

GOVERNANCE COMMITTEE AGENDA

Wednesday, 10th January 2018 at 7:15 PM

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

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

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

Membership:-

Councillor J Abbott	Councillor Mrs J Pell
Councillor M Dunn	Councillor R Ramage
Councillor J Elliott (Chairman)	Councillor V Santomauro (Vice Chairman)
Councillor A Hensman	Councillor M Thorogood
Councillor D Hufton-Rees	Councillor R van Dulken
Councillor G Maclure	Councillor Mrs L Walters

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

A WRIGHT
Acting Chief Executive

INFORMATION FOR MEMBERS - DECLARATIONS OF INTERESTS

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

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

Question Time

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

Please note that there is public Wi-Fi in the Council Chamber, users are required to register in order to access this. There is limited availability of printed agendas.

Health and Safety

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Documents

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We welcome comments from members of the public to make our services as efficient and effective as possible. If you have any suggestions regarding the meeting you have attended, you can send these via governance@braintree.gov.uk

PUBLIC SESSION		Page
1	Apologies for Absence	
2	Minutes of the Previous Meeting To approve as a correct record the minutes of the meeting of the Governance Committee held on 6th September 2017 (copy previously circulated).	
3	Public Question Time (See paragraph above)	
4	Declarations of Interest To declare the existence and nature of any Disclosable Pecuniary Interest, other Pecuniary Interest or Non-Pecuniary Interest relating to items on the agenda having regard to the Code of Conduct for Members and having taken appropriate advice where necessary before the meeting.	
 <u>Monitoring and Finance</u>		
5	Second Quarter 2017-2018 Performance Management Report	5 - 7
6	Key Financial Indicators – 30th November 2017	8 - 13
 <u>Audit and Governance</u>		
7	Internal Audit – Activity Report for the period to 15th December 2017	14 - 18
8	Annual Audit Letter 2016-17	19 - 43
9	Certification of Claims and Returns Annual Report	44 - 58
10	Draft Treasury Management Strategy Statement 2018-19	59 - 82
11	External Auditor Appointment	83 - 85

Committee Operation

12 Forward Look – Twelve Months to January 2019 86 - 91

13 Urgent Business - Public Session

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

14 Exclusion of the Public and Press

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

At the time of compiling this agenda there were none.

PRIVATE SESSION

Page

15 Urgent Business - Private Session

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

Second Quarter Performance Management Report 2017/18		Agenda No: 5
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Tracey Headford, Performance and Improvement Manager	
Report prepared by:	Tracey Headford, Performance and Improvement Manager	
Background Papers:	Public Report	
Second Quarter Performance Management Report 2017/18. Report and Minutes - Cabinet 27th November 2017	Key Decision: No	
Executive Summary:		
<p>The purpose of the attached report is to summarise the performance of the Council at the end of the second quarter (July 2017 to September 2017).</p> <p>As at the end of the second quarter, ten projects have been completed and a further 49 projects are on track and progressing well.</p> <p>Ten performance indicators have achieved or exceeded target, four have missed target by less than 5% and four have missed target by more than 5%.</p> <p>The performance indicators that have missed target by less than 5% relate to the tonnage of waste not recycled, the time taken to process housing benefit claim changes, time taken to process housing benefit/council tax new claims and the collection rate for Business Rates.</p> <p>The performance indicators that have missed target by more than 5% are in relation to the number of visits to our leisure facilities which includes participation levels for the under 16's, the number of passenger journeys on the community transport scheme and the average call answer time in the Customer Service Centre.</p> <p>Full reasons for missing targets are detailed in the report.</p>		
Financial Performance		
<p>This part of the report provides an updated review of the financial position for the year up to the end of September 2017. It examines the latest forecast for spending on day-to-day service provision compared to the budget for the year. Also included is a summary of treasury management activities; projected movements on the General Fund balance; and a summary of spending to date on capital investment projects.</p>		

Summary:

- An overall positive variance for the year of £406,000 (2.8%) is projected against the budget
- Income is projected to be overachieved by £666,000; with an overall overspend of £260,000 forecast on Staffing and Other Expenditure.
- Compared to the position reported at the first quarter, the overall forecast positive variance has reduced by £137,000.
- A review carried out following the first quarter identified a number of in-year variances that are expected to be on-going and have, therefore, been included in draft budget proposals, contributing towards eliminating the £0.5million budget shortfall identified for 2018/19 in the Medium Term Financial Strategy.

For a detailed explanation of the financial performance, please refer to page 18 onwards of the full report.

Recommended Decision:

Members are asked to note the report.

Any Corporate implications in relation to the following should be explained in detail	
Financial:	An assessment of the Council's financial position against the agreed budget for the year is provided and is based on income and expenditure during the year.
Legal:	There are no legal issues raised by this report.
Safeguarding	There are no safeguarding issues raised by this report.
Equalities/Diversity	Equalities and diversity issues are considered fully in the Council's key projects, where appropriate.
Customer Impact:	Performance of front line services, including Customer Services, Housing Benefits and Planning, for the quarter is provided. A summary of complaints received each quarter is analysed by outcome (justified, partially justified or not justified) is provided.
Environment and Climate Change:	The report provides details of progress in the delivery of the Council's key projects. This will include supporting residents and businesses in lowering the cost of their energy bills and energy consumption , anti-litter campaigns, expansion of our recycling service and campaigns encouraging recycling.
Consultation/Community Engagement:	Consultation is considered fully in the Council's key projects, as appropriate.
Risks:	Risks regarding the assumptions used in determining the predicted financial outturn for the year are identified
Officer Contact: Tracey Headford	
Designation: Performance and Improvement Manager	
Ext. No. 2442	
E-mail: Tracey.headford@braintree.gov.uk	

Key Financial Indicators – 30th November 2017		Agenda No: 6
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services Delivering better outcomes for residents and businesses and reducing costs to taxpayers	
Report presented by:	Trevor Wilson, Head of Finance	
Report prepared by:	Trevor Wilson, Head of Finance	
Background Papers:	Public Report	
	Key Decision: No	
Executive Summary:		
<p>The attached schedule (Appendix A) of key financial indicators provides details of performance recorded for the financial year to 30th November 2017.</p> <p>Commentary:</p> <p>a) The net General Fund revenue budget for the year is £14.389million. The net expenditure incurred in the year to 30th November was £6.866million. This represents a positive variance of £610,000 compared to the profiled budget of £7.476million. The variance consists of an underspend on expenditure budgets of £79,000 and an over-achievement of income of £531,000. The predicted financial outturn based on a review at the end of the second quarter is a net positive variance of £406,000 (£666,000 overachievement of income partially offset by £260,000 expenditure overspend).</p> <p>b) The total budget for Salaries for the year is £15.103million. Expenditure on salaries for the year to the end of November was £10.065million. This compares to a profiled budget of £10.173million. The positive variance of £108,000 is after allowing for £100,000 of the Efficiency Factor (£150,000 for the year).</p> <p>c) Expenditure on capital projects, to the end of November, was £2.365million against the Capital Programme of £6.721million. The main schemes on which expenditure has been incurred are: purchase of the head lease of 15 Springwood Drive (£0.498m), Disabled Facilities Grants (£0.488m); Braintree Town Centre Regeneration (£0.318m); remedial works at the Braintree Swimming & Fitness Centre (£0.177m) and resurfacing the astro pitch at Witham Sports Ground (£0.159m).</p> <p>d) The total Council Tax collectable debit for the year is £83.486million. The collection rate as at the end of November is 77.94% (£65.069million collected), which compares to a rate of 77.75% for the same period last year, a small</p>		

improvement of 0.19%.

