to the budget of £512,000 (reduced from a base budget of £632,000). In 2011/12 the outturn fee income was £479,000. However, this higher application fee income is offset by a small reduction in other income (£10,000) and an over-spend of £52,000, mainly due to higher planning appeal/ inquiry costs. From the over-achieved income a sum of £34,000 has been carried forward to part fund a two-year fixed term Planning Officer post to support the service in dealing with major retail applications.
- **Community Transport** – the expanded community transport service providing shopper buses and hospital hopper services resulted in an over-achievement of income of £33,000. The service has also continued to administer the concessionary fare scheme on behalf of Essex County Council for an additional six-months resulting in extra unbudgeted income of £12,000.
- **Commercial & Other Property Portfolio** – income from the Council's commercial & other property is higher than budgeted by a total of £113,000, due to a lower level of void periods within the commercial portfolio of industrial units (£51,000); additional rent due to backdated reviews (total of £94,000), Section 106 planning agreements monitoring fees and other property related legal work (£17,000), offset by costs incurred across a range of property reviews (£38,000).

Income negative variances

Although some service areas are experiencing increased income there are still a number of services where a shortfall has occurred:

- **Building control** – The original budget for this service had been reduced by £50,000 to £380,000. However, throughout the year demand for the service remained depressed, with a final level of income of £273,000 being achieved, which is £107,000 lower than the budget and £28,000 less than the previous year. Where possible expenditure has been controlled and staff diverted to assist in processing the high demand experienced from applications for disabled facility grants; this resulted in an under-spend against expenditure budgets of £44,000. A business efficiency review of the service is in progress with a view to addressing the financial challenge for this service.
- **Causeway House** – A net shortfall of £29,000 due to Essex County Council's occupation of Causeway House being later than anticipated at the time of setting the budget. The reduced rental and service charge income (£59,000) is partially offset by a reduction in business rates and general maintenance (£30,000).

- **Town Hall Centre** – letting income achieved for the year was £71,000 which is similar to the previous year, however, this is less than the budget by £31,000. A review of the Centre and its operations and financial performance is on-going.

In addition to the above expenditure and income variances the following items have also been accounted for in the year:

- **Mayland House** – additional net operating costs of £20,000. Holding costs in the year were £120,000, which were offset by £100,000 of rental income accrued in the year following the earlier than anticipated completion of the lease for the single-let of the building.
- **Revenue contribution to capital** – a contribution of £113,000 for financing the additional capital spend on vehicles and containers required for the expansion of the food waste service to a further 16,400 properties. This cost will be recovered in future years from annual contributions from Essex County Council under the Inter-Authority Waste Agreement.
- **Provisions for contingent liabilities** - information was received in the year suggesting that there should be an increase of £125,000 in the provision required for potential refunds of local land charge fees pending resolution of outstanding claims. In addition the Council has been advised that a Scheme of Arrangement set-up following cessation of trading by Municipal Mutual Insurance Limited in 1992 – the Council's insurers at the time – has been triggered and will result in a clawback against settlement of past claims. The maximum clawback is £122,500, but based on the latest information available, a total provision of £76,000 has been set aside.

Breakdown of Spend by Service Area

The following table provides a breakdown of the outturn by business plan service area.

Business Plan	Original Controllable Budget £'000	Updated Controllable Budget £'000	Full year Net Spend £'000	Variance Exp. £'000	Variance Income £'000	Variance Adverse/ (Favourable) £'000	RAG Status
Business Solutions	1,844	1,836	1,645	(182)	(9)	(191)	-10%
Community Services	2,258	2,253	1,649	(595)	(9)	(604)	-27%
Corporate Management Plan	1,280	1,298	1,235	(63)	-	(63)	-5%
Environment	960	958	978	(118)	138	20	2%
Financial Services	1,194	1,193	981	(161)	(51)	(212)	-18%
Housing Services	634	634	572	(22)	(40)	(62)	-10%
Operations	4,097	4,075	3,908	166	(333)	(167)	-4%
People & Democracy	1,652	1,661	1,558	(54)	(49)	(103)	-6%
Sustainable Development	606	538	541	83	(80)	3	1%
Service Total	14,525	14,446	13,067	(946)	(433)	(1,379)	-9%
Corporate Efficiency/ Vacancy Factor	(416)	(416)	-	416	-	416	
Corporate Financing	2,050	2,129	2,204	80	(5)	75	4%
Total	16,159	16,159	15,271	(450)	(438)	(888)	-5%

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

Budget carry forwards

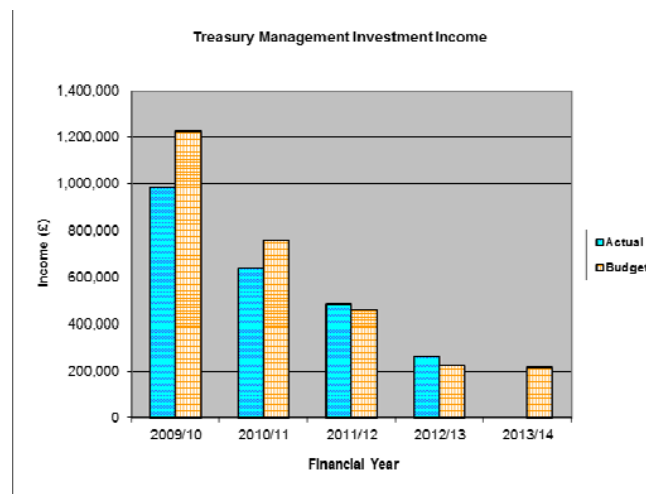
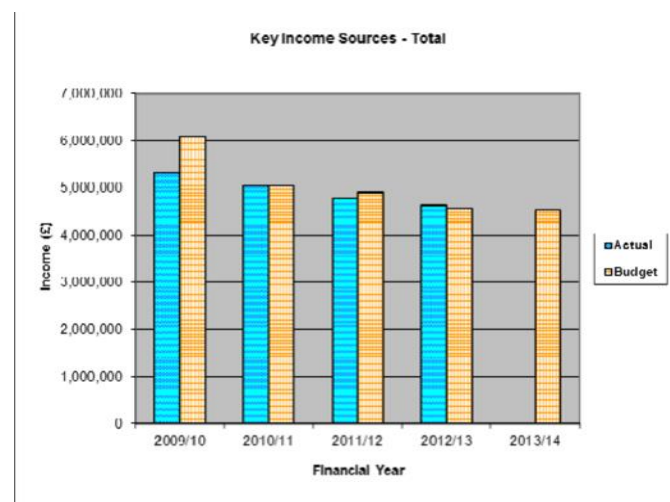
Details of service requests to carry forward £218,060 of the 2012/13 under-spend were agreed by Cabinet on 20 May 2013.

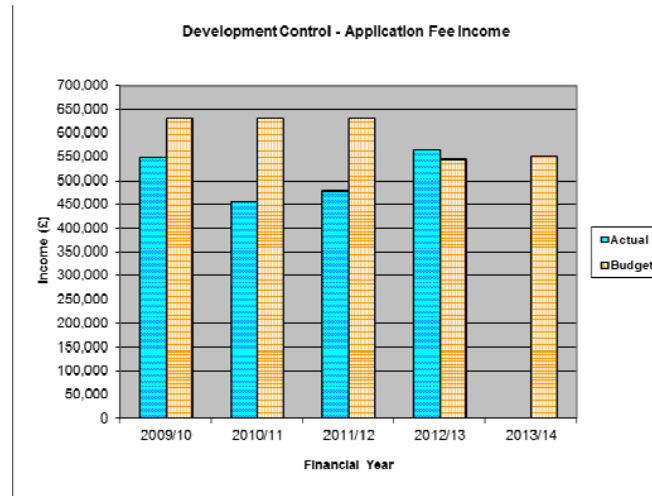
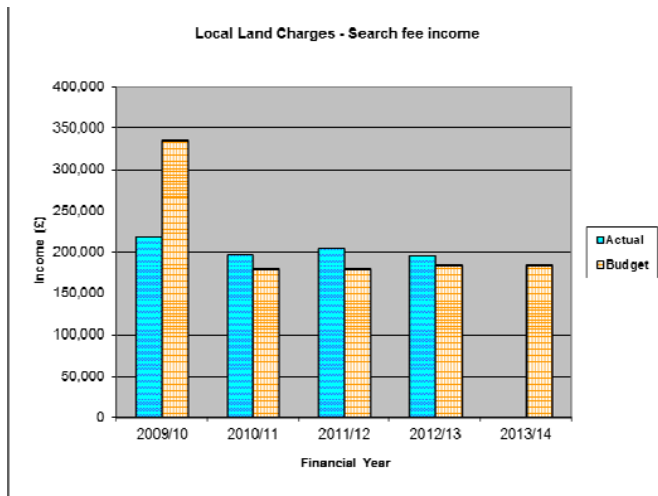
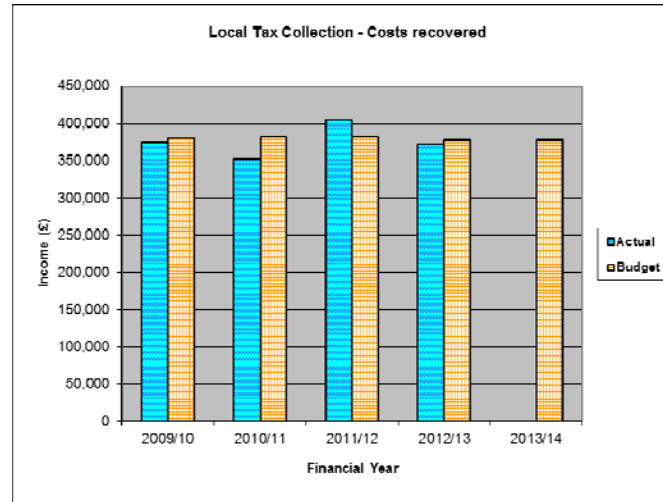
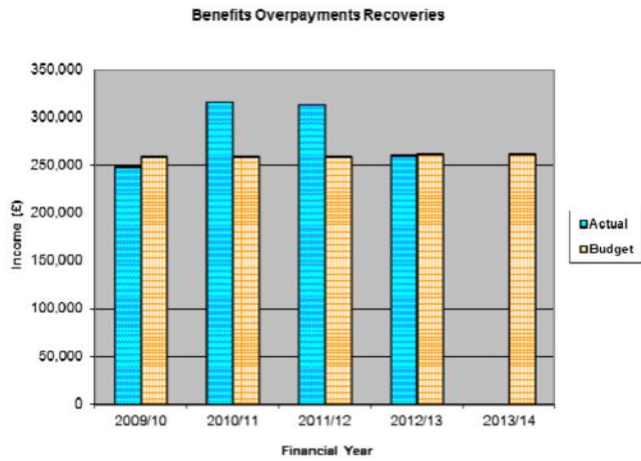
Requests to carry forward two budgets were included in the Finance Report which was agreed by Council on 20 February 2013. The requests were £40,000 for preparation of the Community Infrastructure Levy and £34,000 to employ an additional Planning Officer. These amounts have already been reflected in the outturn position.

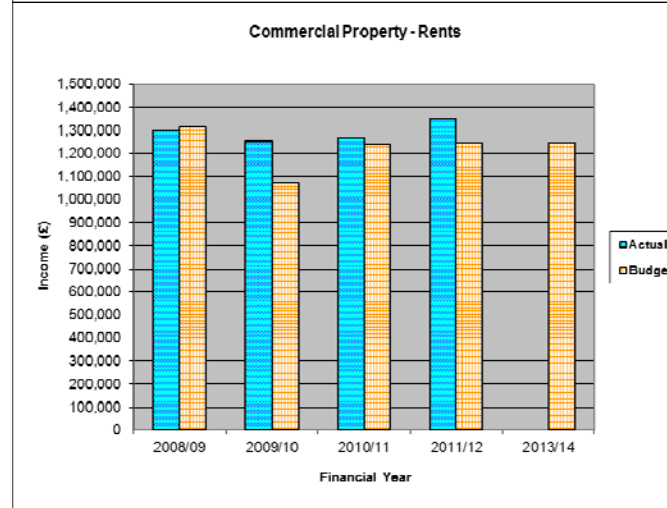
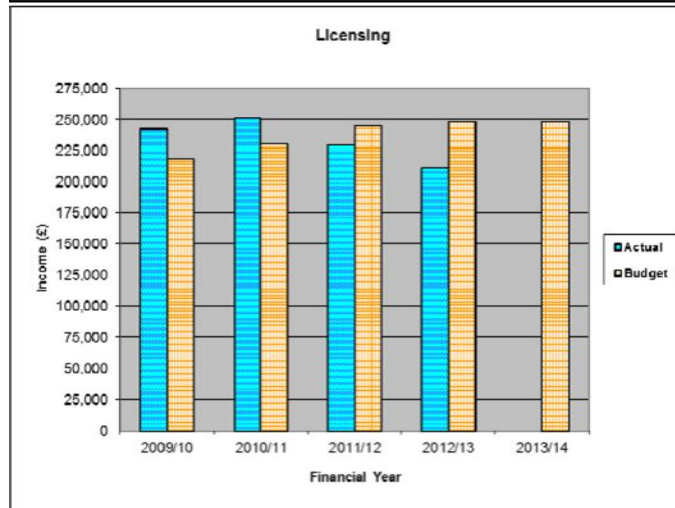
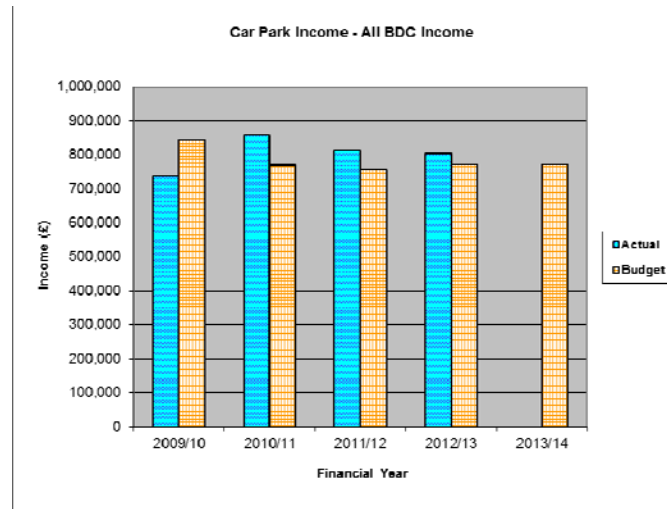
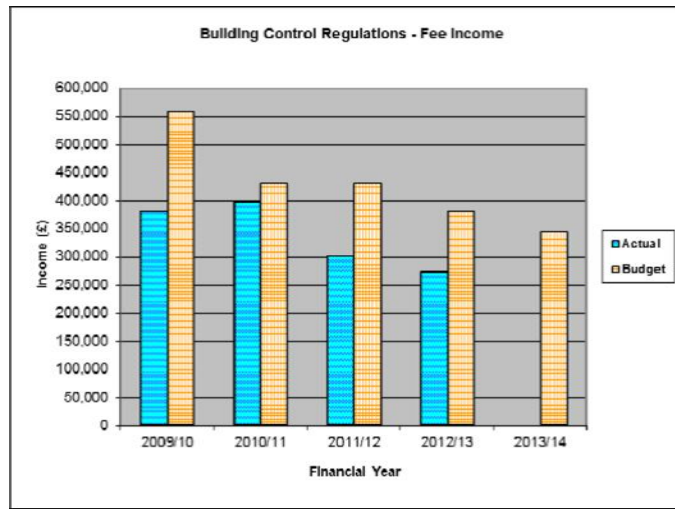
Budgets brought forward into 2012/13 from 2011/12 totalled £680,930 and spend against these was £401,800. Balances on three of the budgets, totalling £78,880, have been agreed to be carried forward to 2013/14. The balance of £200,250 - across seven budget heads - were identified as no longer required by the services and therefore has been added back to the General Fund balance.