- e) The total Business Rates (National Non-Domestic Rates) collectable debit for the year is £43.284million. The collection rate as at the end of November is 76.26% (£33.008million collected), which compares to a rate of 76.47% for the same period last year, a small reduction of 0.21%.
- f) A total of 539 write-offs of Council Tax, with a value of £58,597, have been authorised in the year to 30th November: 122 in respect of the current year and 417 in respect of previous financial years.
- g) A total of 82 write-offs of Business Rates, with a net value of £47,853, have been authorised in the year to 30th November: 20 in respect of the current year and 62 in respect of previous financial years.
- h) The amount of sundry debts owed to the Council, i.e. monies other than for Council Tax and NNDR, was £3.15million, of which £1.699million was in respect of Housing Benefit overpayments. The target for 2017/18 is to reduce the debt outstanding, excluding Housing Benefit overpayments and invoices raised in March in respect of 2018/19, to £600,000 or less as at 31st March 2018.
- i) The rate of return achieved on investment of the Council's balances and funds in the year to-date is 0.38%. This return was achieved on an average amount invested of £40.27million and relates solely to monies placed with banks, building societies, the Debt Management Office and in Money Market Funds.
- j) Dividend received/declared in the year to 30th November is £450,812. The market values of these pooled funds show an unrealised net increase in the principal sum of £1.50million as at 30th November 2017. These investments have been placed in the knowledge that their capital values will be subject to volatility but overall their trend has been positive over the medium term (i.e. over a minimum of 3 years).
- k) Detail of the Council's investments of surplus monies, totalling £37.9million and in pooled funds, totalling £15million, as at 30th November 2017, is provided at Appendix B.

Recommended Decision:

Members are asked to accept the report of the Key Financial Indicators as at 30th November 2017.

Purpose of Decision:

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

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

Financial:	<p>The net General Fund revenue budget for the year is £14.389million. The net expenditure incurred in the year to 30th November was £6.866million. This represents a positive variance of £610,000. The predicted financial outturn based on a review at the end of the second quarter is a net positive variance of £406,000.</p> <p>Collection rates for council tax and business rates show marginal variations compared to those achieved at the same period last year, although both are expected to achieve target for the year.</p>
Legal:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	Regular consideration of a suite of Financial Health Indicators is recommended good practice
Officer Contact:	Trevor Wilson
Designation:	Head of Finance
Ext. No:	2801
E-mail:	Trevor.wilson@braintree.gov.uk

Key Financial Indicators at 30th November 2017

	Full Year Budget 2017/18	Actual as at 30 Nov. 2017	Profile to 30 Nov. 2017	Variance from Profile	
	£'000	£'000	£'000	£'000	%
General Fund - Revenue (Controllable)	14,389	6,866	7,476	-610	-8.2%
Capital Programme (Excl. capital salaries incl. below)	6,721	2,365			
General Fund - Salaries	15,103	10,065	10,173	-108	-1.1%

	Full Year Target	Actual as at 30 Nov. 2017	Actual as at 30 Nov. 2016	Variance
Council Tax collection in year - %	98.20%	77.94%	77.75%	0.19%
Council Tax collection - income collected for year - £m	£83.49	£65.07	£62.47	£2.60
Write-offs in year - £'000		£22	£15	£7
Write-offs in year - number		122	101	21
Write-offs all years £'000		£59	£173	-£114
Write-offs all years - number		539	905	-366
Business Rates collection in year - %	98.50%	76.26%	76.47%	-0.21%
Business Rates collected for year - £m	£43.28	£33.01	£33.82	-£0.81
Write-offs in year - £'000		£40	£85	-£45
Write-offs in year - number		20	14	6
Write-offs all years - £'000		£48	£194	-£146
Write-offs all years - number		82	64	18
Creditors - payment of invoices within 30 days of receipt	99.0%	99.5%	99.3%	0.14%

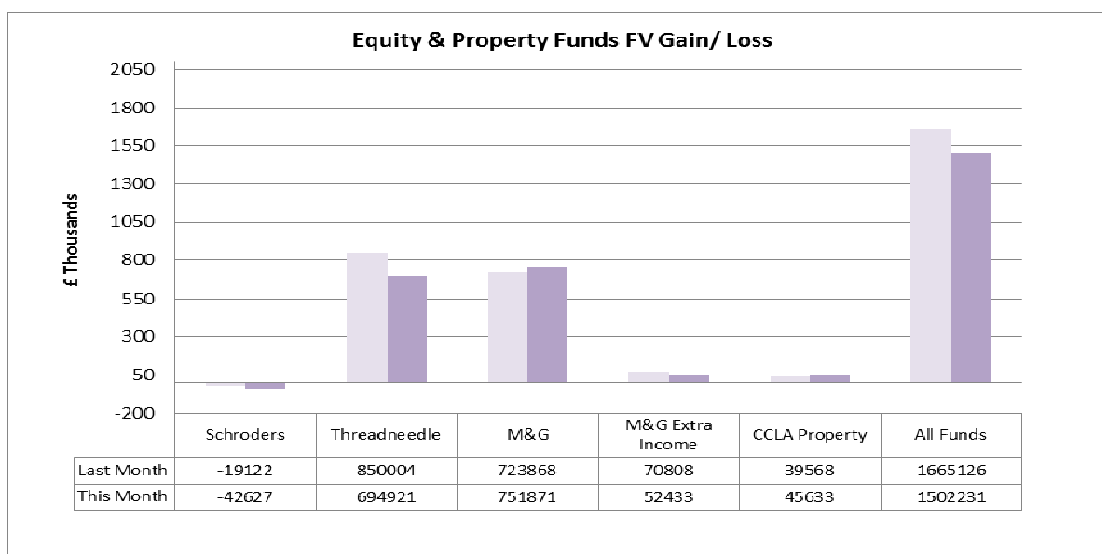
Debtors - Balance Outstanding	31-Mar-15	31-Mar-16	31-Mar-17	30-Nov-17
	£'000	£'000	£'000	£'000
Service Level Agreement charges - principally Tabor Academy and residents of Twin Oaks, Stisted	334	319	303	181
Capital Projects - currently - development site, east of High Street, Halstead	8	8	3	3
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	37	143	8	21
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	1	10	103	74
Development & Environment	257	271	619	214
Finance	36	61	108	109
Leisure	234	169	208	198
Operations	984	288	936	605
Housing	89	77	83	46
Sub-Total - excluding Hsg. Benefits	1,980	1,346	2,371	1,451
Housing Benefits	1,620	1,647	1,436	1,699
Total	3,600	2,993	3,807	3,150
Profile by Recovery Stage:				
Invoice	2,078	1,377	2,561	1,633
Reminder	254	275	281	503
Final Notice	198	190	-	-
Pre-legal	424	338	212	467
Enforcement Agent	406	426	387	205
Tracing Agent	15	4	11	2
Charging Order	35	23	32	32
Attachment to Benefits/Earnings	190	360	322	308
Summons			1	-
Total	3,600	2,993	3,807	3,150
Write-offs in month - value - £'000	£1.8	£1.6	£2.2	£10.4
Write-offs in month - number	35	23	6	22

Write offs in year - value - £000	£28.0	£20.0	£25.5	£38.2
Write-offs in year - number	492	245	371	296

Progress on achieving Efficiency Savings Targets

The amount of the Efficiency Savings target included in the budget for 2017/18 is a net amount of £150,000. The underspend on salaries of £108,000, recorded above, is after offsetting £100,000 of the target.

Investment Holdings at end of November 2017					
	Type	Principal	Start	Maturity	Return
Counterparty					
Santander	Fixed	3,000,000	14/08/2017	14/02/2018	0.34%
Bank of Scotland	Fixed	2,000,000	21/09/2017	21/03/2018	0.36%
Bank of Scotland	Fixed	1,000,000	01/09/2017	01/03/2018	0.36%
Nationwide BS	Fixed	1,000,000	21/08/2017	21/02/2018	0.30%
Nationwide BS	Fixed	2,000,000	01/06/2017	01/12/2017	0.37%
Coventry BS	Fixed	3,000,000	03/10/2017	29/03/2018	0.35%
North Lincs Council	Deposit - LA	2,000,000	31/10/2017	30/04/2018	0.45%
West Dunbartonshire	Deposit - LA	3,000,000	20/10/2017	20/04/2018	0.45%
Leeds City Council	Deposit - LA	3,000,000	29/09/2017	03/04/2018	0.39%
Australia and NZ Banking	Fixed	3,000,000	04/09/2017	05/03/2018	0.40%
Landesbank Hessen-Thuringen	Fixed	3,000,000	11/07/2017	11/01/2018	0.38%
Lloyds Bank	Call A/C	897,000	30/11/2017	01/12/2017	0.40%
Deutsche	MMF	-			
Goldman Sachs	MMF	2,000,000	30/11/2017	01/12/2017	Variable
Standard Life	MMF	5,000,000	30/11/2017	01/12/2017	Variable
External Fund Investments					
Schroders Income Maximiser	Equity	2,500,000			Variable
Threadneedle UK Equity	Equity	5,000,000			Variable
M&G Global Dividend	Equity	2,500,000			Variable
M&G Extra Income	Equity	2,000,000			Variable
CCLA – LAMIT Property	Property	3,000,000			Variable
Royal London Cash Plus	MMF-VNAV	4,000,000			Variable
Total		52,897,000			



Internal Audit – Activity Report for the period to 15th December 2017		Agenda No: 7
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Lesley Day, Audit Insurance and Fraud Manager	
Report prepared by:	Lesley Day, Audit Insurance and Fraud Manager	
Background Papers:	Public Report: Yes	
Internal Audit Assignments	Key Decision: No	
Executive Summary:		
<p>To provide Members with details of and outcomes from the audit assignments completed during the period 16th August 2017 to 15th December 2017. This includes for each assignment:</p> <ul style="list-style-type: none"> • the key controls covered • number of recommended action points and their priority • audit opinion • brief details of the high priority recommendations (if applicable) <p>An update on the Reportable recommendations is also attached.</p>		
Recommended Decision: To accept the activity report for the period 16 th August 2017 to 15 th December 2017.		
Purpose of Decision: To advise Members of the audit assignments completed for the period 16 th August 2017 to 15 th December 2017.		

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

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

**INTERNAL AUDIT
COMPLETED ASSIGNMENTS to 15th December 2017**

Type	Topic	Days Taken	Recommendations			Key Controls Covered	High Priority recommendations	Agreed Implementation date	Audit Opinion
			L	M	H				
Core system	Sundry Debtors	9		1		<ol style="list-style-type: none"> 1. Chargeable services provided are identified and billed at the correct amounts. 2. All income due is invoiced and correctly recorded 3. Credit control and debt recovery processed are adequate 4. Credit notes and refunds are valid and are properly authorised 5. The write-off of uncollectable debt is properly authorised 6. There is adequate segregation in the invoicing and receipting functions 7. Fraud & Corruption checklist 8. Operational Risk Register reviewed 9. Information Technology Management 			We are satisfied that reliance can be placed on the key controls following implementation of the recommendation agreed in the Action Plan
Core system	Creditors	7		1		<ol style="list-style-type: none"> 1. Only authorised staff may commit the organisation to expenditure 2. Invoices are processed only when the goods or services have been received and at the correct amount 3. All expenditure incurred is accurately and completed recorded 4. Payments are made only in respect of approved invoices and for the correct amounts 5. There is adequate segregation in the ordering, receiving and payment functions 6. Fraud & Corruption checklist 7. Information Technology management 8. Operational risk register reviewed 			We are satisfied that reliance can be placed on the key controls following implementation of the recommendation agreed in the Action Plan

Core system	Cash & Bank	7	0	<ol 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 & Corruption checklist 8. Information security management 9. Operation Risk Register reviewed 			We are satisfied that reliance can be placed on the key controls as described
Core system	Treasury Management	2	0	<ol style="list-style-type: none"> 1. Investments are made only in accordance with the approved policy and limits 2. All investment income due and the repayment of principal is properly accounted for 3. Investments are properly recorded 4. Fraud & Corruption checklist 5. Information security management 6. Operational Risk Register reviewed 			We are satisfied that reliance can be placed on the key controls as described
Core System	Main Accounting	5	0	<ol style="list-style-type: none"> 1. All direct journal inputs to the general ledger are complete, accurate and properly authorised 2. Transactions posted from feeder systems are complete and accurate 3. Unrecognised account codes or suspense balances are reviewed and cleared on a timely basis 4. Information security management 5. Operational Risk Register reviewed 			We are satisfied that reliance can be placed on the key controls as described
Non-core system	Members Allowances	8	0	<ol style="list-style-type: none"> 1. To ensure members mileage claims and car parking are of the correct amount and of reasonable cost. 2. Claim forms are filled in and signed by the councillor and it has been approved by a member of the Governance section that the events actually occurred and are within the councillor's duties. 3. Claim forms contain relevant evidence for the expenses 4. Claims are processed correctly by the Payroll section 			We are satisfied that reliance can be placed on the key controls as described

Non-core system	Councillors Community Grants	4	0	<ol style="list-style-type: none"> 1. Review of the processed applications for requesting a Councillor Grant 2. Pro-Forma's were signed by the appropriate authorised signatory 3. Approval of the Grants awarded in accordance with the scheme guidelines 4. The Councillors pages on the BDC website were updated sufficiently with the right information regarding amount awarded and the relevant details 5. Terms and conditions of the grants had been signed and returned. 6. Monitoring forms have been sent to ensure the grant has been spent appropriately 			We are satisfied that reliance can be placed on the key controls as described
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H=High A significant weakness which if not addressed, has the potential to undermine the financial and operational management due to risk of serious error, irregularity or inefficiency.

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

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

Reportable Recommendations - Update

Area of review	Reported recommendations	Status
None		

There we no RIPA applications submitted for this period.

Annual Audit Letter 2016/17		Agenda No: 8
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Ernst & Young, External Auditor	
Report prepared by:	Ernst & Young, External Auditor	
Background Papers:	Public Report: Yes	
Annual Audit Letter 2016/17	Key Decision: No	
Executive Summary:		
<p>The purpose of the Annual Audit Letter is to communicate the key issues arising from the work carried out by Ernst & Young, the Council's external auditors, during the financial year 2016/17. A copy of the letter is attached at appendix A.</p> <p>The key areas covered within the letter are:</p> <ul style="list-style-type: none"> • Financial Statements – an unqualified opinion had been given on the Council's financial statements – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended. • Value for Money – an unqualified value for money opinion was issued. The Audit concluded that the Council has put in place proper arrangements to secure value for money in the use of its resources. • Annual Governance Statement – The Governance Statement was consistent with their understanding of the Council. <p>The Audit Results Report was presented to the Governance Committee 6th September 2017 and the Auditor issued a certificate on 8th September 2017 that the audit had been completed in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.</p>		
Recommended Decision: To receive and accept the Annual Audit Letter for 2016/17 from Ernst & Young.		
Purpose of Decision: For Members to receive the Annual Audit Letter for 2016/17.		

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

Financial:	None
Legal:	A positive report from the external auditor regarding the work carried out for 2016/17 confirming an unqualified opinion on the Council's Accounts for 2016/17 and determining that arrangements are in place to achieve value for money
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	None
Officer Contact: Trevor Wilson	
Designation: Head of Finance	
Ext. No: 2801	
E-mail: trevor.wilson@braintree.gov.uk	

Braintree District Council

Annual Audit Letter for the year ended 31 March 2017

September 2017

Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) have issued a “Statement of responsibilities of auditors and audited bodies”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

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

The “Terms of Appointment (updated 23 February 2017)” issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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

A hand holding a pen writing on a document in an office setting with a calculator and a laptop.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Braintree District Council (the Council) following completion of our audit procedures for the year ended 31 March 2017.