Income Streams

A significant proportion of the Council's budget is reliant on income. The following charts show the annual trend on key income streams, providing also the target assumed in the 2013/14 Budget:







General Fund Balances

Based on the outturn, the movement on the General Fund balance is as follows:

Balance b/fwd at 1 April 2012 (including £4.515m previously accounted for as Housing Revenue Account)	£'000 7,390
Add:	
Budget variance for 2012/13	888
Prior year carry forwards no longer required	200
Change in value of deposits at risk	169
Less:	
Budgeted withdrawal	(525)
Carry forward of 2012/13 budgets	(218)
Transfer to Town Centre reserve	(200)
Balance at the year-end	7,704

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

- Budget variance for 2012/13 as detailed in this report.
- Budgets brought forward to 2012/13 from 2011/12 but are no longer required
- Change in the net carrying value of deposits at risk as a result of updated assumptions about amounts collectable and foreign exchange implications
- Budgeted transfer from balances agreed when setting the 2012/13 Budget.
- Agreed carry forward of unspent 2012/13 budgets to 2013/14
- Transfer to Town Centre reserve – in 2011/12 £100,000 per annum was provided in the base budget for four years to provide funding for town centre and economic growth initiatives. The budget proposals for 2013/14 provide for the remaining two years' allocations to be met from General Fund balances and held in an earmarked reserve for spending in future years.

The final General Fund balance will be confirmed in the Statement of Accounts for 2012/13, which will be produced by the end of June and then audited by the external auditor, BDO LLP, before being presented to the Governance Committee for approval in September.

The 2013/14 Budget currently provides for a withdrawal from the General Fund balance of £352,519.

Earmarked Reserves

The outturn reflects changes to earmarked reserves, including the creation of some new reserves, and additions/ withdrawals in accordance with their approved purpose.

In summary, the change on earmarked reserves is:

Revenue Reserves set aside for:	Bal. b/fwd 1 April 2012 £000	Net addition/ (withdrawal) £000	Bal. c/fwd 31 March 2013 £000
Capital investment	2,177	994	3,171
Risk management	269	32	301
Services	2,7641	170	2,931
Change management	511	(137)	374
Total	5,718	1,058	6,777

Risks and Assumptions to the Outturn

The outturn is subject to finalisation of the Council's Statement of Accounts and includes estimates made for provisions and carrying values of deposits at risk which may change if further information becomes available before the end of June.

The Statement of Accounts is subject to audit by BDO (LLP), the outcome of which could lead to changes in the outturn.

As in previous years, the outturn will be reviewed to ensure that any on-going issues have either been/will be addressed in the Medium Term Financial Strategy.

Capital spend for the year

The programme for reporting purposes is determined as follows:

	£'000s
Approved New Programme for 2012/13	3,280
Add:	
Projects approved in previous years where spending is profiled into the current year	1,971
Projects approved and profiled in-year	885
Less:	
Approved New Programme items where spending is profiled into future years	(684)
Project expenditure transferred to revenue account and funded from reserve	(180)
Programme for 2012/13	5,272

Approved in-year projects refers to the new vehicles and containers required for expansion of the food waste service to a further 16,400 properties (£124,000), contribution towards construction of a footbridge at Freeport (£514,000), provision for feasibility study of site access improvements at the Twin Oaks, Braintree (£50,000); Microsoft Windows and Office licence upgrade (£77,000); and Improvements to Halstead River Walk (£91,000).

The capital programme is reported over two themes:

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

Progress on delivery of the major capital projects is monitored regularly by Programme Boards, with the Local Development Framework Panel responsible for recommending priorities for use of Growth Area Funding.

The final spend against programme profiled into the 2012/13 financial year is as shown in the table below:-

	Programme 2012/13	Actual spend	Grants approved but not yet claimed	Completed Project Variances
	£'000	£'000	£'000	
General Fund Services	4,071	4,013	-	(58)
Housing Investment	819	721	98	-
Capital Salaries	382	376	-	(6)
Total	5,272	5,110	98	(64)

General Fund Services includes spending on the following projects: final phase of the Causeway House refurbishment, acquisition of the Warner Archive Centre, the Freeport footbridge, development of the Silver End skateboard and BMX Park, vehicles and containers for the extension of the food waste service, and investment across a range of community facilities, including progress towards provision of a new Witham leisure centre.

Housing investment includes: £565,000 paid in private sector disabled facility and other home improvement grants, with a further £98,000 approved applications awaiting drawdown; and £157,000 provided to support social housing schemes. A further £398,000 has been “pledged in principle” to underwrite potential social housing projects.

Project variances comprises an under-spend against a provision set aside to support the relocation of the Citizens Advice Bureau to Ramsey College (£36,000); a balance of funding from the previous Halstead local committee's capital budget (£18,000) for which there are no outstanding commitments; and minor under/ over spends across a range of projects.

The capital expenditure of £5.11million has been financed as follows:

- Capital receipts from the sale of assets or received from arrangements with Greenfields Community Housing £2.999million
- Government grants £1.355million
- Developer contributions £451,000
- Other external partner contributions £66,000
- Revenue and reserves £239,000

During the year the Council obtained six new refuse freighters via the Riverside Truck Rental supply and maintenance contract which, under accounting rules, are included on the Council's Balance Sheet at a value of £822,000, to be financed by future lease rentals incurred within the contract charges.

Capital resources received in the year

There were 16 right-to-buy sales completed in the year by Greenfields Community Housing (GCH) which generated £684,000 of capital receipts for the Council – this is higher than originally allowed of £400,000. Funding from the VAT shelter arrangement set-up with GCH totalled £784,000, compared to a projection of £750,000.

Other capital receipts totalled £83,000, comprising loan and mortgage repayments, and easement rights granted over land.

Government grant of £413,000 was received which has been used to support financing of commitments made under the disabled facility grant programme. In addition, developer contributions of £176,000 were received in the year.

Key Financial Indicators – 31st July 2013		Agenda No: 6
Corporate Priority: Providing value for money. 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
Options: To accept or request further clarification on the financial performance indicators recorded as at 31 st July 2013.		Key Decision: NO
Executive Summary: The attached schedule (Appendix A) of key financial indicators provides details of performance recorded for the financial year to 31 st July 2013. Commentary: a) The General Fund revenue account shows an underspend against profile of £91,000 for the period. The anticipated outturn for the year is, however, a net overspend of £196,530, predicted at the Quarter 1 review. The main reason for the anticipated variation is that savings on the salary budgets in the remainder of the year will be insufficient to achieve the efficiency factor. b) The total budget for Salaries for the year is £13,851,500. Salaries are under budget by £6,000, after meeting the profiled efficiency factor for four months of £129,000. The balance of the efficiency factor is £258,000, which at this time it is not anticipated will be achieved by the year end. c) Expenditure on capital projects was £1.941million. d) The total Council Tax debit for the year is £73.36million. The collection rate as at the end of July is 40.11%, which compares to a rate of 40.48% for the same period last year. The rate is 0.37% lower and this is due in part to the introduction of the new local council tax support scheme. The new scheme requires all working age claimants to pay a minimum of 20% of their council tax liability. Additional actions are being taken to contact those residents who have not paid and to refer those that are experiencing financial hardship to the Citizens Advice Bureau for money advice. If after the referral it is determined that the resident is in exceptional financial hardship then an award from the Council's Exceptional Hardship Fund can be made. 15 allocations have been approved from the Fund at a value of £3,318. With regard to recovery action, 2,956 Summons notices were sent up to the end of July in respect of unpaid council tax, this compares to 2,181 up to July 2012. The number of Liability Orders granted by the Court in July was 1,467 (compared to 1,140 in July 2012). e) The total Business Rates (National Non-Domestic Rates) debit for the year is £41.43million. The collection rate as at the end of July is 42.12%, which is exactly the same rate as that achieved for the same period last year. f) A total of 140 write-offs of Council Tax, with a total value of just under £2,500, have been authorised in the period to 31 st July: 18 in respect of the current year and 122 in		

- respect of previous financial years.
- g) A total of 21 write-offs of Business Rates, with a value of £53,000, have been authorised in the period to 31st May: all 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 £2.774million, of which £0.945million was in respect of Housing Benefit overpayments. The target for 2013/14 is to reduce the debt outstanding, excluding Housing Benefit overpayments and the Museum Trust debt, to £575,000 or less by 31 March 2014.
 - i) The summary of sundry debts in the attached schedule shows a figure of £1,092,000 for invoices raised in respect of Operations: £589,000 of this relates to invoices raised on Essex County Council regarding recycling, delivery of the inter authority agreement and grass cutting. 131 sundry debts with small balances were authorised for write-off with a total value of approximately £1,000.
 - j) Treasury Management. The rate of return achieved on investment of the Council's balances and funds in the year to 31st July was 0.65%, with new investments placed during July achieving an average of 0.59%. Changes to the Investment Policy were agreed by Council on 29th July 2013 which will enable investments to be placed for duration beyond a 12 month period with the view to achieving higher rates of return.
 - k) No further repayments have been received in respect of the investments at risk in Icelandic Banks since the last Governance Committee meeting. Repayments of principal and interest total £3,104,582 with a further sum of ISK 42,936,596 (£223,000 equivalent based on the Central Bank of Iceland FX rate) held in an escrow account in Iceland. Further repayments are expected in respect of the investments with Landsbanki and Kaupthing, Singer & Friedlander banks. The Council has recently recorded an interest 'in principle' to consider offers for sale of claims in Landsbanki.
 - l) Detail of the Council's investment portfolio as at 31st July 2013 is provided in the Treasury Management report included as a separate item on this meeting agenda.

Decision:

Members are asked to accept the report of the Key Financial Indicators as at 31st July 2013.

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.

Corporate Implications

Financial:	Contained in the report.
Legal:	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 31st July 2013
APPENDIX A

	Full Year Budget	Actual as at 31 July 2013	Profile to 31 July 2013	Variance from Profile	
	£'000	£'000	£'000	£'000	%
General Fund - Revenue (Controllable)	15,841	4,275	4,366	-91	-2.1%
Capital Programme (Excl. capital salaries incl. below)	15,296	1,941	2,100	-159	-7.6%
General Fund - Salaries	13,852	4,617	4,623	-6	-0.1%

	Full Year Target	Actual as at 31 July 2013	Actual as at 31 July 2012	Variance
Council Tax collection in year - %	98.00%	40.11%	40.48%	-0.37%
Council Tax collection - collectable for year - £m		£73.36	£70.69	£2.67
Write-offs in year (April to July) - £'000		£1.0	£2.4	-£1.4
Write-offs in year (April to July) - number		18	126	-108
Write-offs all years (April to July) - £'000		£2	£36	-£34
Write-offs all years (April to July) - number		140	463	-323
Business Rates collection in year - %	98.50%	42.12%	42.12%	0.00%
Business Rates collectable for year - £m		£41.43	£40.20	£1.23
Write-offs in year (April to July) - £'000		£0	£8	-£8
Write-offs in year (April to July) - number		0	10	-10
Write-offs all years (April to July) - £'000		£53	£138	-£85
Write-offs all years (April to July) - number		21	72	-51
Creditors - payment of invoices within 30 days of receipt	98.5%	99.1%	98.8%	0.30%

Debtors - Balance Outstanding	31-Mar-11	31-Mar-12	31-Mar-13	31-Jul-13	Variance Mar. to July
		£'000	£'000	£'000	%
Service Level Agreement charges - principally Greenfields CH	34	59	17	5	-70.6
Capital Projects - currently - development site, east of High Street, Halstead	6	2	3	5	66.7
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	39	35	9	22	144.4
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	16	6	5	49	880.0
Development	29	57	23	32	39.1
Finance	196	373	411	330	-19.7
Leisure	157	90	261	192	-26.4
Operations	726	869	785	1092	39.1
Housing	106	147	89	97	9.0
Sub-Total - excluding Hsg. Benefits	1,309	1,638	1,603	1,824	13.8
Housing Benefits	730	606	851	945	11.0
Total	2,039	2,244	2,454	2,769	12.8
Amount of Debt Outstanding at Year End excluding Housing Benefits, Museum Trust, charging orders in place and invoices raised in respect of the following year.	593	580	1,261	964	- 24
Target for 2013/14 is for Debt Outstanding (excluding Housing Benefits, Museum Trust debt, charging orders and invoices raised in March 2014 re 2014/15) to be £0.575million by 31 March 2014				575	389
Profile by Recovery Stage:					
Invoice	1,088	1,543	1,526	1,662	
Reminder	223	135	210	349	
Final Notice	86	133	164	213	
Pre-legal	139	120	105	134	
Bailiff	444	270	403	369	
Tracing Agent	17	1	4	5	
Charging Order	42	42	42	42	

Total	2,039	2,244	2,454	2,774	
Write-offs in month - value - £'000	£1.0	£0.0	£0.2	-£1	
Write-offs in month - number	2	0	7	13	
Write offs in year - value - £000	£27	£53	£43	£1	
Write-offs in year - number	380	464	533	131	

Progress on achieving Efficiency Savings Targets

The amount of the Efficiency Savings target included in the budget for 2013/14 is a net amount of £387,080. The underspend on salaries of £6,000, recorded above, is after offsetting £129,028 (i.e. one third) of the target.

Internal Audit – Activity Report for the period to 27th August 2013		Agenda No: 7
Corporate Priority: An organisation that delivers value. Report presented by: Lesley Day, Audit Insurance & Risk Manager Report prepared by: Lesley Day, Audit Insurance & Risk Manager		
Background Papers: Internal Audit Assignments		Public Report: Yes
Options: N/a		Key Decision: No
Executive Summary: To provide Members with details of and outcomes from the audit assignments completed during the period 3 rd June to 27 th August 2013. This includes for each assignment: <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) An update on the Reportable recommendations is also attached.		
Decision: To accept the activity report for the period 3 rd June to 27 th August 2013.		
Purpose of Decision: To advise Members of the audit assignments completed for the period 3 rd June to 27 th August 2013.		