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

Area of Work	Conclusion
Opinion on the Council's ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was presented to the Governance Committee 6 September 2017
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 8 September 2017

In November 2017 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken

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

Kevin Suter
For and on behalf of Ernst & Young LLP

Purpose



Purpose

The Purpose of this Letter

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

We have already reported the detailed findings from our audit work in our 2016-17 Audit Results Report to the 6 September 2017 Governance Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.



Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued on 22 March 2017 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2016/17 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

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

Responsibilities of the Council

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

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

Financial Statement Audit

Financial Statement Audit

Key Issues

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

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 8 September 2017.

Our detailed findings were reported to the 6 September Governance Committee.

We would like to take the opportunity to thank the Council for the support and help provided to the audit team and the quality and timeliness of the working papers provided.

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

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<ul style="list-style-type: none">• We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;• We reviewed accounting estimates for evidence of management bias with particular emphasis on Property, Plant and Equipment and accruals; and• We evaluated the business rationale for any significant unusual transactions. <p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business</p>

Revenue and expenditure recognition

Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation.

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

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

We tested the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure.

Our testing did not reveal any material misstatements with respect to revenue and expenditure recognition, and did not identify any expenditure which had been inappropriately capitalised.

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

Other Financial Statement Risks

Conclusion

Non-Current Assets

Property, Plant and Equipment represent a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet.

The Council engages an external expert valuer who applies a number of complex assumptions. Annually, assets are assessed to identify whether there is any indication of impairment.

We did not identify any material issues in the valuation of assets within the Council's accounts.

Pension Liability –IAS19

The Local Authority Accounting Code of Practice and International Accounting Standard 19 (IAS19) requires the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body (Essex County Council). Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

We did not identify any issues for the 2016/17 accounts. Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in Note 27 to the financial statements.

Financial statements presentation – Expenditure and funding analysis and Comprehensive income and expenditure statement

Amendments were made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) changing the way the financial statements are presented. The new reporting requirements impacted the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MIRS), and include the introduction of the new ‘Expenditure and Funding Analysis’ note as a result of the ‘Telling the Story’ review of the presentation of local authority financial statements.

This change required a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives has required audit review which was performed in April 2017.

There were no other matters to report.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £1.522 million (2016: £1.519 million), which is 2% of Gross Expenditure reported in the accounts.</p> <p>We consider Gross Expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Governance Committee that we would report to the Committee all audit differences in excess of £76k (2016: £75k)</p>

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Remuneration disclosures – reduced materiality level of £5,000 applied in line with bandings disclosed; and
- Related party transactions, members’ allowances and exit packages - reduced materiality level applied equal to the reporting threshold.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

A close-up, shallow depth-of-field photograph of a stack of coins. The coins are stacked vertically, with the edges of several coins visible. The lighting is warm, highlighting the metallic texture and the embossed details on the coins. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Value for Money'.

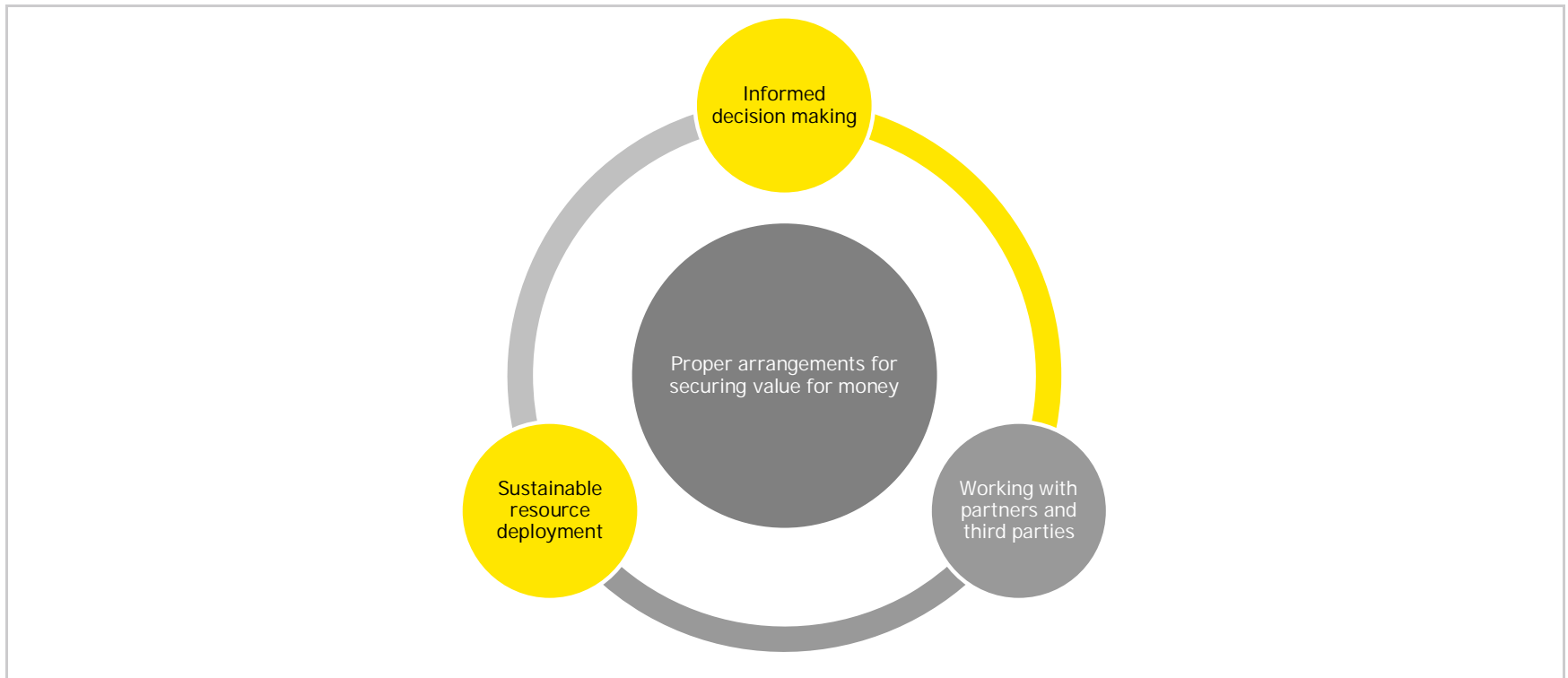
Value for Money

Value for Money

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

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We identified one significant risk in relation to these arrangements. The tables below present the findings of our work in response to the risks identified. We have performed the procedures outlined in our audit plan.

Significant Risk	Conclusion
<p>Informed Decision Making – Essex Garden Communities Project</p> <p>Over the last 18 months the Council jointly with Essex County Council, Colchester Borough Council and Tendring District Council have developed proposals for Garden Communities in North Essex. The aim of the Garden communities approach is to identify an agreed strategic approach to the allocation and distribution of large scale housing led mixed use development, including employment opportunities and infrastructure provision.</p> <p>The Council has sourced a peer review performed by Lord Kerlake. The review looked at the current approach to delivering Garden Communities in North Essex.</p> <p>As a new and significant arrangement there may be risks relating to the governance and accounting arrangements for the establishment of the project that affect the Council.</p>	<p>We have undertaken the procedures as set out in our audit strategy which have focused on:</p> <ul style="list-style-type: none"> • Gaining an understanding of the governance structure; and • Obtaining and assessing the findings of the peer review performed by Lord Kerlake. <p>Our work demonstrates that the North Essex Garden Communities Project between Essex County Council, Braintree District Council, Colchester Borough Council and Tendring District Council is being governed appropriately and that there is a strong working relationship between the parties.</p> <p>The Authorities have responded positively and in a timely fashion to the recommendations provided in Lord Kerlake’s peer review.</p> <p>Given the early stage of the project we are likely to revisit these arrangements as the project develops.</p>

We did not identify any significant weaknesses in the Council’s arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 8 September 2017.



Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

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

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We completed this work and did not identify any areas of concern.

Report in the Public Interest

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

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

Written Recommendations

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

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

Objections Received

We did not receive any objections to the 2016/17 financial statements from member of the public.

Other Powers and Duties

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

Independence

We communicated our assessment of independence in our Audit Results Report to the Governance Committee on 6 September 2017. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate significant deficiencies in internal control.

We did not identify any significant deficiencies in the design or operation of an internal control might result in a material misstatement in the financial statements.

Appendix A Audit Fees

Our fee for 2016/17 is in line with the scale fee set by the PSAA and reported in our 2016/17 annual fee letter.

Description	Final Fee 2015/16	Planned Fee 2016/17	Scale Fee 2016/17	Final Fee 2016/17
	£	£	£	£
Total Audit Fee – Code work	£59,756	£59,756	£59,756	£59,756
Total Audit Fee – Certification of claims and returns	£13,728	£13,778	£13,778	TBC

Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA. Our actual fee will be determined on completion of the Housing Benefit subsidy claim, due by 30 November 2017.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements during the financial year 2016/17.

EY | Assurance | Tax | Transactions | Advisory

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ED None

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Certification of Claims and Returns Annual Report 2016-17		Agenda No: 9
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Ernst Young, External Auditors	
Report prepared by:	Ernst Young, External Auditors	
Background Papers: Certification of claims and returns annual report 2016-17		Public Report: Yes
		Key Decision: No
Executive Summary:		
<p>The purpose of the Certification of claims and returns annual report 2016/17 is to summarise the results of the work carried out by Ernst & Young, the Council's external auditors, on the Housing Benefit Subsidy Claim. A copy of the report is attached at appendix A.</p> <p>From 1st April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.</p> <p>For 2016/17 these arrangements required only the certification of the housing benefits subsidy claim. In undertaking this work, Ernst & Young followed a methodology determined by the Department for Work and Pensions but did not undertake an audit of the claim.</p> <p>Although the Auditors issued a qualification letter in relation to the housing benefit claim detailing a number of issues, the amendments had a marginal effect: reducing the subsidy due of £40.7million by £36.00.</p> <p>The actual certification fees for 2016/17 were £13,778 which equates with the Council's indicative certification fee which was prescribed by the PSAA in March 2016.</p>		
Recommended Decision: To receive the Certification of claims and returns annual report for 2016/17.		
Purpose of Decision: For Members to receive the Certification of claims and returns annual report for 2016/17.		

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

Financial:	£36 reduction made to the HB subsidy claim for 2016/17 which had a total value of £40.7million. Cost of certification work was £13,778, in accordance with original estimate.
Legal:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	None
Officer Contact: Trevor Wilson	
Designation: Head of Finance	
Ext. No: 2801	
E-mail: trevor.wilson@braintree.gov.uk	

Certification of claims and returns annual report 2016-17

Braintree District Council

December 2017

Ernst & Young LLP



Building a better
working world

The Members of the Governance Committee
Braintree District Council
Causeway House
Braintree
Essex
CM7 9HB

01 December 2017

Ref: BDC 2017

Mobile: 07876397986

Email: ksuter@uk.ey.com

Dear Members

Certification of claims and returns annual report 2016-17 Braintree District Council

This report summarises the results of our work on Braintree District Council's 2016-17 Housing Benefit Subsidy Claim.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2016-17, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2016-17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £40.7 million. We met submission deadline and issued a qualification letter in relation to the housing benefit claim which detailed a number of issues identified as a result of our work. A copy of the qualification letter is included in Appendix A.

Our certification work found some errors with the Modified Scheme which the Council corrected. The amendments had only a marginal effect on the grant due.

We followed up the issues identified by our 2015-16 certification work and are pleased to report that no further errors pertaining to prior year's findings were identified. Further details of our findings are included in section 1 of this report.

Fees for certification work are summarised in section 2. The housing benefits subsidy claim fees for 2016-17 were published by the Public Sector Appointments Ltd (PSAA) in March 2016 and are available on the PSAA's website (www.psaa.co.uk)



We welcome the opportunity to discuss the contents of this report with you at the next Governance Committee.

Yours faithfully

Kevin Suter
Associate Partner
Ernst & Young LLP
Enc

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1. Housing benefits subsidy claim

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

Details of the work undertaken in relation to this claim and our findings are summarised below:

Scope of work	Results
Value of claim presented for certification	£40,756,615
Amended	Yes - certified claim decreased by £36 to £40,756,579
Qualification letter	Yes
Fee – 2016-17(Actual)	£13,778
Fee – 2015-16 (actual)	£13,728
Recommendations from 2015-16:	Findings in 2016-17
Our work in 2015/16 identified the following recommendation;	Our audit work identified a smaller number of errors as outlined below and in Appendix A.
<ul style="list-style-type: none"> Continue with the agreed actions taken to address the recommendations made in previous years. 	<p>We found only 3 errors in our initial testing;</p> <ul style="list-style-type: none"> 1 overpayment as a result of an earned income assessment error 1 underpayment as a result of a benefit start date error. 1 small overpayment as the result of an assessment error on Modified schemes. <p>We found no errors within our additional testing of the accuracy of Private Pensions applied.</p>

Our certification work of the housing benefit subsidy claim is undertaken in line with the approach agreed with the DWP, which requires detailed testing of individual benefit cases.

The certification guidance also requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years' claims.

Our initial testing in 2016-17 identified:

- One small underpayment which occurred as a result of an error in benefit start date.
- One overpayment as a result of earned income being incorrectly input. (£266.10 instead of £286.66)
- Modified scheme – we undertook extended testing of all 15 modified scheme cases. We identified one error where war pension had not been updated correctly

In addition, based on previous years' findings we also undertook the following extended testing:

- Rent Allowances – we undertook extended testing on the sub population of cases with private pension income (40 cases)

We agreed with the Council that the benefits team would perform most of the initial and half the additional testing, and we would re-perform a sample of the cases to confirm we could place reliance on the benefit's team's work. We would like to note that the quality of the testing undertaken by the Council's team was excellent, and we were able to place full reliance on it.

We reported underpayments and the extrapolated value of other errors in our qualification letter to the DWP, which is attached at Appendix A. On the basis of the information within the qualification letter, the DWP will decide on the appropriate course of action, which may include whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid on the basis of the extrapolated figures reported in the qualification letter.

Testing of all the Modified Scheme cases identified errors which the Council amended. These changes had a small net impact on the claim, decreasing the overall subsidy amount due to the Council by £36.

Members may wish to note that although the individual errors identified as a result of audit are small, under the requirements of the Certification Instruction there is no materiality applied to our work on the claim and every error above rounding has to be reported. The errors identified from the sample testing are extrapolated across the total population of cases in our reporting to the DWP. Consequently a small error on individual cases can result in a larger extrapolated error, and potential recovery of subsidy paid to the Council by the DWP.

2. 2016-17 certification fees

The PSAA determine an indicative fee each year for the certification of claims and returns. For 2016-17, these scale fees were published by the PSAA, and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2016-17 Actual fee £	2016-17 Indicative fee £	2015-16 Actual fee £
Housing benefits subsidy claim	£13,778	£13,778	13,728
Total	£13,778	£13,778	13,728

3. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2017/18 is £13,728. This was set by PSAA and is based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:

<https://www.psa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform you before seeking any such variation.