Corporate Implications	
Financial:	N/a
Legal:	N/a
Equalities/Diversity	N/a
Customer Impact:	N/a
Environment and Climate Change:	N/a
Consultation/Community Engagement:	N/a
Risks:	N/a
Officer Contact:	Lesley Day
Designation:	Audit, Insurance & Risk Manager
Ext. No.	2821
E-mail:	lesley.day@braintree.gov.uk

INTERNAL AUDIT
COMPLETED ASSIGNMENTS to 27th August 2013

Type	Topic	Days Taken	Recommendations			Key Controls Covered	High Priority recommendations	Agreed Implementation date	Audit Opinion
			L	M	H				
Operational	Telephones	13.5		6	4	<ol style="list-style-type: none"> 1. Landline validity and usage costs are monitored 2. Mobile phone costs are reasonable and appropriate for a user's role 3. New phone requests are authorised and users sign to confirm compliance with the Mobile Phone Policy 	<p>Review telephone system reports identifying high value/lengthy calls on a quarterly basis and report as necessary to relevant HoS</p> <p>Transfer lines for which the Museum Trust is responsible across to the Museum with the supplier</p> <p>Following revision of the Mobile Phone Policy, remind all users for the need for compliance and request completion and signing of Policy compliance.</p> <p>Raise awareness with managers that detailed mobile phone reports are available if required for random or regular review</p>	<p>September 2013</p> <p>August 2013</p> <p>August 2013</p> <p>August 2013</p>	We are satisfied that reliance can be placed on the key controls following implementation of the recommendations agreed in the Action Plan.
Non-core system	E-receipts procedure - Planning & Licensing	1		1		<ol style="list-style-type: none"> 1. Reconciliation of planning fees via Planning Portal to Cash Receipting 2. Reconciliation of licensing fees via Planning Portal to Cash Receipting 			We are satisfied that reliance can be placed on the key controls following implementation of the recommendation agreed in the Action Plan

Non-core system	House Renovation Grants	12		1		<ol style="list-style-type: none"> 1. An application form has been completed in all cases 2. All relevant documentation has been received in support of the application 3. Test of resources has been completed for all applications 4. At least two quotes for the work had been received for all applicants 5. Work completed is inspected by officers before any payment is made 6. Payments are approved by an authorised signatory 7. Fraud and Corruption checklist 			We are satisfied that reliance can be placed on the key controls following implementation of the recommendation agreed in the Action Plan
Non-core system	Petty Cash	3		0		<ol style="list-style-type: none"> 1. Floats are issued correctly and allocated to a named employee 2. Receipts are submitted for all petty cash claims 3. Expenditure on petty cash items are appropriate and approved by an authorised signatory 4. The end of year float reconciliation has been completed with no discrepancies identified 5. Any request for new floats are received in writing and correctly authorised 6. For any floats repaid an official receipt is issued 7. Petty cash claim forms are kept securely 8. Financial records are updated promptly 			We are satisfied that reliance can be placed on the key controls as described

Non-core system	Parks & Open Spaces	5	0				<ol style="list-style-type: none"> 1. Ensure expenditure made relates to the Parks and Open Spaces services 2. Analysis of income received to ensure that the budgeted income is received 3. Ensure all income from allotment pitches is received 4. All payments for sports pitches are recorded 5. Payments for sports pitches are made promptly 6. Non-payment of invoices is notified to the relevant section 			We are satisfied that reliance can be placed on the key controls as described
Non-core system	Horticulture	8		1			<ol style="list-style-type: none"> 1. An official order is completed for the purchase of all new equipment 2. All new equipment is entered onto the inventory records 3. Any equipment that is obsolete or beyond economical repair is recorded on the inventory records 4. Equipment that is stolen is reported to the Insurance Section and recorded accordingly 5. The costs associated with the Horticultural contracts are reviewed on an annual basis with prices increased accordingly 6. External customers are invoiced on a regular basis for the work provided by the Horticultural section 			We are satisfied that reliance can be placed on the key controls following implementation of the recommendation agreed in the Action Plan

Non-core system	Energy & Utilities	4	0	<ol style="list-style-type: none"> 1. That expenditure and accompanying details for gas, electricity and water usage are: <ul style="list-style-type: none"> • accurately monitored • relate to locations which are the Council's responsibility 2. That meter readings are taken and used to ensure the charges are correct 3. Charges in accordance with current contracts for supply 4. Expenditure for each location is reasonable 5. Payments made are approved by an authorised signatory 			We are satisfied that reliance can be placed on the key controls as described
Non-core system	Travel & Subsistence	3	0	<ol style="list-style-type: none"> 1. Claim forms are completed for all expenditure and are approved by an authorised signatory 2. Supporting evidence ie. receipts are submitted with the claim 3. The correct cost code has been used 4. Amounts claimed are in accordance with the Travel and Subsistence guidelines 5. Claim forms are kept securely with restricted access 6. Financial records are updated promptly 			We are satisfied that reliance can be placed on the key controls as described
Non-core system	Development Control	10	0	<ol style="list-style-type: none"> 1. Development control fees and charges are approved by Cabinet and Full Council 2. All applications received are registered and processed in accordance with legislation and policies 3. Planning decisions are determined within the allowed timescales 			We are satisfied that reliance can be placed on the key controls as described

						<ul style="list-style-type: none"> 4. The correct fee is received for each application, banked promptly and recorded 5. Refunds made are correct and approved by an authorised signatory 6. Declarations and conflicts of interest are recorded and dealt with in accordance with the Code of Conduct 7. Environmental impact assessments are completed within the allowed timescale 8. Planning appeals are recorded and all interested parties notified <p>Reconciliation of income between the Uniform and e-financials systems</p>			
Core system	Cash and Bank	7		1	1	<ul style="list-style-type: none"> 1. Cash and other cashable orders are held securely. 2. All remittances received are properly recorded. 3. All cash income is properly accounted for and banked in full. 4. Payments are properly authorised. 5. Cash balances are accurate and agree to recorded cash transactions. 6. There is adequate segregation in the cash receipting, recording and authorising process. 7. Fraud and Corruption checklist 8. Information security management. 	Put in place a process for a regular reconciliation of pest control fees received to jobs issued	September 2013	We are satisfied that reliance can be placed on the key controls following implementation of the recommendations agreed in the Action Plan

Corporate	Local Council Tax Support Scheme	4			2		1. Implementation of the new legislation is authorised 2. System parameters have been correctly applied 3. Payments are in accordance with the scheme	Amend the Delegation Scheme of Officers within the Constitution to ensure officers are authorised to apply the Rules to the LCTS The Rules of the LCTS document to be amended to reflect the agreed maximum backdate period of three months	Completed	We are satisfied that reliance can be placed on the key controls following implementation of the recommendations agreed in the Action Plan

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	Due Date	Status
Asset Management	Undertake an annual reconciliation of asset database rental values to invoices raised values.	January 2013	Revised date of December 2013 agreed
Creditors	Review annual spending with companies and check for compliance with Contract Procedure Rules.	April 2013	Implementation delayed until September 2013

Statement of Accounts 2012/13		Agenda No: 8(a)
Corporate Priority: Providing value for money. Report presented by: Phil Myers, Financial Services Manager Report prepared by: Phil Myers, Financial Services Manager		
Background Papers: Statement of Accounts 2012/13		Public Report
Options: To approve the Statement of Accounts 2012/13 for publication, with or without amendment		Key Decision: NO
Executive Summary: <p>The Statement of Accounts for the financial year to 31 March 2013 were compiled and signed as representing a 'true and fair view' by Chris Fleetham, Corporate Director, on 28 June 2013. This authorisation process is in accordance with section 8(2) of the Accounts and Audit (England) Regulations 2011 ("the 2011 Regulations").</p> <p>The 2011 Regulations require the Statement of Accounts to be subject to scrutiny by a committee of members after the accounts have been subject to external audit, which allows the committee to have the benefit of receiving the report from the external auditor. The Council's External Auditor, BDO, commenced the audit of the accounts on Monday 8 July 2013, the findings from which are detailed in Part (b) of this agenda item: External Auditor's Governance Report.</p> <p>The accounts were available for public inspection between 3 and 30 July 2013 and a final approved audited version of the Statement of Accounts must be published by no later than 30 September 2013.</p> <p>A copy of the Statement of Accounts has been distributed to members of the Governance Committee – the final version will be published on the Council's website.</p> <p>The Statement of Accounts is produced in accordance with International Financial Reporting Standards (IFRS) but reconciled back to a basis under statutory regulations to determine the real level of resources (revenue and capital) available to the Council for future decisions about spending and Council Tax setting.</p> <p>This report summarises a number of key issues included in the Accounts, signposting the main financial statements and disclosure notes, including:</p> <ul style="list-style-type: none"> • The Foreword which provides a summary of the financial statements, adding further explanation to some of the numbers contained in the Accounts, as well as reconciling to the budget outturn. Further information is also provided around the longer term financial issues faced by the Council. 		

- The Comprehensive Income and Expenditure Statement (CI+ES) which shows a deficit of £6.185 million for the year. This deficit is largely due to the accounting requirements of IFRS that requires inclusion of a number of 'paper' debits and credits and unrealised gains and losses. The real change in the Council's available resources is shown in the Movement in Reserve Statement (MIRS), which shows a net reduction of £1.037 million in usable reserves.
- The change in usable reserves is divided between an increase in revenue balances of £1.372 million, and decrease of £2.409 million in capital reserves. The majority of the balance of capital reserves carried forward (£16.248 million) is committed to funding the Council's capital investment plans.
- The change in revenue balances includes: £314,000 addition to General Fund balances and £1.058 million addition to earmarked reserves. Detail of the movement on earmarked reserves was reported to Cabinet at the meeting held on 20 May 2013 as part of the Provisional Financial Outturn.
- The £5.778 million reduction in unusable reserves relates mainly to an unrealised loss on the Pension Fund due to changes in actuarial assumptions and estimates.
- The Balance Sheet indicates total Net Assets of £39.43 million matched by the balance of usable and unusable reserves.
- Pension Contributions and Pension Fund Liabilities are significant items within the Accounts. A change in discount rate used to value liabilities has had a negative effect in the year of £15.701 million, although this has been offset by investment returns exceeding expectation by £5.897 million. The cost of pensions charged to the CI+ES under IFRS amounted to £13.429 million, whereas contributions paid according to statutory rules were £3.436 million. In 2013/14 the estimated amount to be paid to the Fund is £3.514 million. A new funding strategy will be implemented from April 2014 after the results of the Actuarial Valuation as at 31 March 2013 are known.
- Disclosures show that in total Members' allowances and expenses paid in the year were £416,014 – this was higher than the previous year due to a general inflationary increase across all allowances, along with additional payments to chairs of two new Task & Finish Groups. The previous year costs were also lower than expected due to ward vacancies that were filled in March 2012. The cost of Senior and Other Officers earning more than £50,000 in the year reduced by £121,222, with the total number in post at the end of the year remaining at 15. The number of exit packages agreed in the year was 6 at an estimated cost of £82,000, compared to 15 the previous year with an estimated cost of £210,000. These packages have been agreed as part of the Council's plans to implement savings and efficiencies under its Medium Term Financial Strategy.

The full Statement of Accounts is enclosed separately with this agenda.

Decision:

To approve the Statement of Accounts.

Purpose of Decision:

To comply with the Audit and Accounts Regulations that Members approve the Statement of Accounts after receiving the findings of the external audit.

Corporate Implications	
Financial:	No new financial implications
Legal:	The approval process is part of the statutory accounting rules set out in the Accounts and Audit Regulations
Equalities/Diversity	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	The draft Accounts were made available for public inspection between 3 and 30 July 2013. On the 31 July 2013 and until conclusion of the audit any local government elector for the district (or their representative) may raise questions with the External Auditor and / or raise an objection to an item(s) in the Council's accounts.
Risks:	The Accounts include details of the Council's main financial risks
Officer Contact:	Phil Myers
Designation:	Financial Services Manager
Ext. No.	2810
E-mail:	Phil.myers@braintree.gov.uk

Statement of Accounts 2012/13

1) Background

The Statement of Accounts for the financial year to 31 March 2013 were compiled and signed as representing a 'true and fair view' by Chris Fleetham, Corporate Director, on 28 June 2013. This authorisation process is in accordance with section 8(2) of the Accounts and Audit (England) Regulations 2011 ("the 2011 Regulations").

The 2011 Regulations require the Statement of Accounts to be subject to scrutiny by a committee of members after the accounts have been subject to external audit, which allows the committee to have the benefit of receiving the report from the external auditor.

Member training on the Statement of Accounts was held on 9 September 2013, to aid the process of scrutiny.

The Council's External Auditor, BDO, commenced the audit of the accounts on Monday 8 July 2013 the findings from which are detailed in Part (b) of this agenda item: External Auditor's Governance Report.

The accounts were available for public inspection between 3 and 30 July 2013.

A final approved audited version of the Statement of Accounts must be published by no later than 30 September 2013.

2) Statement of Accounts 2012/13

The Statement of Accounts ("the Accounts") has been produced in accordance with International Financial Reporting Standards (IFRS) in so far as they are applied to UK local authorities according to the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy ("the Code"). There were no new significant accounting requirements introduced by the Code for 2012/13.

The requirements of IFRS result in a number of additional 'paper' transactions and adjustments being put through the income and expenditure account, however, these items are ultimately replaced with credits or debits to reconcile the Council's revenue and capital resources to those determined under statutory regulations.

The following sections provide a summary of the main financial statements.

3) Foreword

The Foreword is a useful starting point for the reader of the Accounts, providing a brief description of the financial statements that are included, along with extracts highlighting key figures. In addition extra information is provided to give further analysis and explanation. The Foreword contains Information about the budget outturn and a statement showing how this reconciles with the movement on the General Fund balance as reflected in the Accounts. Further information is also provided around the longer term financial issues faced by the Council.

4) Comprehensive Income and Expenditure Account (CI+ES)

The CI+ES shows the total change in the Council's net worth, measured on an IFRS basis. It is the Council's equivalent to the private sector "profit and loss" account and covers all the functions of the Council in providing services. The cost of services reflected in the CI+ES include charges for depreciation of property, vehicles, plant and equipment used in the delivery of services, and pension fund costs measured under accounting standards rather than being based purely on the amount of employer contributions. Charges or credits are made to the CI+ES for unrealised gains or losses on property and pension fund assets and liabilities.

For 2012/13 the CI+ES reports a deficit of £6.815 million, summarised as follows:

2011/12 £000		2012/13 £000
80,793	Gross Service Expenditure	82,705
(61,239)	Services Income	(63,101)
19,554	Net Cost of Services	19,604
(21,314)	Net Corporate income and expenditure	(21,446)
(1,760)	Surplus on Provision of Services	(1,842)
15,963	Net Unrealised gains/ losses	8,657
14,203	Total CI+ES	6,815

The Net Cost of service is similar to that for the previous year; however, the total deficit is significantly lower than reported in 2011/12, with the main difference being due to a reduction in the amount of unrealised losses relating to the pension fund.

5) Movement in Reserves Statement (MIRS)

The MIRS reconciles the CI+ES determined on an IFRS basis with the real change in the year in the Council's financial resources on a statutory basis and which are available to spend in the future. The MIRS separates reserves into usable and unusable:

Usable Reserves

These are the reserves that are available to the Council to determine future revenue and capital spending, and/or council tax levels:

Usable Reserves	1 April 2012	Surplus on Provision of Services	Adj. to reconcile IFRS with statute	Transfers	Increase/ (Decrease)	31 Mar 2013
	£000	£000	£000	£000	£000	£000
General Fund balance	7,390	1,842	(470)	(1,058)	314	7,70
Earmarked Reserves	5,718	-	-	1,058	1,058	4
Total Revenue Reserves	13,108	1,842	(470)	-	1,372	14,480
Capital receipts reserve	14,964	-	(1,379)	-	(1,379)	13,585
Capital grants unapplied	3,693	-	(1,030)	-	(1,030)	2,663
Total Capital reserves	18,657	-	(2,409)	-	(2,409)	16,248
Total Usable Reserves	31,765	1,842	(2,879)	-	(1,037)	30,728

This shows that after taking account of statutory adjustments the Surplus on Provision of Services of £1.842 million converts to a net reduction in usable resources of £1.037 million made up of £1.372 million increased revenue and a decrease of £2.409 million capital.