2018/19

From 2018/19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

4. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
Continue with the current effective regime of checking claims and targeting training to maintain the strong base and low error rate.	High		Ongoing	J Rigby

Appendix A: Housing benefits claim 2016-17 – Qualification Letter

Department for Work and Pensions
Housing Benefit Unit
Room B120D
Warbreck House
Blackpool
Lancashire
FY2 0UZ

24 November 2017

Ref: EY/Braintree DC/BEN01:
Your ref:

Direct line: +44 (0) 7876 397986

Email: ksuter@uk.ey.com

Dear Sir/Madam

Braintree District Council
Housing benefit subsidy claim for the year ended 31 March 2017 (Form MPF720A) Qualification Letter
referred to in the Auditor's Certificate dated November 2017

Details of the matters giving rise to my qualification of the above claim are set out in the Appendix to this letter.

The factual content of my qualification has been agreed with officers of the Authority.

No amendments have been made to the claim for the issues raised in this qualification letter unless otherwise indicated in the letter.

Yours faithfully

Kevin Suter
Associate Partner
For and on behalf of Ernst & Young LLP
United Kingdom

Qualifications

Cell 094: Rent Allowance – Total expenditure (Benefit Granted)

Cell Total £40,996,171

Cell Total £8,967,232 – Sub Population earned income

Cell Population 9,905
Headline Cell £40,996,171

Testing of the initial sample identified 1 case where benefit had been underpaid (£103.77) as a result of an error in start date. As there is no eligibility to subsidy for benefit which has not been paid, the 1 underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes. However as an error in start date could also cause an overpayment an additional sample of 40 cases with a start date in 2016-17 were tested. No further errors were identified.

Testing of the initial sample also identified 1 case where benefit had been overpaid (£104.88) as a result of an error in earned income assessment. An additional sample of 40 cases with earned income, were tested. No further errors were identified.

The result of my testing is set out in the table below:

Sample:	Movement / brief note of error:	Original cell total:- sub population	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		(SP)	[SE]	[SV]	[SE/SV]	[SE/SV times SP]	[RA]
Initial sample - 20 cases	Cell 094 overpayment errors – earned income.	£8,967,232	£104.88	£75,572			
Additional sample - 40 cases from Sub Population Earned Income	Cell 094 Additional sample – earned income	£8,967,232	£0	£131,347			
Combined Sample – 60 cases	–	£8,967,232	£104.88	£206,919	(0.05068%)	£4,545	
Adjustment	Cell 102 is overstated.	£8,967,232	£104.88	£206,919	(0.05068%)	£4,545	
Total Corresponding adjustment	Cell 114 is Understated.					£4,545	

The percentage error rate in my sample reflects the individual cases selected. The value of the error found was £104.88 and the benefit period was 8 weeks.

Given the nature of the population, it is unlikely that even significant additional work will result in amendments to the claim form that will allow me to conclude that it is fairly stated.

Other matters

Cell 094 – Rent Allowances – Total benefit granted

Last year's testing identified benefit overpayments due to incorrect Private Pensions. Therefore an additional random sample of 40 cases was selected for testing from a subpopulation of claimants with Private Pensions. No errors were identified.

There are no other matters that I wish to bring to the attention of the DWP.

Ernst & Young LLP

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Draft Treasury Management Strategy Statement 2018/19		Agenda No: 10
Portfolio		
Corporate Priority:		Finance and Performance
Report presented by:		Providing value for money
Report prepared by:		Phil Myers, Financial Services Manager
Background Papers:		Public Report
None		Key Decision: No
Executive Summary:		
<p>The Council has adopted the Chartered Institute of Public Finance and Accountancy's <i>Treasury Management in the Public Services: Code of Practice</i> (the CIPFA Code) which requires the Council to approve a Treasury Management Strategy before the start of each financial year.</p> <p>The CIPFA <i>Prudential Code for Capital Finance in Local Authorities</i> (the Prudential Code) requires the Council to ensure that its capital investment plans are affordable, prudent, and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code requires that a number of indicators are approved by the Council and monitored each year.</p> <p>In addition, the Department for Communities and Local Government (DCLG) has previously issued <i>Guidance on Local Council Investments</i> that requires the Council to approve an investment strategy before the start of each financial year, and <i>Guidance on Minimum Revenue Provision</i> (MRP) which requires the Council to approve an annual MRP statement setting out its policy on the methodologies adopted for making provision for the repayment of debt.</p> <p>The Treasury Management Strategy Statement (TMSS) seeks to fulfil the Council's legal obligation under the <i>Local Government Act 2003</i> to have regard to both the CIPFA Codes and the DCLG Guidance. This report encompasses the draft TMSS for 2018/19, to be used as the basis for scrutiny of its contents by the Committee. At this stage the draft TMSS contains a number of financial indicators which are provisional and will need to be updated in line with the final capital and revenue budget proposals and Medium Term Financial Strategy that will be considered by Full Council at its meeting on 19 February 2018.</p> <p>CIPFA have recently consulted on potential changes to both the CIPFA Code and the</p>		

Prudential Code. In addition, DCLG have also been consulting on proposed changes to its statutory guidance to local authorities on investments and MRP. Once the outcome of these consultations have been finalised any necessary changes will be made to future revisions of the TMSS.

The TMSS is set within an external context of UK and global economic conditions and regulatory changes that drive both interest rate expectations and the general credit outlook. The major external influence will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The Council's treasury advisor, Arlingclose, is forecasting a central case for the UK Bank Rate to remain at 0.50% during 2018/19 and beyond. The TMSS contains a more detailed economic and interest rate forecast set out in **Appendix A**.

The Council's current treasury management position is shown in **Appendix B**.

Based on the Council's proposed capital programme, including projects approved under the District Investment Strategy (DIS), forecasts have been developed of the Council's future borrowing requirement (as measured by the Capital Financing Requirement or CFR) and investment balances. These show an expected increase in the CFR over the medium-term principally due to the planned spending on the Manor Street regeneration project (as approved in September 2016). The current assumption is that any related borrowing can be accommodated in the short-medium term from internal resources pending a longer-term funding strategy being adopted. The funding strategy will also take into account any other projects or opportunities approved by Council as part of the DIS. Based on this assumption the Council's investment balances are forecast to be maintained around £50million per annum (comprising £37million of core cash and £13million of in-year positive cashflows).

The Council's primary objectives for investment of cash balances are security, liquidity and then yield. In the low interest rate environment coupled with a changing regulatory framework, diversification and lengthening the investment horizon has been the Council's response to these changes over recent years and this remains a key element of the strategy going forward. The Council currently has £15million invested in five pooled funds (four equity funds and a property fund) as medium to long term investments, with capacity within the limits approved to add up to a further £5million. Whilst these funds can display some volatility over market valuation – currently held in a reserve - they also continue to provide additional uplift in yield (circa 5% p.a.). Forthcoming accounting changes may require these variations in market pricing to be reflected annually in the Council's General Fund revenue account, which may require some future rebalancing of the portfolio to reduce year-on-year volatility.

In the event of a default (or assessed likelihood of default) on investments it is the Council's revenue reserves which must absorb any financial loss. Over the medium term these reserves are forecast to be around £21million. The TMSS provides for a maximum limit of £5 million being lent to any one group, or individual financial institution (including money market funds and other pooled funds) which represents around 25% of the forecast level of revenue reserves.

The budget for investment income in 2018/19 is £815,000 (including £760,000 of estimated dividend income to be received from Pooled Fund investments). The budget for debt interest to be paid in 2018/19 is £282,000, with a further £126,000 estimated interest payable within the annual rental payment made on finance leases. The budget is also required to reflect any Minimum Revenue Payment (MRP) required under the Council's MRP policy which is estimated at £735,000 in 2018/19.

Whilst not classed as treasury management activities and therefore currently not covered by the CIPFA Code or DCLG guidance, the Council has historically acquired and developed investment property, as well as made loans and investments for service purposes. These loans and investments are subject to the Council's normal approval processes and need not comply with the TMSS. The Council's non-treasury investments as at 31 March 2017 totalled £35.937million and are listed in **Appendix C**.