The majority of the balance of capital reserves carried forward is committed to funding the agreed capital programme.

Earmarked reserves increased overall by a net £1.058 million giving a total carried forward of £6.776 million. This total is made up by a number of individual reserves set aside for a specific purpose, summarised as follows:

Earmarked Reserves	1 April 2012 £000	Transfers Out £000	Transfers In £000	31 Mar 2013 £000
Capital investment	2,177	(555)	1,548	3,170
Risk Management	269	(39)	71	301
Service Reserves	2,761	(1,357)	1,526	2,930
Change Management	511	(158)	22	375
Total	5,718	(2,109)	3,167	6,776

The Provisional Financial Outturn report to Cabinet on 20 May 2013, set out the proposed changes to earmarked reserves to be reflected in the 2012/13 Accounts, including creation of a number of new reserves. More detail about earmarked reserves is provided in the Notes to the Accounts.

Unusable Reserves

These reserves hold the unrealised gains/ (losses) of the Council. The net amount of unrealised losses shown in the CI+ES of £8.657 million, is partially offset by contra adjustments totalling £2.879 million made to usable reserves to reflect the differences between IFRS and statute, giving a net movement of £5.778 million reduction:

Unusable Reserves	1 April 2012 £000	Net Unrealised gains/ (losses) in the CI+ES £000	Adj. to reconcile IFRS with statute £000	31 Mar 2013 £000
Revaluation reserve	12,480	1,236	(599)	13,117
Capital Adjustment Account	59,675	-	3,540	63,215
Deferred capital receipts (Loans and mortgages)	158	-	(16)	142
Pensions Reserve	(57,669)	(9,893)	(115)	(67,677)
Collection Fund Adjustment Account	(8)	-	64	56
Accumulating Absence Account (employee leave accrual)	(156)	-	5	(151)
Total Unusable Reserves	14,480	(8,657)	2,879	8,702

The three main unusable reserves relate to:

Revaluation reserve (£13.117 million) – accumulated unrealised gains arising from changes in the book value of property assets since 1 April 2007. Assets

contributing to the net upward movement in 2012/13 were mainly sports and leisure facilities valued on a depreciated replacement cost basis.

Capital Adjustment Account (£63.215 million) - which reflects the timing difference between resources set aside to finance capital expenditure and the accounting charges made to services for those assets via depreciation and impairments (mainly revaluation losses either where there is not a previous revaluation gain held in the Revaluation Reserve, or the reduction in value exceeds the balance of any gains held in the Revaluation Reserve).

Pension Fund Reserve – (negative reserve of -£67,677 million) which mirrors the Council's estimated liability (or shortfall) in the Local Government Pension Fund.

A breakdown of the adjustments between the IFRS accounting basis and funding under Regulations, along with movements in unusable reserves are given in the Notes to the Accounts.

6) **Balance Sheet**

The Balance Sheet shows how the resources available to the Council are held in the form of assets and liabilities. The net assets are matched by the usable and unusable reserves, summarised as follows:

31 Mar 2012	Summary Balance Sheet	31 Mar 2013
£000		£000
73,045	Long Term Assets	80,775
44,396	Current Assets	40,553
(4,074)	Current Liabilities	(4,403)
(67,122)	Long Term Liabilities	(77,495)
46,245	Net Assets	39,430
31,765	Usable Reserves	30,728
14,480	Unusable Reserves	8,702
46,245	Total Reserves	39,430

Long Term Assets include Property Plant & Equipment, Heritage Assets, Investment Property, and Intangible Assets, for which extensive additional disclosures are made in the Notes to the Accounts. Also included in this total are long-term debtors, which increased between years by £2.158 million, due mainly to the accounting treatment of new operating leases entered into in the year which requires upfront costs and stepped rentals to be amortised over the life of the leases.

Current assets include short-term investments of £20.465 million, along with balances classified as cash and cash equivalents (£13.651 million), both of which are managed in accordance with the Council's Treasury Management Policy. Also included is the balance of debtors (amounts owed to the Council) repayable within one year, which total £6.405 million (after allowance for impairment of £1.493 million), a slight reduction from the balance at the previous year end of £6.723 million. Assets held for sale previously shown under current assets have been reclassified as long-term following the withdrawal by Tesco from the purchase of land to East of High Street and properties in Vicarage Meadow, which are now being re-marketed, the sale of which is now expected to be delayed beyond the end of the next financial year.

Current liabilities comprises mainly short-term creditors (amounts owed by the Council), which total £3.213 million, which is a small reduction from the previous year's balance of £3.362 million.

Long Term Liabilities include the current assessment of the Council's Pension Fund liability by the actuary – further details are given below. Other long term liabilities include outstanding market loans (£6 million), and future commitments on lease payments (£2.710 million).

7) Pension Contributions and Pension Fund Liabilities

Pensions are a significant item within the Accounts. The CI+ES include pension costs assessed under IFRS the total of which was £13.429 million. This includes £9.879 million charged to the CI+ES due to the following:

- A reduction in the discount interest rate from 4.6% to 4.0%, which is used by the Actuary for calculating the present day value of pension fund liabilities. This rate is determined from the financial returns on corporate bonds and is therefore susceptible to movement in the financial markets. The lower the discount rate applied, the higher the current day cost of future liabilities based on the principle that money today has a greater value than the same amount paid/ received in the future. This change added £15.701 million to the estimated liabilities.
- Investment returns on the Fund's assets exceeded expectation with a return of 12% compared to an assumed return of 5.8%, resulting in interest earned being £5.897 million higher.

The actual amount charged to Council Tax for pension contributions in 2012/13 was £3.436 million, based on levels of contributions set at the March 2010 actuarial valuation. Employees paid £623,000 into their pensions based on contribution rates of between 5.5% and 7.5%, depending on individual salary.

The net amount of the above items are reflected in the overall change in the pension fund liability (shown under long term liabilities), resulting in an estimated liability of £67.677 million at 31 March 2013. This is an increase of £10.008 million over the position at 31 March 2012. Whilst this liability has a significant impact on the net worth of the Council, in the short-term the cost of pensions to the Council will remain as set at the last actuarial review. The Council's pension contribution to be paid for 2013/14 is estimated to be £3.514million. A review of the fund as at 31 March 2013 is being conducted by the Actuary, which will also take into account the estimated financial impact on employers from the Government's proposed changes to the Local Government Pension Scheme to be introduced from April 2014. This will result in a new funding strategy and determine the Council's pension fund contributions chargeable against Council Tax for the period April 2014 to March 2017.

8) Cash Flow Statement

This statement shows how the movement in capital and revenue resources has been reflected in cash flows of the Council and ultimately the net increase of £1.89 million in the balance of cash and cash equivalents.

Cash & cash equivalents	31 March 2012 £000	Change £000	31 March 2013 £000
Cash held by officers	1	-	1
Co-operative Bank	2,760	890	3,650
Call Accounts	9,000	1,000	10,000
Total	11,761	1,890	13,651

Under IFRS, the definition of cash and cash equivalents captures monies that internally are regarded as part of the Council's investment portfolio – these being amounts held overnight with the Council's own bank (for immediate liquidity purposes), and “on call” accounts which, whilst containing funds not immediately required, have been paying interest at favourable rates.

9) **Collection Fund**

The Collection Fund is a statutory account that records the accounting entries of the Council as billing authority for the collection of Council Tax and business rates, including amounts for Essex County Council, Essex Police Authority, Essex Fire and Rescue Authority, local parish and town councils, and central government. Balances retained are held on behalf of local taxpayers and taken into account when calculating future Council Tax rates.

Income from Council Tax was £80.304 million. After taking account of precepts and demands, and an allowance for non-collection, a surplus for the year was generated of £490,000. With the deficit brought forward of £58,000, the net balance on the Fund at the end of the year was £432,000. For the purpose of setting the 2013/14 Council Tax an estimated balance at 31 March 2013 of £234,000 was allowed. The difference of £198,000 will be taken into account when estimating the balance at 31 March 2014, for setting the Council Tax for 2014/15.

The Collection Fund also reflects business rate income of £38.539 million the majority of which is paid over to central government for pooling nationally and redistributing back to local authorities. The Council received £6.767 million of business rates as part of its overall government support. This is the final year that national pooling will apply, with the Business Rate Retention Scheme being introduced from April 2013 whereby income will be shared between Government (the “central” share) and major precepting local authorities (the “local” share).

10) **Members Allowances and Expenses Reimbursed**

The amount of Member Allowances and Expenses Reimbursed for 2012/13 and 2011/12 is summarised in the table below:

2011/12 £		2012/13 £
259,075	Basic Allowances	265,434
123,161	Special Responsibility Allowances	129,830
17,844	Expenses Reimbursed	20,750
400,080	Total	416,014

Basic and Special Responsibility Allowances increased between years due to an inflationary increase of 1% from April 2012, and due to two additional Special Responsibility payments being made for the Chairs of the Local Highway Liaison and the Braintree, Halstead and Witham Citizens Advice Bureau and Braintree District Voluntary Support Agency Task and Finish Groups. In 2011/12

the amount of basic allowances paid was less than anticipated due to ward vacancies which were filled in March 2012. Further details of payments to individual Members is given in the Additional Information section of the Accounts.

11) Officers' Remuneration and Exit Packages

A summary of remuneration to Senior Managers and other officers earning more than £50,000 per annum is provided in the table below:

	2012/13		2011/12	
	Total remuneration in year including pension contributions (£)	Number of staff as at 31 st March	Total remuneration in year including pension contributions (£)	Number of staff as at 31 st March
Senior Managers	704,518	9	869,364	10
Other Officers earning over £50,000	339,688	6	285,418	5
Senior Managers left during the year	102,250	3	112,896	1
Other Officers earning over £50,000 left during the year	0	0	0	0

(Note: individual amounts in the Accounts are rounded to nearest £000)

There was a reduction in the overall cost of Senior Managers and other officers earning more than £50,000 by £121,222 between the years. The total number of officers subject to disclosure in-post at the end of March remained at 15.

The number of exit packages agreed in the year was 6, the majority having a value under £20,000, with an estimated total cost of £82,000. In the previous year 15 exit packages had been agreed with an estimated total cost of £210,000. These packages have been agreed as part of the Council's plans to implement savings and efficiencies under its Medium Term Financial Strategy.

12) Revenue Expenditure by Service

A table in the Additional Information section provides the gross expenditure, income, and net expenditure listed by service for 2012/13 and 2011/12.

Annual Governance Report 2012/13		Agenda No: 8(b)
Corporate Priority: Delivering valued services to our Customers Report presented by: Lisa Clampin, BDO LLP (External Auditors) Report prepared by: Alison Langridge, BDO LLP (External Auditors)		
Background Papers:		Public Report
Options:		Key Decision:
		NO
Executive Summary: To receive the Annual Governance Report for 2012/13 from BDO LLP, the Council's External Auditor; a copy of the report is provided as an Appendix. International Standards on Auditing (ISAs) (UK and Ireland) and the Code of Audit Practice require that the external auditor reports to those responsible for financial governance and reporting (those charged with governance) on the key findings of their audit prior to issuing their opinion on the financial statements and value for money conclusion. This report summarises the results of the audit work completed to date in respect of the financial statements and arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2013. The Annual Governance Report is being finalised with BDO LLP and will follow.		
Decision: That the Annual Governance Report 2012/13 be accepted and that it be recommended to Cabinet for approval.		
Purpose of Decision: To comply with the Accounts and Audit Regulations which require Councillors to receive the findings of the external auditor before approving the Statement of Accounts.		

Corporate Implications	
Financial:	External Auditor provides an opinion on whether the Council's financial statements give a true and fair view of its financial position and income and expenditure and whether they have been prepared properly, in accordance with appropriate legislation and relevant accounting guidance.
Legal:	The report is presented to the Governance Committee in accordance with the provisions of ISA (UK & Ireland) 260 <i>Communication with those charged with governance</i> , ISA 265 <i>Communicating Deficiencies in Internal Control to Those Charged with Governance and Management</i> , and the Audit Commission's <i>Code of Audit Practice</i> .
Equalities/Diversity	Not applicable
Customer Impact:	Not applicable
Environment and Climate Change:	Not applicable
Consultation/Community Engagement:	Not applicable
Risks:	Not applicable
Officer Contact:	Trevor Wilson
Designation:	Head of Finance
Ext. No.	2801
E-mail:	Trevor.wilson@braintree.gov.uk

Public Sector Internal Audit Standards (PSIAS)		Agenda No: 9
Corporate Priority: An organisation that delivers value. Report presented by: Lesley Day, Audit Insurance & Risk Manager Report prepared by: Lesley Day, Audit Insurance & Risk Manager		
Background Papers: The PSIAS and the Local Government Application Note		Public Report Yes
Options: N/a		Key Decision: No
Executive Summary: The Public Sector Internal Audit Standards (PSIAS) came into effect on 1 st April 2013 and replaced the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The PSIAS now form the proper practices for Internal Audit required by the Accounts and Audit (England) Regulations 2011. Compliance with the PSIAS is mandatory. The Standards also require that an Internal Audit Charter be produced that is consistent with these standards.		
Decision: a) To approve the adoption of the Public Sector Internal Audit Standards. b) To approve the Internal Audit Charter (Appendix 1) c) Note that the management of Insurance, Risk, Benefit Fraud, Cashiers, Mail Room and Business Continuity is to remain the responsibility of the Audit Manager. d) Note that the Audit Manager does not hold the professional qualification required by the Standards but does possess the knowledge, skills and competence to manage and deliver the service. e) To approve the proposals for the Committee's functional reporting responsibilities.		
Purpose of Decision: To ensure that there is compliance with the Public Service Internal Audit Standards which forms part of the statutory responsibility to maintain an adequate and effective internal audit		

Corporate Implications	
Financial:	N/a
Legal:	The Council has a statutory responsibility to maintain an adequate and effective internal audit. Compliance with the PSIAS forms part of that statutory responsibility
Equalities/Diversity	N/a
Customer Impact:	N/a
Environment and Climate Change:	N/a
Consultation/Community Engagement:	N/a
Risks:	N/a
Officer Contact:	Lesley Day
Designation:	Audit, Insurance & Risk Manager
Ext. No.	2821
E-mail:	lesley.day@braintree.gov.uk

Public Sector Internal Audit Standards (PSIAS)

Whilst the PSIAS introduce new standards for the Internal Audit function, many aspects of the 2006 Code of Practice are reflected in the standards. The PSIAS require changes to be made to the current definition of internal auditing and the adoption of a new code of ethics for internal auditors, the fact that the internal audit service already meet the requirements of the CIPFA Code of Practice suggest that only minor changes to day to day operational systems will be required. However, there will be more significant changes regarding review and scrutiny of the function.

The guidance issued includes an extensive checklist to establish compliance with the Standards. An initial review of each compliance, gathering evidence to substantiate the current position regarding each conformance question is currently underway and the results of this will be brought to a future committee meeting.

The Standards use the term Board, Senior Management and Chief Audit Executive. In this Charter and with regard to compliance with PSIAS, the following definitions shall apply:

Board: the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At Braintree DC this shall mean the Governance Committee.

Senior Management: those responsible for the leadership and direction of the Council. At Braintree DC this shall mean the Corporate Director responsible for Internal Audit. (S151 Officer)

Chief Audit Executive: Audit Manager.

Throughout this report, the titles used by this Council have been used for clarity purposes.

The PSIAS require that an ***Internal Audit Charter*** be produced by the Audit Manager that is consistent with the Standards, the revised definition of Internal Auditing and the Code of Ethics contained within the standards. In order to comply with the PSIAS, the charter needs to be formally approved by this Committee. Included in this Charter are the majority of the requirement of the Standards.

Further points of note

Once the PSIAS have been adopted, the Audit Manager will be required to include in their annual report, details of any non-conformance and the impact this has had on the overall scope or operation of the internal audit activity. Any significant deviations must be considered for inclusion in the annual governance statement.

The ethical standards which were based upon those in the 2006 CIPFA Code are to be replaced by Institute of Internal Auditors Code of Ethics which have been further enhanced and internal auditors in the public sector must also have regard to the Seven Principles of Public Life (Nolan Principles)

The Audit Manager has other managerial responsibilities including Insurance, Risk, Benefit Fraud, Cashiers, Mail Room and Business Continuity which is a conflict of interest as determined by the Standards. The options for transferring these areas to another manager have been considered and dismissed due to the Organisation's requirements and structure.

However, to manage this conflict, arrangements will be maintained to ensure that the post holder is not involved in audit reviews on these areas and will accept any recommendations resulting from the audit reviews to maintain independence.

The Standards also require the Audit Manager to hold a professional qualification and be suitably experienced. The current Audit Manager does not hold the professional qualification required and this was known when appointed to the post over 17 years ago but has in total, over 38 years internal audit experience. The current Audit Manager has strong commitment to both public services and internal audit and the lack of a professional qualification has not been detrimental to the delivery of internal audit services or the development of new initiatives and ideas. Not meeting the professional qualification criteria as required by the Standards is considered to be a matter that is required to be reported to the Governance Committee each year in the Internal Audit Annual report.

The Audit Manager must develop and maintain a quality assurance and development programme (QAIP) that covers all aspects of the internal audit activity. The QAIP must include both internal and external assessment. The internal assessment must be on-going monitoring of the performance of the internal audit activity together with periodic self- assessments.

An external assessment is required to be completed against the full PSIAS at least once every five years. External assessments can be in the form of a full external assessment or a self-assessment with independent validation. This will be further investigated and a report will be brought to the Committee in due course.

The Standards also refer to Operational Independence which is effectively achieved when the Audit Manager reports functionally to the Governance Committee. Examples of functional reporting are:

Responsibility	Current	Proposed
Approving the Internal Audit Charter	Committee to approve	No change
Approving the risk-based internal audit plan	Committee currently endorse	Committee to approve
Approving the internal audit budget and resource plan	Committee currently endorse resource plan as part of the audit plan	Committee to approve Committee to receive 2014/15 Internal Audit budget in January 2014 If Committee consider the resources are insufficient then needs to be formally referred to S151 officer
Making appropriate enquiries of management and the Audit Manager whether there are inappropriate scope or resource limitations		
Receiving reports from the Audit Manager on Internal Audit's activities and performance	Panel currently received quarterly reports and other ad-hoc reports as necessary	No change required

Approving decisions regarding the appointment of the Audit Manager	Line Manager's decision after complying with Recruitment Policy and Procedure	The Recruitment Policy and Procedure is followed. Governance Committee Chairman or nominee to be included in any interview panel and his/her comments to be considered by the S151 Officer when deciding appointment. Appointment reported to the Governance Committee for information.
Approving decisions regarding the removal of the Audit Manager	In circumstances other than resignation, retirement or redundancy, line manager's decision in accordance with the Disciplinary Policy and Procedure	S151 Officer decision following discussion with the Head of Finance and Governance Committee Chairman. Dismissal reported to the Governance Committee for information.
Approving the remuneration of the Audit Manager	In accordance with the Council's structure and grading and Job Evaluation Scheme	The grade of the post is reported to the Governance Committee upon appointment of new Audit Manager. Head of Finance and S151 Officer to determine pay point within grade. Any pay or grade progression that is dependent on performance, then comments of Governance Committee Chairman will be considered.

BRAINTREE DISTRICT COUNCIL

INTERNAL AUDIT CHARTER

Introduction

The Public Sector Internal Audit Standards (PSIAS) which took effect from 1st April 2013 require that the Chief Audit Executive produces an Internal Audit Charter that is consistent with the Standards and the Definition of Internal Auditing and the Code of Ethics contained within the Standards.

The purpose of the Internal Audit Charter is to formally define the purpose, authority and responsibility of the Internal Audit Section.

Definition of Roles

The Standards use the term Board, Senior Management and Chief Audit Executive. In this Charter and with regard to compliance with PSIAS, the following definitions shall apply:

Board: the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At Braintree DC this shall mean the Governance Committee.

Senior Management: those responsible for the leadership and direction of the Council. At Braintree DC this shall mean the Corporate Director responsible for Internal Audit. (also S151 Officer).

Chief Audit Executive: Audit Manager.

Throughout this Charter, the titles used by this Council have been used for clarity purposes.

Requirement for Internal Audit

The Accounts and Audit (England) Regulations 2011 require the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices.

Compliance with the requirements of the PSIAS fulfils the proper practices requirement in the Regulations.

Purpose of Internal Audit

The purpose of the Internal Audit function is:

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Scope

The scope of Internal Audit includes:

- risk based system reviews including the documentation, evaluation and testing of financial, operational and management systems.
- performance improvement covering the economy, efficiency and effectiveness of business systems and processes.
- undertaking ad hoc reviews as requested by management
- providing advice on major projects and existing and developing new systems and processes.
- Undertaking/participating in investigations including those in relation to potential fraud, corruption, bribery or irregularity
- Applying best practice across the organisation

The scope of the Internal Audit's function's remit include the Council's entire control environment, not just financial records. It also extends to any services provided through partnership arrangement or by external providers.

Independence

The Internal Audit service will remain free from interference by any element in the Council and its scope shall not be restricted in any way. It shall be free to review the arrangements of any aspect of service delivery, finance or governance irrespective of whether those arrangements are provided directly or indirectly (via partnerships, contractually or any other business arrangement).

The objectivity, impartiality, integrity and conduct of all Internal Audit staff must be above reproach at all times.

The Audit Manager has other managerial responsibilities including Insurance, Risk, Benefit Fraud, Cashiers, Mail Room and Business Continuity. This responsibility for these operational areas is recognised by senior management and the Governance Committee. Arrangements will be maintained to ensure that the post holder is not involved in audit reviews on these areas and will accept any recommendations resulting from the audit reviews to maintain independence.

The Internal Audit function is located within the Financial Services department. The Audit Manager reports to the Head of Finance who in turn reports to the Corporate Director (S151 Officer)

The Audit Manager has a right of direct access to Management Board, Chief Executive and Members.

Authority

Internal auditors have the authority to access such premises, property, documents and assets as they consider necessary and to receive from any Council officer or agents or contractors appointed by the Council, such information and explanations as are necessary.

Confidentiality

All records, documentation and information accessed in the course of undertaking internal audit duties shall be used solely for the conduct of internal audit activities. The Audit Manager and individual audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

Reporting

Where necessary, an action plan will be issued which will address any recommended corrective actions. Heads of Service shall respond promptly to recommendations in audit reports and ensure that agreed recommendations are implemented in the timescales agreed with the auditor.

The Governance Committee receive regular reports on the audit assignments undertaken, details of high priority recommendations and monitor the implementation of these recommendations.

The Audit Manager shall submit to the Governance Committee an annual report and formal audit opinion on the overall adequacy and effectiveness of the control environment prior to the approval of the annual governance statement.

Resource requirements

The PSIAS require that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

The level and nature of resources available reflects the current approved Internal Audit plan. As part of the Annual Internal Audit Plan, the level and nature of resources required to deliver an adequate level of audit coverage will be calculated taking account of the content and complexity of each audit and past experience. Any significant imbalance will be reported to the Governance Committee together with proposed solutions.

Code of Ethics

Internal Audit staff apply the Institute of Internal Auditor's Code of Ethics which have been further enhanced with the requirement that internal auditors in the public sector must also have regard to the Seven Principles of Public Life (Nolan Principles)

Fraud and Corruption

The Council's Constitution requires that Heads of Service and Corporate Directors must immediately notify the Corporate Director (Finance) of any matter which involves or is thought to involve any financial irregularity in the exercise of the functions of the Council. The Audit Manager will examine all allegations on a risk assessed basis and will normally expect to deal with staff under the Disciplinary Procedure.

The Counter-Fraud Strategy and the Fraud, Corruption and Dishonesty Policy confirms these arrangements.

Relationships with external audit and other assurance activities

Internal Audit will establish and maintain an open relationship with the external auditor and any other assurance provider. Internal audit will plan its activities so that there is adequacy of audit coverage and to minimise duplication of assurance effort. External audit will have unrestricted access to all Internal Audit strategies, plans, working papers and reports.

Review of the Charter

The Charter will be reviewed annually by the Audit Manager and significant changes brought to the attention of the Governance Committee. The Charter will be brought back to the Governance Committee for formal approval every three years.

Lesley Day

Audit Manager

August 2013

Treasury Management Review – Annual Report 2012/13 and Mid-Year Report 2013/14		Agenda No: 10
Corporate Priority: Providing value for money. Report presented by: Phil Myers, Financial Services Manager Report prepared by: Phil Myers, Financial Services Manager		
Background Papers: Treasury Management Strategy 2012/13 and 2013/14		Public Report
Options: To recommend the report to Cabinet with or without amendment.		Key Decision: NO
<p>Executive Summary: The Council's treasury management activities are regulated by statutory requirements and by a Code of Practice ("the Code") issued by the Chartered Institute of Public Finance (CIPFA).</p> <p>One of the key requirements of the Code is that, along with an Annual Strategy to be approved prior to the commencement of financial year, the Council should also receive an Annual Report after the financial year-end and, as a minimum, a Mid-Year Report. This report incorporates these latter requirements for 2012/13 and 2013/14 respectively.</p> <p>Appended to the report is the latest Treasury Management Monitor for July 2013, which provides a snapshot of the current treasury management position – this is the standard information that is provided to the Governance Committee as part of its regular report on Key Financial Indicators.</p> <p>Council approved the latest Treasury Management Policy in February 2013 as part of the overall Budget and Council Tax setting for the financial year 2013/14. As legacy borrowing is relatively fixed, and capital investment plans have been self-financed for many years, the main focus for the Council's Treasury Management Strategy has been setting parameters for managing the risks associated with investment of cash balances based on the primary objective of security.</p> <p>At the 31 March 2013, the Council's treasury management position comprised:</p> <ul style="list-style-type: none"> • Total debt and liabilities of £8.892 million, including market loans and finance lease commitments • Investments of £35.148 million including the carrying value of deposits at risk and funds held in Icelandic escrow accounts. • Net investments were £26.256 million 		

Interest rates across most periods within the range used by the Council have fallen over the year as the Bank of England has held the Base Rate at its historic low of 0.5%, and the Funding for Lending Scheme has given banks access to cheap funding which has reduced their reliance on the wholesale deposit market.

In 2012/13 capital expenditure totalled £5.11 million, which was financed mainly from receipts from asset sales, capital grants, and contributions. The Capital Financing Requirement or CFR (a Balance Sheet derived measure of the need to borrow for capital investment purposes) increased by a net £521,000 over the year, due to the recognition of new finance lease liabilities relating to refuse freighters replaced through the vehicle supply and maintenance contract, less repayment of existing finance lease obligations. The closing CFR was £1.01 million, and actual debt amounted to £8.892 million, giving excess borrowing of £7.882 million. This excess of borrowing is due to two main reasons:

1. Legacy debt from past capital financing decisions, which the Council continues to monitor for opportunity to repay early; and
2. Outstanding obligations relating to leases for vehicles. This debt is reduced by the annual lease payments which are made from the revenue budget.

The level of debt is contained within the borrowing limits approved by Council prior to the start of the year.

Cash balances have been higher than originally assumed due to re-profiling of major capital investment, revenue underspends, and recoveries from deposits with Icelandic banks.

Investment policy objectives in order of priority are security and liquidity, after which yield is considered. Funds have typically been placed with banks and building societies meeting the Council's definition of "highly credit rated", along with Money Market Funds (MMFs), the Debt Management Office, and other UK local authorities. Funds are also held with the Council's own bank, the Co-operative Bank plc on overnight/ instant access terms.

In response to market conditions revisions were made to investment policy during 2012/13 where it was deemed appropriate and in full consultation with the Council's external treasury management advisors, Arlingclose Ltd. Key changes included:

- Extending the counterparty list to non-UK banks that meet the criteria for "high credit quality" – resulting in the use of the Australian and New Zealand Banking Corporation.
- Increased exposure and duration limits, subject to the advice of Arlingclose Ltd.
- Increasing the aggregate exposure to Money Market Funds

In the current year, exposure to the Co-operative Bank through credit balances (including the public sector deposit account) has been reduced to an operating limit of £1 million whilst the bank seeks to implement a recapitalisation plan.

More recently investment policy has been changed to permit a higher level of cash balances to be placed in either Pooled Funds, gaining enhanced returns above cash at a risk deemed acceptable, and credit rated housing associations. In addition, the Treasury Management Policy has been changed to accommodate the proposed local authority mortgage scheme which the Council agreed to implement in conjunction with Essex County Council. Changes include setting the duration limit for cash advances paid as "cash backed" support for the indemnity given to an approved lender, and

modifying the Minimum Revenue Policy to recognise that any capital financing requirement relating to the scheme will be covered by the ultimate repayment of the cash advance.

Measurement of credit risk exposure shows a downward trend which, rather than due to a change in investment practice, is a reflection of two issues:

- The assessment of major UK and Non-UK banks by the leading credit rating agencies has become more focused on the individual strength of a bank or Group, and less on the reliance of automatic government support. This is in response to announcements by governments of their future intentions around potential bank failures with greater prospect of “bail-ins” being applied where depositors and bond holders bear increased risk. Credit quality has however stabilised, and liquidity generally improved for UK banks with access to the Funding for Lending Scheme.
- The methodology used by Arlingclose Ltd for assessing credit quality of investments in money market funds has been changed from one that was based solely on the AAA “wrapper” of the funds, to one that considers the underlying credit quality of institutions with which the funds have money deposited.

A further issue emerging has been the adoption of rule changes by some money market funds to deal with the potential for negative yields (i.e. where yields are less than fees charged). The risk to sterling funds is considered low, however, as different currency funds of a fund manager are usually operated under the same Articles of Association the changes are being applied to all investors.