Recommended Decision: The Committee is asked to:

1. Review the draft Treasury Management Strategy Statement; and
2. To consider whether the Committee would like to propose any amendment or provide comments or observations which the Cabinet Member for Finance and Performance can take into account when presenting the final Treasury Management Strategy Statement to Cabinet and Full Council.

Purpose of Decision: The Council's Constitution requires that prior to consideration by Cabinet and Full Council, the draft Treasury Management Strategy Statement is reviewed and scrutinised by the Governance Committee.

Any Corporate implications in relation to the following should be explained in detail	
Financial:	The financial implications of the treasury management activities are set out in the tables and indicators contained in the TMSS.
Legal:	The Treasury Management Strategy Statement (TMSS) fulfils the Council's legal obligation under the <i>Local Government Act 2003</i> to have regard to the guidance issued by the Chartered Institute of Public Finance and Accountancy and the Department for Communities and Local Government.
Safeguarding	None
Equalities/Diversity	None
Customer Impact:	No direct impact but the outcomes of the treasury management activities impact on the Council's financial resources to meet its priorities and service objectives
Environment and Climate Change:	None
Consultation/Community Engagement:	Consultation on the TMSS is via the Governance Committee prior to its consideration by Cabinet and Full Council.
Risks:	<p>The TMSS seeks to set a framework to manage the inherent risks around treasury management activities, which effectively comprise:</p> <ul style="list-style-type: none"> * Security – ensuring investments are repaid and minimising the potential for loss through diversification. * Liquidity – ensuring that cash is available for both capital and revenue purposes when required, and where borrowing is considered this is done on a basis that is prudent, sustainable, and affordable. * Interest rate – limiting exposure to fixed and variable interest rates, and refinancing risks of both debt and maturing investments.
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Treasury Management Strategy Statement 2018/19

1. Introduction

- 1.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.
- 1.2. The CIPFA *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) requires the Council to ensure that its capital investment plans are affordable, prudent, and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code requires that a number of indicators are approved by the Council and monitored each year.
- 1.3. In addition, the Department for Communities and Local Government (DCLG) has previously issued *Guidance on Local Council Investments* that requires the Council to approve an investment strategy before the start of each financial year, and *Guidance on Minimum Revenue Provision* (MRP) which requires the Council to approve an annual MRP statement setting out its policy on the methodologies adopted for making provision for the repayment of debt.
- 1.4. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Codes and the DCLG Guidance.
- 1.5. CIPFA have recently consulted on potential changes to both the CIPFA Code and the Prudential Code. In addition, DCLG have also been consulting on proposed changes to its statutory guidance to local authorities on investments and MRP. Once the outcome of these consultations have been finalised any necessary changes will be made in future revisions of the Treasury Management Strategy Statement (TMSS).
- 1.6. Through its treasury management activities the Council is exposed to a range of financial risks and the successful identification, monitoring and control of these risks are therefore central to the Council's treasury management strategy.
- 1.7. This TMSS is based on plans set out in the Council's *Budget and Council Tax 2018/19 and Medium Term Financial Strategy 2018/19 to 2021/22*¹. In accordance with DCLG Guidance, a revised strategy will be determined and subject to the governance process of the Council should the assumptions change significantly on which this strategy is based.

¹ Based on the initial Budget and Council Tax 2018/19 proposals and Medium Term Financial Strategy 2018/19 to 2021/22 approved by Cabinet on 27 November 2017 and Council on 11 December 2017

2. External Context

- 2.1. **Economic background:** The major external influence on the Council's Treasury Management Strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.
- 2.2. Consumer price inflation reached 3.0% in September 2017 (and more recently 3.1% in November – the highest for nearly six years) as the post referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee (MPC) judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the MPC raised official interest rates to 0.5% in November 2017.
- 2.3. In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.
- 2.4. **Credit outlook:** High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.
- 2.5. Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.
- 2.6. **Interest rate forecast:** The Council's treasury adviser, Arlingclose, is forecasting a central case for the UK Bank Rate to remain at 0.50% during 2018/19. The MPC re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

2.7. Future expectations for higher short-term interest rates are subdued and on-going decisions remain data dependent as negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to the forecast are considered broadly balanced on both sides. The central case forecast is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

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

3. Local Context

3.1. At 31 March 2017, the Council had £10.201million of borrowing and other long-term liabilities, and £38.920million of investments (including cash and cash equivalents). This is set out in further detail at **Appendix B** along with the position as at 30 November 2017. Medium-term forecast changes in these sums are shown in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31-Mar-17 Actual £m	31-Mar-18 Estimate £m	31-Mar-19 Estimate £m	31-Mar-20 Estimate £m	31-Mar-21 Estimate £m	31-Mar-22 Estimate £m
CFR	9.130	8.817	6.133	9.942	13.448	12.844
Less other long-term liabilities	-4.201	-3.861	-2.506	-2.198	-1.979	-1.916
Borrowing CFR	4.929	4.956	3.627	7.744	11.469	10.928
External borrowing	-6.000	-6.000	-6.000	-6.000	-6.000	-6.000
Borrowing in excess of CFR	-1.071	-1.044	-2.373	1.744	5.469	4.928
Usable reserves	-37.281	-32.737	-34.321	-38.777	-36.199	-37.611
Working capital	-0.568	-0.925	-1.743	-2.512	-2.830	-3.149
Investments	38.920	34.706	38.437	39.545	33.560	35.832

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

3.3. The Borrowing CFR reflects the amount of capital expenditure incurred which has not been financed from capital receipts or other resources and, therefore, is an indicator of the level of borrowing required for capital purposes. The table above shows that initially actual borrowing is greater than the Borrowing CFR; however this switches from March 2020 as the CFR reflects planned spending on Braintree town centre (as per the Manor Street regeneration scheme approved in September 2016) for which a longer-term financing strategy is to be developed. In the table above the assumption is that in the short-medium term this may be financed from internal borrowing.

3.4. The Prudential Code recommends that an authority's debt should be lower than its highest forecast CFR over the next three years a position which is confirmed for the Council in the above table.

4. Capital Expenditure and Borrowing Strategy

Capital Expenditure

4.1. The Council's planned capital expenditure and financing plans are set out in the table below with further detail provided in the capital programme section of the report on the *Council Budget and Council Tax 2018/19 and Medium Term Financial Strategy 2018/19 to 2021/22*.

Table 2: Capital Expenditure and Financing Plans

	2017/18 Latest £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Current approved programme	6.327	4.027	5.423	4.070	-
Supported new bids		1.637	0.025		
Provisions for future capital spending	0.636	0.700	1.420	1.420	1.420
Capital salaries	0.264	0.309	0.309	0.309	0.309
Total Expenditure	7.227	6.673	7.177	5.799	1.729
Funded by:					
Capital receipts	(3.524)	(3.961)	(0.914)	(0.888)	(0.872)
District Investment Strategy reserve	(0.942)	(1.723)	(1.067)	(0.107)	(0.107)
Better Care Funding	(0.796)	(0.700)	(0.700)	(0.700)	(0.700)
Growth Area Funding	(0.386)				
Third party contributions	(0.434)	(0.239)			
New Homes Bonus	(0.087)				
Revenue & reserves	(0.702)	(0.050)	(0.050)	(0.050)	(0.050)
Total Finance	(6.871)	(6.673)	(2.731)	(1.745)	(1.729)
Change in CFR	0.356	-	4.446	4.054	-

4.2. In 2017/18 expenditure is expected to exceed the financing set aside by £356,000. This relates to a previous decision by the Corporate Director (Finance) to fund a number of replacement vehicles from the Council's own resources. There is also a forecast increase in the CFR of £8.5million over the period 2019/20 and 2020/21, which relates to the proportion of expenditure planned on Braintree town centre which in the original approval was assumed to be met by borrowing. As referred to in paragraph 3.3 the long-term financing for the scheme has yet to be finalised and therefore the current assumption is that in the short-medium term this can be met from internal resources (See Borrowing Strategy in paragraphs 4.11 to 4.15).