Funds continue to be recovered from Icelandic banks with a total of £3.135 million received to date, and a further £237,000 (estimated GBP equiv.) held in Icelandic escrow accounts. The total amount subject to claims against the banks is £5.235 million. Further recoveries are expected to be received, and the Council continues to work with other local authority creditors via the Local Government Association to seek to maximise recovery of outstanding funds and mitigate the on-going risks.

Arlingclose Ltd continues to be retained as external and independent treasury management advisors, with their current contract term running to the end of October 2014. The Institutional Cash Distributors Money Market Fund portal is also used which provides single point access to money market funds and incorporates reporting tools around risk management.

The treasury management function is subject to extensive reporting throughout the year, including specific reports to Council on proposed changes to investment policy due to changing circumstances. The requirement for training is kept under review.

Decision:

To recommend to Cabinet acceptance of the Treasury Management Combined Annual Report 2012/13 and Mid-Year Report 2013/14.

Purpose of Decision:

The Council has adopted the CIPFA Code of Practice for Treasury Management in Public Services which requires that Full Council receive an annual report and mid-year review of its treasury management function

Corporate Implications	
Financial:	No new financial implications
Legal:	The Council's treasury management activities are subject to regulation by a number of professional codes, statutes, and related guidance. There are no new legal implications from this report.
Equalities/Diversity	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	No new risks are introduced as a result of this report
Officer Contact:	Phil Myers
Designation:	Financial Services Manager
Ext. No.	2810
E-mail:	Phil.myers@braintree.gov.uk

Treasury Management Review – Annual Report 2012/13 and Mid-Year Review 2013/14

1. Background

The Council's treasury management activities are regulated by statutory requirements and by a Code of Practice ("the Code") issued by the Chartered Institute of Public Finance (CIPFA).

One of the key elements of the Code is that, along with an Annual Strategy to be approved prior to the commencement of the financial year, the Council should also receive an Annual Report after the financial year-end and, as a minimum, a Mid-Year Report. This report meets these latter two requirements.

Appended to the report is the latest Treasury Management Monitor which provides a snapshot of the current treasury management position.

2. Treasury Management Policy and Strategy

Full Council approved the latest Treasury Management Policy in February 2013:

Policy Statement:

The Council defines its treasury management activities as:

"the management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of its treasury management activities will focus on their risk implications for the Council and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance management techniques, within the context of effective risk management.

The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Council's investments followed by the yield earned on investments remain important but are secondary considerations.

3. Treasury Management Position at 31 March

The treasury management position at the close of the last financial year (along with the previous year) is set out below:

	Principal 31 Mar 2012 £'000	Principal 31 Mar 2013 £'000
Market Loans	6,000	6,000
Finance Lease Liabilities	2,381	2,892
Total Debt and Liabilities	£8,381	£8,892
Loans and deposits	24,000	20,000
Cash & cash equivalents	11,760	13,650
Investments at risk & escrow accounts	2,016	1,498
Investment Exposure	£37,776	£35,148
Net Investment (debt less investments)	£29,395	£26,256

Market loans comprise two Lender's Option, Borrower's Option (LOBO) type loans of £3 million each, which permit the lender to vary the interest rate at six month call dates, subject to the Council being able to repay the loans without penalty. To date the lender has not sought to exercise this option – the loans currently run at an average interest rate of 4.7%.

Finance lease liabilities relate to the outstanding principal element of leases used to acquire property, vehicles, and plant. Annual payments are made to repay these liabilities over the lease term.

Loans and deposits include amounts placed with UK and Non-UK banks and building societies, money market funds, and other local authorities.

Cash and cash equivalents includes money held in call accounts with immediate access, including the Co-operative Bank Plc with which the Council has a contract for banking services.

Investments at risk relates to the value "today" of the principal element of deposits with Icelandic banks which has yet to be repaid, plus the estimated sterling equivalent of funds held in escrow accounts in Iceland.

4. Economic Background

Low growth and inflation have been persuasive enough for the Bank of England to maintain the Base Rate at its historical low of 0.5% - a rate which has been held since March 2009. In addition, quantitative easing has continued with a further £50 billion sanctioned in July, taking the total to £375 billion.

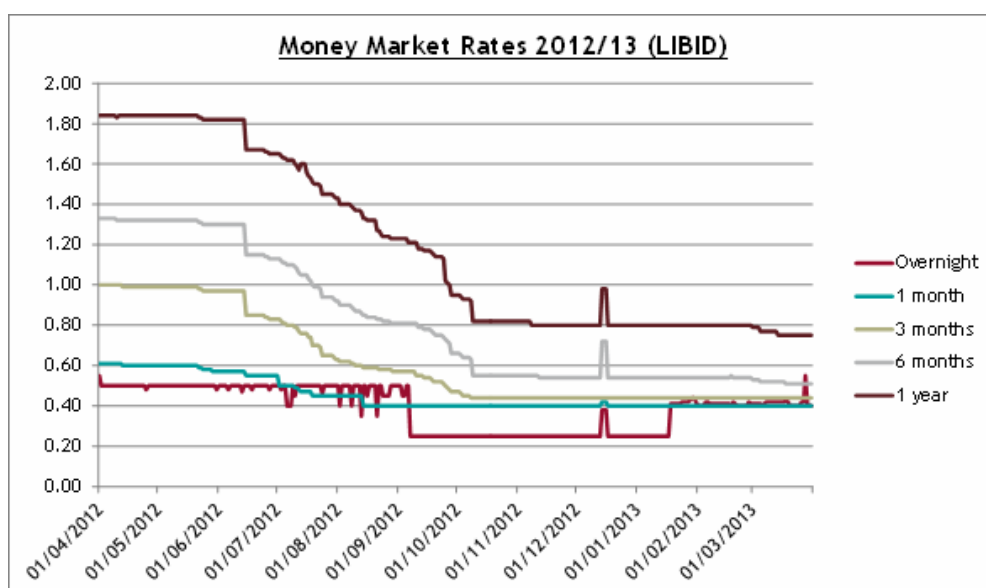
The Government's fiscal plans have extended the austerity drive into 2018. Low growth resulting in a lowering of the forecast for tax revenues means that borrowing will increase and gross debt is now expected to be above 100% of Gross Domestic Product by 2015/16. This position triggered a downgrade in the UK's sovereign rating

from AAA to AA1 by Moody's, whilst the other major rating agencies have maintained a negative watch or outlook.

The Government's Funding for Lending Scheme commenced in August 2012, giving banks access to cheaper funding that could be passed on to the wider economy. The consequence of this policy has been a reduction in market interest rates offered on deposits, including amounts borrowed from local authorities.

Gilt yields, which impact on local authority borrowing rates from the Public Works Loan Board, ended the 2012/13 year lower than at the start in April.

The following chart shows the path of LIBID rates (the inter-bank lending rates) which impact on the interest rate at which the Council can place funds on deposit.



5. Capital Expenditure and Financing

Total expenditure in 2012/13 and source of financing is shown in the table below:

	2012/13 Actual £'000s
Total Capital expenditure	5,110
Resourced by:	
Asset sales and other receipts	(3,001)
Capital grants and contributions	(1,858)
Sums set aside from revenue	(241)
Net change underlying need to borrow or CFR	10

The Capital Financing Requirement (CFR) is a balance sheet derived amount which measures the extent to which the Council has invested in capital but not resourced from internal resources (e.g. sale of assets, grants etc), and which therefore theoretically could be matched by external borrowing. Actual borrowing could be plus/minus the CFR, the circumstances of which should be understood.

	2012/13 Actual £'000s
Capital Financing Requirement	
Opening CFR	489
Change in CFR as per capital expenditure and financing	10
Finance lease recognition	821
Repayments	(310)
Closing CFR	1,010
Actual borrowing and other liabilities	8,892
Difference between actual debt and CFR	7,882

Actual debt is greater than the CFR for two reasons:

- Legacy borrowing which was taken out to fund capital expenditure in the past. The Council keeps under review potential opportunities to repay this debt early.
- Finance leases were previously “off balance sheet” transactions until accounting rules introduced from April 2010 required the associated liabilities to be recognised. Provision for repayment of these liabilities is made through the annual lease payments which are provided for in the Council’s revenue budget. This repayment through the annual lease payment meets the Council’s requirement to set aside a Minimum Revenue Provision (or MRP) from its revenue resources.
- New finance leases recognised relate to vehicles supplied through the Riverside Truck Rental contract on terms that are considered in accounting terms to be equivalent to a finance lease.

Taking account of the balance of investments at 31 March 2013, the Council’s net investment position is £26.256 million meaning that the Council complies with the Prudential Code requirement that net borrowing should not exceed the CFR.

6. Borrowing and Finance Lease Liabilities

The following table shows the change in actual borrowing and other liabilities in the 2012/13 financial year and expected movements in 2013/14.

	Borrowing	Finance	Total
	£000	Leases	£000
	£000	£000	£000
Balance 1 April 2012	6,000	2,381	8,381
Additions	-	821	81
Repayments	-	(310)	(308)
Balance 31 March 2013	6,000	2,892	8,892
Estimated repayments 2013/14	-	(182)	(182)
Est. Balance 31 March 2014	6,000	2,710	8,710

The Council sets borrowing limits within its Annual Strategy, including an Operational limit to cover expected borrowings and liabilities – the limit for 2012/13 and 2013/14 was set at £8.5 million. Actual debt may fluctuate around this limit. An Authorised limit is also set which cannot be breached without prior Council approval. This limit was set at £14 million for the period covered.

7. Investment Activity

The Annual Treasury Management Strategy includes the Annual Investment Strategy (AIS), required under rules set by the Department for Communities and Local Government. The AIS sets out the parameters which apply when selecting suitable counterparties for investment along with any limits around duration and amounts.

Investment priorities remain:

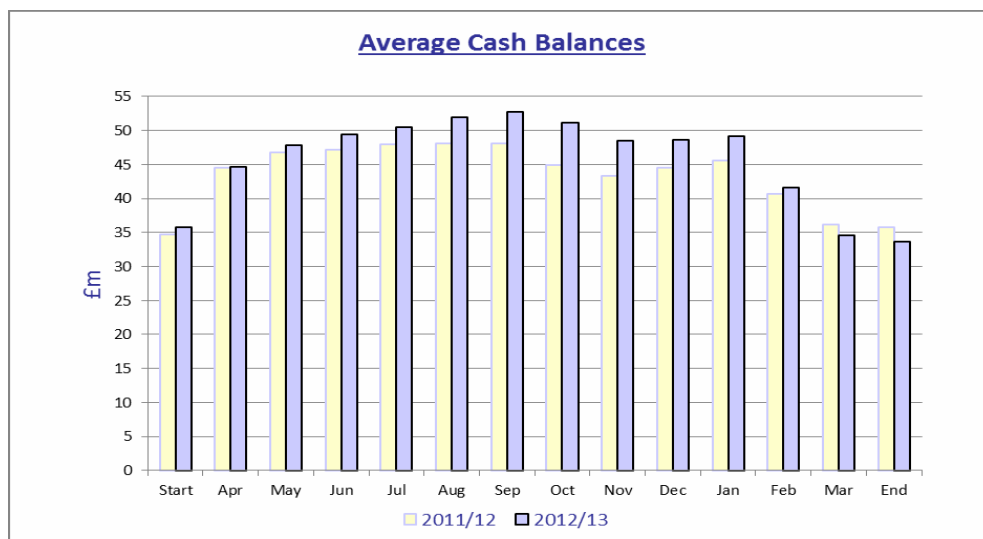
- Security – minimising the risk of cash not being repaid
- Liquidity - having cash available when it is required

Having ensured these two priorities are met, the Council will consider highest yield.

Cash Balances

Investment activity is dependent upon the level of cash balances and requirement for liquid funds to meet day-to-day spending needs. A level of “core” cash is retained for the medium-longer term, reflected in revenue and capital reserves.

Over the 2012/13 year, cash balances for investment averaged £47.59 million, within a range of between £33.08 million and £56.15 million. Average cash flows by month are shown in the chart:



Cash balances were higher than originally assumed for the year due to re-profiling of major capital investment, revenue underspends, and recoveries from deposits with Icelandic banks.

In the current year, average cash balances to the end of July was £47.6 million, down £0.5 million on the average for the same period in 2012/13.

Investment Policy

Full Council approve the investment policy for the forthcoming year as part of the Budget and Council Tax setting process. Revisions to policy were made during 2012/13 in response to market sentiment.

Revision in May 2012:

- The counterparty list for investment purposes was extended to include Non-UK banks that met the criteria for “high credit quality”. This resulted in deposits being placed with the Australia and New Zealand Banking Corporation.
- Increased limits for counterparties with a minimum long-term credit rating of A- to six months (subject to shorter durations advised by external advisors, Arlingclose Ltd), and increase in the maximum investment sum to £3.5million (up from £3 million).
- Increased the aggregate limit on funds placed with AAA rated money market funds from £12million to £15 million.

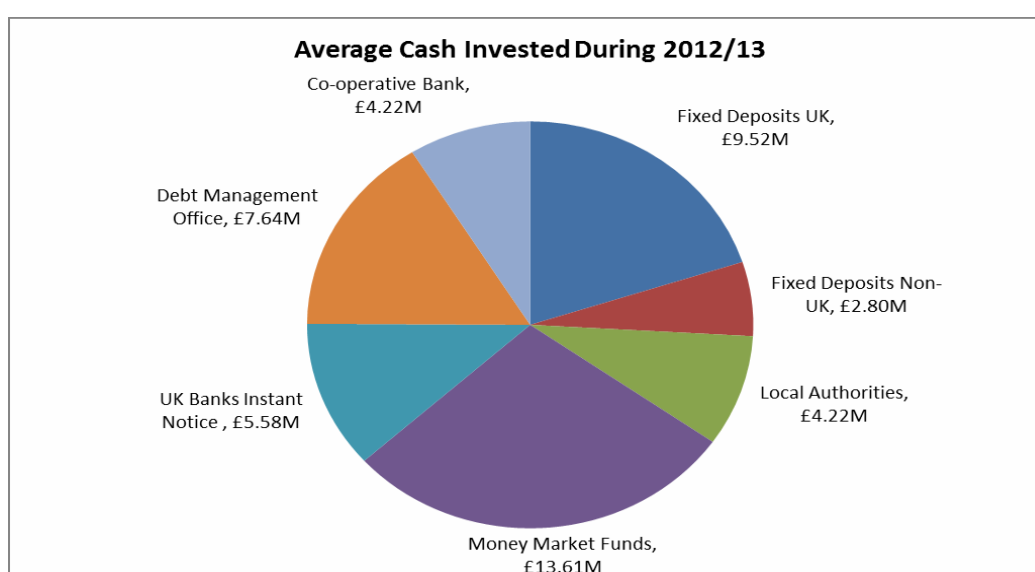
Revision in October 2012:

- Removal of the short-term rating from the criteria for “high credit quality”. This put emphasis on the long-term rating in line with the norm for capital markets.

Applying the investment policy, funds placed during the year were typically:

- Fixed term deposits with the major UK banks, Australia & New Zealand Banking Corporation, and the Nationwide Building Society, which met the “high credit quality” criteria.
- Deposits on call or instant access accounts with major UK banks
- AAA rated Money Market Funds, including Ignis, Royal Bank of Scotland, Deutsche Bank, and Goldman Sachs
- Direct with the UK Government via the Debt Management Office
- UK Local authorities
- Co-operative Bank Plc on instant access terms.

The following chart shows the average amount of cash placed with the above counterparty groups during 2012/13:



Investment Returns

Interest earned on investments for 2012/13 was £262,754 equating to an overall average rate of return of 0.55%. The return was made up as shown in the table below:

	Average cash invested	Return %	Interest
Fixed term deposits	£12.32m	0.74%	£91,321
Deposits with other local authorities	£4.22m	0.43%	£18,219
Money Market Funds	£13.61m	0.48%	£65,849
Instant access accounts (including Co-operative Bank)	£9.80m	0.70%	£68,265
Debt Management Office	£7.64m	0.25%	£19,100
Total	£47.59m	0.55%	£262,754

The overall amount of interest was higher than the budget of £224,000 by £38,754, which was the result of a combination of higher cash balances (+£15.69m) offset by a lower rate of return (-0.15%).

Counterparty Credit Risk

Counterparty credit quality is assessed and monitored in conjunction with Arlingclose Ltd and is based on the following information:

- Credit ratings from the three leading rating agencies (Fitch, Moody's, and Standard and Poor's)
- Credit default swaps – trade insurance used to measure market sentiment over the risk of an institution/ country defaulting on its debt obligations
- Sovereign data, e.g. gross domestic product, national debt
- Any potential support mechanisms, either sovereign or parent organisation
- Share prices
- Market information through a variety of media and sources

In June 2012, Moody's downgraded a number of major UK and non-UK banks, but none of the ratings fell below the Council's minimum A- threshold. In May 2013, Moody's downgraded the Co-operative Bank to sub-investment grade on concerns that exposure to losses were not adequately covered by the provisions and reserves already set-aside by the bank. An exception has previously been made in terms of applying the minimum credit rating for the Co-operative Bank which allowed up to £5 million to be held overnight or on immediate access terms. In response to the downgrade the Council has now reduced its exposure and is currently operating on the basis of maintaining an aggregate credit balance exposure across current and deposit accounts to as close as £1m as is practicable. This approach will be kept under review whilst the bank implements a recapitalisation plan.

To summarise total credit risk at a point in time, the credit ratings with which investments are placed are considered – weighted in terms of both the value of the investment and duration. The following table shows the quarter end position for the investment portfolio (excluding amounts with Icelandic banks):

Date	Amount at quarter end	Value Weighted Average Credit Rating	Time Weighted Average Credit Rating	Average life of portfolio (days)
30/03/2012	£35.76m	AA	AA+	17
30/06/2012	£48.47m	AA	AA-	21
30/09/2012	£51.77m	AA	AA-	33
31/12/2012*	£49.32m	A+	A+	31
31/03/2013	£33.65m	A	A+	64
31/06/2013	£47.07m	A	A+	81

* From this quarter the methodology applied by Arlingclose to measuring credit risk for Money Market Funds was amended

The downward trend in overall credit rating is, rather than as a result of a significant change in investment practice, due to two main issues:

- The wholesale downgrade of major UK and Non-UK banks by the credit rating agencies. With banks now being assessed more in relation to individual strength rather than carrying the implicit guarantee of government support. This follows on from governments stated intentions regarding any future failures with

a greater prospect that “bail-ins” will occur, where depositors and bond holders bear a greater degree of risk. However, due to the Funding for Lending Scheme, credit quality of UK financial institutions have in general stabilised and liquidity improved helping to ease fears over further wide scale problems across the banking sector.

- The methodology used by Arlingclose for assessing credit quality of investments in money market funds has been altered from one based solely on the AAA “wrapper”, to one that considers the underlying credit quality of institutions with which funds have money deposited. In practice, most money market fund counterparties will not be AAA rated.

The table also shows how the Council has lengthened its investment duration in line with advice from Arlingclose.

A further relatively recent development has been that a number of money market funds (including those used by the Council) which typically operate on the basis of a constant net asset value or CNAV (i.e. where the fund objective is that every pound invested maintains its value) have been amending their Articles of Association to allow for a position where negative yields (or returns) may be made. This might arise where interest paid is more than offset by the charges levied by the fund. Arlingclose have advised that this is more likely to affect funds transacted in euro rather than sterling. The changes being made would allow the fund manager to automatically redeem a number of shares to reimburse fees, whilst continuing to operate the fund on the principle of CNAV. Because different currency funds of a fund manager are usually operated under the same articles the changes are being applied to all investors even though the risk is currently low on sterling funds.

8. Treasury Management Policy 2013/14

Changes to the Treasury Management Policy for 2013/14 have been made in response to developments in two areas:

Local Authority Mortgage Scheme (LAMS)

The Council has agreed to establish a LAMS with match funding from Essex County Council. The scheme involves a cash advance to an approved lender for up to 7 years to “cash back” an indemnity provided on mortgages given to first time buyers. The cash advanced to the lender will constitute capital expenditure which would normally require an annual minimum revenue provision (MRP) to be set-aside. However, as the cash advance is ultimately repaid by the lender, the Council has approved a change to the MRP Policy stating that there would be no requirement for MRP on LAMS related expenditure.

Investment Policy

The original investment policy approved in February 2013 amended and extended limits set around counterparty exposure from those applied in 2012/13. In light of the continued low interest rate environment, and anticipated cash balances over the medium term, an early review of investment policy was undertaken. This led to an approval by Council in July 2013 to an increase in limits on the use of Non-Specified

investments from £5 million to £15 million. The increase will provide opportunity to use Pooled Funds which seek to enhance returns above cash, but at levels of increased risk (volatility) deemed acceptable to the Council; and the potential to invest with credit rated housing associations.

9. Update on Deposits at Risk

Landsbanki

The Council is being treated as a priority creditor for which two distributions were made by the Winding-up Board in 2012/13, which after foreign exchange (FX), resulted in £568,563 being received by the Council. Along with a distribution in the previous year the total amount received to date is £1,485,611. In addition, an amount of Icelandic Kroner with an estimated GBP value of around £24,000 is held for the benefit of the Council in an Icelandic interest bearing escrow account pending arrangements for its release under currency controls in place by the Central Bank of Iceland (CBI).

Based on the distribution methodology adopted by the Winding-up Board, the proportion of the Council's claim of £3,147,822 that is deemed settled is around 50% to date. The latest estimate by the Winding-up Board is that priority creditors would be repaid in full subject to any FX implications.

Glitnir

The amount outstanding from this bank relates to an amount of Icelandic kroner held in escrow with an estimated value of £213,000, again subject to currency controls.

The Council continues to keep under review options in conjunction with the other UK local authority creditors via the Local Government Association for repatriation of these funds.

Kaupthing, Singer and Friedlander (KSF)

The Council has received a total of ten distributions to date from the Administrators totalling £812,795, equivalent to a recover rate of 79p in the £.

The current estimate by the Administrator of likely final is in the range of between 84p and 86.5p in the £.

From all three banks the Council has received £3.135 million with a further estimated GBP equivalent of £237,000 in escrow account. The total value of claims made by the Council is £5.235 million.

9. Use of Treasury Management Advisors

Arlingclose Ltd continues to be retained to provide on-going treasury management advice and information. This service is separate to the services of brokers who occasionally are used to transact deposits. The contract with Arlingclose was reviewed

in November 2011 and extended for a further three-year period to the end of October 2014.

The Institutional Cash Distributors Ltd Money Market Fund portal is used which facilitates trades with the Council's money market funds and provides reports analysing fund holdings for individual funds and/ or aggregated across all active funds. The tool allows performance and features of other funds to be assessed. This service is provided to the Council at no charge as fees are paid by the actual funds.

Whilst the Council may engage external advisors, overall responsibility for treasury management remains with the Council.

11. Reporting on Treasury Management Activities

Reporting on treasury management activities has involved:

- An annual strategy approved by Council in advance of the year
- Monthly performance returns to Finance Senior Management and the Cabinet Member for Performance and Efficiency
- Reference to treasury management matters (if necessary) in the finance section of the corporate quarterly and annual performance report
- Regular reports to the Governance Committee as part of a suite of key financial indicators, as well as specific reports if requested by the Committee
- The Statement of Accounts includes comprehensive disclosures in accordance with accounting rules about the Council's treasury management activities (referred to in the accounts as Financial Instruments), including the management of the associated risks.
- Updates on the Medium Term Financial Strategy from time to time will include treasury management activities when necessary.
- A mid-year and an Annual report on treasury management.
- Proposed changes to investment policy are subject to Full Council consideration.
- Scrutiny of the treasury management strategy and policies, along with reports to Council is carried out by the Governance Committee prior to consideration by Cabinet and Full Council.

12. Treasury Management Training

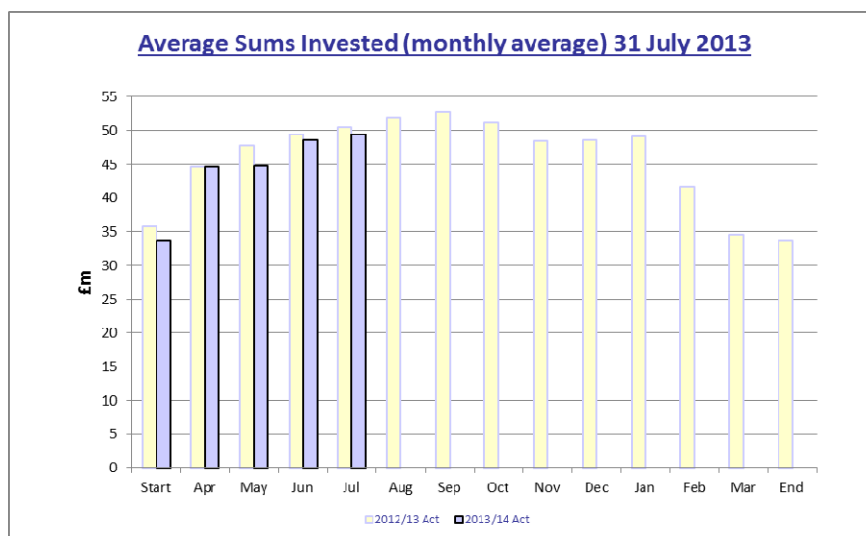
It is a professional requirement that the Corporate Director should ensure that members tasked with treasury management responsibilities, including the scrutiny of the treasury management function, receive appropriate training.

Senior finance officers have an on-going professional responsibility to keep up to date with the regulatory regime and professional codes on treasury management.

Through the services of Arlingclose officers have had access to regular training events and workshops covering current treasury management matters. These events also provide opportunity to network with other local authorities and share best practice, in addition to the established Essex-wide officer groups.

Treasury Management Monitor - July 2013

Cash Balances



The **average sum invested in month** was **£49.4m**, and the **average for the year to date** was **£47.6m**.

Return on Investments

The return on investment is a combination of existing contractual investments made in previous years and periods and re-investment of maturing investments.

The **actual return achieved** from the start of the year to the end of the reporting period was **0.62%**. A return of **0.59%** was achieved for the month on new investments. Taking account of the contracted investments the following interest has been **secured for the year**:

<u>Interest secured:</u>	Average balance	Return	Interest
Investments prior to start of the year	£5,697,260	0.80%	£45,801
Investments made in-year to date	£19,255,890	0.60%	£116,067
Total Secured for the Year	£24,953,150	0.65%	£161,868
Budget 2013/14	£31,430,000	0.70%	£220,000
To achieve over remainder of the year	£6,476,850	0.90%	£58,132

Market Interest Rates

LIBID rates for the year to date

Period rate	Average %	Min %	Max %
7-Day	0.44	0.38	0.50
1-Mth	0.40	0.40	0.40
3-Mth	0.44	0.44	0.44
6-Mth	0.51	0.51	0.55
12-Mth	0.75	0.75	0.83

Source: Arlingclose/ Bloomberg

Investment Activity during the Month

Counterparty	£m	Duration (Days)	Rate	Comment
UK Debt Management Office	2.90	4	0.25%	
Barclays Bank PLC	2.00	103	0.46%	
Nationwide Building Society	1.00	103	0.44%	
UK Debt Management Office	0.50	9	0.25%	
ANZ Bank	2.50	93	0.43%	
UK Debt Management Office	3.50	7	0.25%	
Money Market Funds (various)	-3.00	n/a	various	Net withdrawal in month

Investment criteria currently applied:

Investment Strategy approved at Council on 20 February 2013:

UK and Non-UK Banks and building societies with a long-term rating of at least A- (strong) – 15% or £5m whichever is higher, duration limit 364 day *

AAA rated Money Market Funds (MMF): Aggregate limit £15m subject to 10% of cash balances per fund (rounded up to nearest £m) and < 0.5% of assets under management*

Co-operative Bank credit balances (including public sector reserve) working limit of £1m.

Other Local Authorities/ Debt Management Office Account (UK Government)

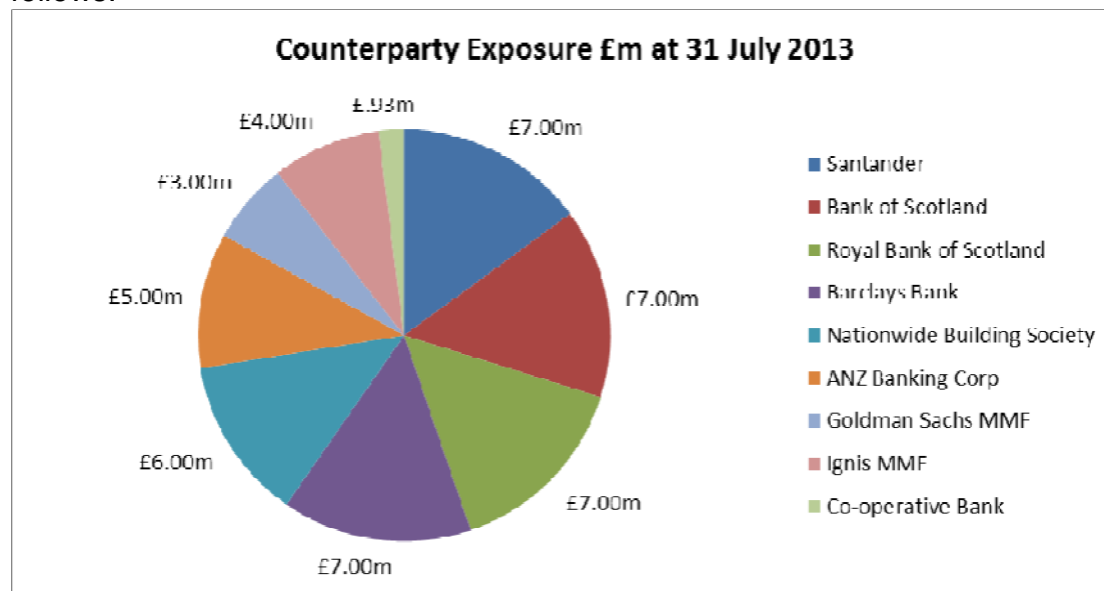
Certain classes of Non-specified investments*

* Subject to advice issued by Arlingclose Ltd

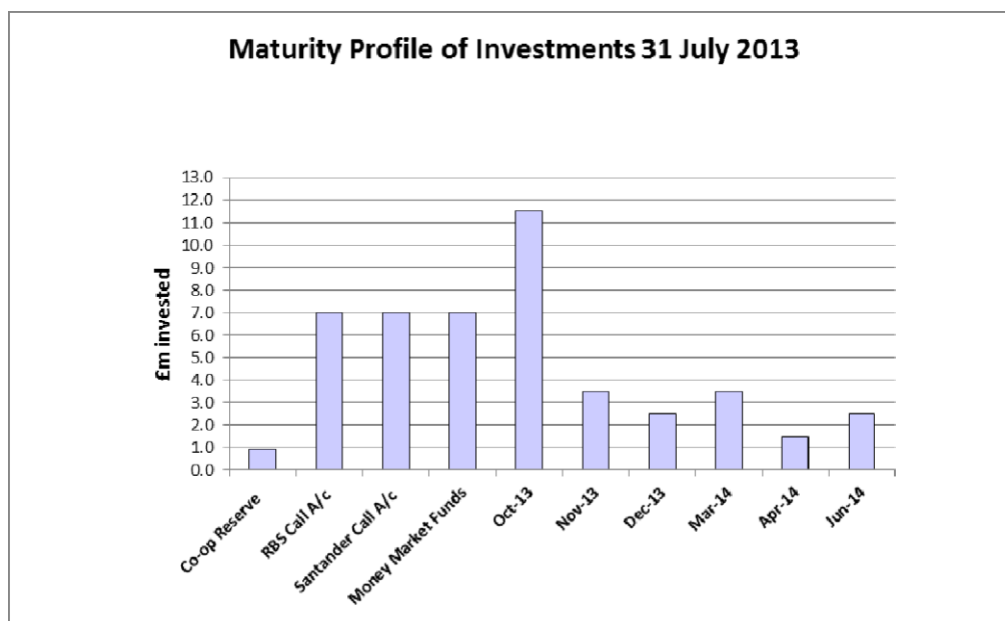
A revision to Investment Policy has been approved by Council increasing the aggregate limit on Non-Specified Investments from £5m to £15m. This provides opportunity to consider placing funds in Pooled Funds offering enhanced returns above cash, and also scope to invest with credit rated housing associations where deposits can be secured against assets.

Counterparty Exposure and Maturity Profile

Exposure to counterparties at the end of the reporting period was as follows:



An objective is to maintain a reasonable spread of maturities to manage both liquidity requirements and interest rate exposure. The following chart shows the **profile of investment maturities at the period end:**



Further details of the investment portfolio at the end of the reporting period are provided on the attached schedule.

Money Market Funds (MMF)

The Council has access to four funds, the principal objectives of which are preservation of capital and very high liquidity, followed by competitive returns. The funds operate within strict criteria to maintain the highest AAA rating.

The **aggregate amount invested at the end of the month was £7.0 million (this amount is included in the investments shown above)**. Current details available of the four funds (the previous reporting period figures are in brackets) are:

Fund:	Ignis	Deutsche	Goldman Sachs	RBS
Amount invested	£4m (£4m)	£0m (£2m)	£3m (£4m)	£0m (£0m)
AUM	£12,934.0m (£13,076.0m)	£n/a (£7,384.0m)	£5,671.0m (£5,911.0m)	£n/a (£n/a)
1 day yield %	0.43 (0.43)	n/a (0.32)	0.36 (0.37)	n/a (n/a)
7 day yield %	0.43 (0.43)	n/a (0.32)	0.36 (0.38)	n/a (n/a)
30 day yield %	0.44 (0.43)	n/a (0.31)	0.36 (0.37)	n/a (n/a)
WAM days	49 (44)	n/a (52)	50 (51)	n/a n/a)

AUM – Assets under management

WAM – weighted average maturity of the Fund

Geographic exposure of funds invested via Money Market Funds

Country	% exposure	Country	% Exposure	Country	% Exposure
UK	14.01 (15.46)	Sweden	4.13 (7.25)	Repo	7.54 (9.92)
France	17.73 (16.98)	Japan	8.53 (8.15)	Finland	1.33 (1.96)
Germany	11.89 (14.90)	United States	4.57 (1.00)	Sub-Total	88.74 (88.74)
Netherlands	15.07 (10.48)	China	2.38 (2.64)	Others	12.82 (11.26)

Investment at Risk – Summary Update

Bank	Principal	Comment
Kaupthing, Singer, & Friedlander	£1m	<p>The Council has received ten distributions so far totalling £812,795 (principal £790k + interest), equating to 79p in the £.</p> <p>The Administrators have previously indicated their intention to pay a further dividend by 31 December 2013. However, as the majority of assets other than the outstanding loan book and claim against the parent bank, Kaupthing hf (Khf), have been collected, the level of future dividend payments after the tenth will be dependent upon the timing and quantum of ongoing loan book recoveries and distributions from Khf.</p> <p>The estimated total recovery is currently in the range of between 84p and 86.5p in the £.</p>
Landsbanki	£3m	<p>Distributions to be made in a basket of currencies with amounts to be converted at the prevailing FX rate by the Co-operative Bank.</p> <p>Three dividends have been paid to date settling circa 49.65% of claim value (based on the methodology applied by the Winding-up Board). After FX conversion the amounts received amount to £1,485,611, with a further GBP equivalent of around £24,000 held in an Icelandic interest bearing escrow account pending repatriation under existing currency controls.</p> <p>The WUB estimated recovery for priority creditors is currently 100%, subject to a number of risks and uncertainties.</p> <p>The Council has lodged an interest “in principle” to consider offers for sale of claims in Landsbanki – this matter is being co-ordinated on behalf of all local authority creditors by Bevan Brittan (the appointed legal advisors to the creditor group).</p>
GLITNIR	£1m	<p>A single payment in full settlement was made in March 2012, comprising a basket of currencies. The majority was converted to a sterling equivalent amount of £836,571. A balance has been paid into an Icelandic bank interest bearing escrow account. This amount has an equivalent GBP value of circa £213,000.</p> <p>Options remain under review in relation to gaining release of the ISK denominated funds.</p> <p>A composition agreement may be affected for Glitnir which may impact on the current escrow arrangements and therefore investigations are underway with the LA creditor legal representatives, Glitnir, and the Icelandic Central Bank about establishing escrow accounts in the name of individual creditors.</p>
Total	£5m	Total amount recovered to date is £3.135 million including interest, with a further £237,000 (estimated GBP equivalent), currently held in Icelandic escrow accounts.

Costs incurred to date amount to £30,008.16.

Borrowings

The Council’s debt remains at £6m – made up of two market loans of £3m each, which contain options for the lender (and Council if lender exercises their option). The next call option date is in September 2013.

Budgetary Position

An over-achievement of interest of £21,000 is currently projected for the year. This is based on a lower estimated return for the year (0.63% v 0.70%), offset by average cash balances being higher (£38m v £31.4m). The additional income will be added to the Treasury Management reserve.

APPENDIX: SCHEDULE TO INVESTMENT MONITOR AT 31 JULY 2013

	£m	% rate	Type	Placed	Maturity	Maturity Profile £m						
						Liquid	Oct-13	Nov-13	Dec-13	Mar-14	Apr-14	Jun-13
UK Banks	28.93											
Santander Group												
Santander UK PLC	7.00	0.75%	Instant	Variable	Instant	7.00						
Lloyds TSB Group												
Bank of Scotland PLC	0.00	0.75%	Instant	Variable	Instant	0.00						
Bank of Scotland PLC	3.50	0.80%	Fixed	14-May-13	14-Nov-13			3.50				
Bank of Scotland PLC	1.50	0.70%	Fixed	27-Jun-13	16-Oct-13		1.50					
Bank of Scotland PLC	2.00	0.70%	Fixed	25-Jun-13	16-Oct-13		2.00					
Barclays Bank PLC												
Barclays Bank PLC	3.50	0.90%	Fixed	4-Mar-13	3-Mar-14					3.50		
Barclays Bank PLC	1.50	0.88%	Fixed	2-Apr-13	1-Apr-14						1.50	
Barclays Bank PLC	2.00	0.46%	Fixed	5-Jul-13	16-Oct-13		2.00					
RBS Group												
Royal Bank of Scotland PLC	7.00	0.90%	Instant	Variable	Instant	7.00						
Co-operative Bank PLC	0.93	0.38%	Instant	Variable	Instant	0.93						
UK Building Societies	6.00											
Nationwide Building Society												
Nationwide Building Society	2.50	0.70%	Fixed	21-Jun-13	20-Jun-14							2.50
Nationwide Building Society	2.50	0.50%	Fixed	21-Jun-13	19-Dec-13				2.50			
Nationwide Building Society	1.00	0.44%	Fixed	5-Jul-13	16-Oct-13		1.00					
Non UK Institutions	5.00											
Australia & New Zealand Banking Corp												
Australia & New Zealand Banking Corp	2.50	0.44%	Fixed	27-Jun-13	16-Oct-13		2.50					
Australia & New Zealand Banking Corp	2.50	0.43%	Fixed	8-Jul-13	9-Oct-13		2.50					
Money Market Funds	7.00											
Goldman Sachs	3.00	Variable	Instant	16-Nov-09	Instant	3.00						
Deutsche Sterling	0.00	Variable	Instant	4-Aug-10	Instant	0.00						
Ignis Liquidity	4.00	Variable	Instant	4-Aug-10	Instant	4.00						
RBS Sterling	0.00	Variable	Instant	21-Jul-10	Instant	0.00						
	46.93					21.93	11.50	3.50	2.50	3.50	1.50	2.50

Governance Committee –
18th September 2013



Governance Committee Self-Assessment		Agenda No: 11
Corporate Priority:	An organisation that delivers value.	
Report presented by:	Lesley Day, Audit Insurance & Risk Manager	
Report prepared by:	Lesley Day, Audit Insurance & Risk Manager	
Background Papers:	Public Report	
Audit Committees – Practical Guidance for Local Authorities		
Options:	Key Decision: NO	
Executive Summary:		
<p>At the Governance Committee on 20th March 2013, the Committee agreed for its Members to be invited to complete a mini CV and questionnaire with regards to the assessment of Member’s skills, experience and provision of training for identified gaps.</p> <p>At Governance Committee on 26th June 2013, it was noted that not all members had responded and it was agreed that the questionnaire be recirculated so that the responses could be considered at this meeting.</p> <p>Attached are details of the questions and six Member responses that have been received.</p>		
Decision:		
<div><div>1.</div><div>To note Members responses to the questionnaire in respect of the Government Committee’s self-assessment.</div></div> <div><div>2.</div><div>Identify future training needs as appropriate.</div></div>		
Purpose of Decision:		
To complete the Governance Committee Self-Assessment for 2013/2014		

Corporate Implications	
Financial:	None
Legal:	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 & Risk Manager
Ext. No.	2821
E-mail:	lesley.day@braintree.gov.uk

GOVERNANCE COMMITTEE ANNUAL SELF ASSESSMENT

- QUESTIONS ASKED:**
- a) Do you have any qualifications that are relevant to your membership of the Governance Committee?
 - b) Do you have any past/present employment which could add knowledge/experience as a member of the Governance Committee?
 - c) Do you have any other skills that are beneficial to you as a member of the Governance Committee?
 - d) Please give details of any training that would be beneficial to you.
 - e) Are there any other comments that you would like to make?

RESPONSES:

I spent my working life in the capacities of Sales/Managing Director for various companies in the UK and around the World. I was the general Manager of a Saudi company with a staff of 270. During a long working life I attended, participated and indeed ran training courses for sales and marketing staff, many courses at the London Chamber of Commerce. Was a full member of the Institute of Export.
I am a qualified Solicitor and I would say the qualities and skills required for my profession are of equal assistance for the Governance Committee. Checking the efficiency of measures, ensuring accuracy, questioning and testing arguments and I have had accounts training so can interpret figures, although not all.
Past experience of International Litigation as a Shipping Solicitor. It will be continual learning for me as a new member of the Committee.
AS Level Accountancy allows me to understand how the figures used in our accounts are compiled. I am analytical and good with detail, both skills that I feel are beneficial to the work of the Governance Committee. Would be beneficial to have a training session which covered in depth, the entire process of how the Council's budget is formulated, what each heading refers to and how decisions are taken on it. Also, a tour of the building accompanied by explanations of who is responsible for which decisions within each department.
I have been a Member of the District Council since 1987 and County Council from 1993 to 2001 and have served on most Committees including spokesperson on Finance Committee now unfortunately defunct.
IoD Diploma in Company Direction, Audit Committee Member for Central Essex Community Services at £60m pa turnover Social Enterprise providing primary Healthcare, Programme Management. Training on Interpreting the Council's Annual Accounts would be beneficial

Forward Look – Twelve months to September 2014		Agenda No: 12
Corporate Priority: An organisation that delivers value. Report presented by: Trevor Wilson, Head of Finance Report prepared by: Trevor Wilson, Head of Finance		
Background Papers: None		Public Report
Options:		Key Decision: NO
Executive Summary: 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. There will be ad-hoc reports added, either at the request of members, the external auditor or from officers, during the year.		
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.		

Corporate Implications	
Financial:	None
Legal:	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
15th January 2014	Annual Audit Letter 2012/13	To present the Audit Commission's 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.
	External Audit Plan 2013/14	To receive external auditors proposed Audit Plan and fees for 2013/14
	Grant Claim Certification for year ended 31 st March 2013	To receive external auditors report
	Draft Treasury Management Strategy 2014/15	To present the draft Treasury Management Strategy for 2014/15. The Audit 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 2014.
	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 December 2013.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report with 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.
	Review of Standards Regime and Code of Conduct for Members	
26th March 2014	Strategic Audit Plan 2014/18	To present the Strategic Internal Audit Plan for the four year period.
	Internal Audit Activity report	To present details of the completed audit assignments.
	Governance Committee Annual Report	To consider the Committee's Annual report for 2013/14
	Governance Committee self-assessment	For members to undertake an evaluation of the Committee's effectiveness.
	Financial Indicators report	To present details of key financial indicators for the year to February 2014.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report with the forecast position on

		revenue spending and the capital programme.
June 2014	Annual Governance Statement 2013/14	To present for approval the Annual Governance Statement for incorporation in the Statement of Accounts. Regulation 4 of the Accounts and Audit Regulations 2003 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 2013/14
	Financial Indicators report	To present details of key financial indicators for the year to May 2014.
	Risk Management – Strategic and Operational 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 together with details of the annual review of the Council's Operational Risks.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report with the forecast position on revenue spending and the capital programme.
September 2014	Receipt of the Statement of Accounts for 2012/13 together with the External Auditor's Annual Governance Report	To consider and approve the Statement of Accounts for 2013/14, which will have been subject to external audit. The draft Statement of Accounts is due to be certified by Corporate Director, by 30 th June 2014. 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 to those charged with governance (in this case the Audit Committee) 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 with the forecast position on

		revenue spending and the capital programme.
	Internal Audit Activity report	To present details of the completed audit assignments.
	Review of Treasury Management Strategy 2013/14	To present a mid-year report on delivery and performance of the Treasury Strategy for 2014/15.
	Financial Indicators report	To present details of key financial indicators for the year to August 2014.