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

Table 3: Ratio of Financing Costs to Net Revenue Stream

	2017/18 Latest £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Ratio	-3.35%	-3.78%	-4.08%	-3.96%	-3.84%

4.4. The above ratio identifies the trend in net financing cost (i.e. the cost of borrowing and other long term liabilities, less interest and dividend income from investments) against the Council's budget (or net revenue stream). The table shows that investment income more than offsets the cost of borrowing, based on the assumptions set out above regarding future capital financing.

4.5. Table 4 shows the incremental impact of potential capital investment on Council Tax. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the budget requirement arising from the proposed capital programme (i.e. the impact of new schemes added to the capital programme including those within the DIS).

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

	Proposed Budget 2018/19	Forward Projection 2019/20	Forward Projection 2020/21	Forward Projection 2021/22
Incremental Impact	£34,000	£68,000	£81,000	£90,000
Band D Equivalent	£0.66	£1.29	£1.52	£1.66

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

4.7. Table 4 shows there is a net opportunity cost of the current capital investment plans.

4.8. The Council currently holds £6 million of loans. The balance sheet forecast in Table 1 and capital expenditure plans in Table 2 shows that the underlying need to borrow (other than via other long-term liabilities) is currently projected to increase over the medium term. The extent to which this is increase in borrowing CFR is matched by new external borrowing will be subject to a future funding strategy, which will take into account the Braintree

town centre regeneration scheme and any other projects or opportunities that are approved by the Council under the District Investment Strategy.

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

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

The Authorised Limit – this is the maximum (statutory) level of external borrowing determined by the Council. A total limit of £25 million will apply for 2018/19 and each subsequent year covered by the latest Medium Term Financial Strategy (MTFS), comprising both borrowing and other long-term liabilities.

The Operational Boundary – this is the probable level of external debt during the course of a year. Actual external debt could vary above or below this boundary for short periods; therefore, it is used as a means of monitoring debt to ensure that the authorised limit is not breached. The boundary is set by reference to estimates of capital expenditure (including schemes under the District Investment Strategy), the Capital Financing Requirement, and cash flow requirements. An overall limit of £11million will apply for 2018/19 increasing to £22million from 2019/20 through to 2021/22.

Borrowing Strategy

4.11. The chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is secondary.

4.12. The Council's borrowing strategy will be to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. The benefits of this approach will be monitored in conjunction with Arlingclose to ensure that the

Council is not faced with increased costs by deferring borrowing into future years. Likewise analysis will be undertaken to assess whether it is advantageous to borrow earlier in advance of need to avoid future rate increases even where this may create some short-term additional costs. Alternatively, the Council may look to forward funding deals where future cost certainty can be achieved but eliminates the immediate cost of carry.

4.13. The approved sources of borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- Any institution approved for investment purposes
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (excluding the Essex Pension Fund)

4.14. Other sources of debt finance that are not borrowing but classed as other debt liabilities include leasing, contract hire, sale and leaseback, and other similar type finance structures.

4.15. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula. Other lenders may also be prepared to negotiate premature redemption terms.

5. Annual Minimum Revenue Provision Policy 2018/19

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

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

Regulatory method – this applies Regulations to any pre-2008 capital expenditure. As the Council's CFR on pre-2008 expenditure is negative there

is no requirement for MRP to be made on this past expenditure (i.e. effectively the Council has over provided for past debt).

Asset life method – this is for new unsupported borrowing. MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments (or where appropriate on an annuity basis calculated using an annual interest rate equivalent to any related loan). MRP on purchases of freehold land will be charged over a maximum of 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over a maximum of 20 years. The Council may calculate MRP on a period shorter than the expected life of an asset where it is seeking a financial return over a defined period.

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

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

Assets Held for Sale – where the Council has borrowed to fund the acquisition and/ or development of assets specifically held for sale, then no MRP will be charged unless there is an expectation that such sales are likely to be delayed for a significant period of time in which case an appropriate level of MRP will be charged (e.g. with reference to asset life).

5.3. Based on the Council's latest estimates of its CFR on 31 March 2018, the budget for MRP has been set as follows:

Table 5: Budget for MRP 2018/19

	31-Mar-18 Est. CFR £m	2018/19 Est. MRP £
Capital Expenditure before 01-04-2008	-1.890	-
Unsupported Capital Expenditure after 31-03-2008	5.846	380,000
Finance Leases	2.861	355,000
Loans to Other Bodies	2.000	-
Total	8.817	735,000

6. Investment Strategy

- 6.1. The Council holds significant invested funds, representing income received in advance of expenditure (working capital) plus balances and reserves held.
- 6.2. In 2016/17 the average sum invested across the year was £51.75million and peaked at just over £60million. In the current year the average invested is currently around £55million. Looking ahead, and based on the projected capital investment plans set out in Table 2 above, it is estimated that the average balance for investment purposes will be circa £50million per annum over the medium-term (comprising core cash of around £37million and in-year positive cashflows of around £13million). The level of future investment balances will be influenced by the decisions taken on the longer-term financing of major capital projects.
- 6.3. **Objectives:** Both the CIPFA Code and the DCLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
- 6.4. In the event that economic conditions cause the MPC to lower the official bank rate to zero or below (as has occurred in other European countries), which could then feed through to negative returns on low risk, short-term investment options, then in these circumstances security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
- 6.5. **Strategy:** Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council aims to maintain a diversified strategy where a proportion of funds are placed into more secure and/or higher yielding asset classes. This includes funds held for the medium-long term where the Council has previously invested in pooled equity and property funds – a strategy that is expected to be maintained.
- 6.6. **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types shown in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Table 6: Approved Investment Counterparties and Limits

Credit Rating	Financial Institutions: Unsecured	Financial Institutions: Secured	Government	Registered Providers
UK Govt./ Local Authorities			Unlimited	
AA+ or AAA	£3m 5 years	£5m 10 years		£5m 5 years
AA- or AA	£3m 3 years	£5m 4 years		
A+	£3m 2 years	£5m 3 years		
A	£3m 13 months	£5m 2 years		
A-	£3m 6 months	£4m 2 years		
Unrated Building Societies	£1m 6 months			
MMFs & Pooled Funds	£5m per fund			

This table must be read in conjunction with the notes below

- 6.5. **Credit rating:** Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody’s or Standard & Poor’s. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- 6.6. **Financial institution unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that a bank is failing or likely to fail.
- 6.7. **Financial institution secured:** Investments secured on assets of an institution, which limit the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one financial institution will not exceed the cash limit for secured investments.
- 6.8. **Government:** Loans, bonds and bills issued or guaranteed by the UK Government or UK local authorities where there is an insignificant risk of insolvency. Deposits will be placed with the Debt Management Office where insufficient other counterparties are available and/ or for short-term cash flow purposes.

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

6.10. Money Market Funds (MMF) and pooled funds: Shares in diversified investment vehicles consisting of different investment instruments, including equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term MMFs that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts and short-term deposits. Pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods. Because these latter funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly. The exposure limit for funds where the valuation can change relates to the original amount invested by the Council and excludes any unrealised gains/ losses.

6.11. Operational bank accounts: The Council will have funds in accounts held for day-to-day banking activities. These are not treated as investments and not counted against the investment exposure limits. Balances on these accounts are normally maintained at/ around £1million (net across all current accounts); although for cash flow purposes balances can be much higher at certain times.

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

- no new investments will be made;
- any existing investments that can be recalled or sold at no cost will be; and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

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

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

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

6.15. **Specified Investments:** The DCLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local council, parish council or community council, or
 - a body or investment scheme of "high credit quality" as defined by the Council, which is deemed to be organisations and securities with a credit rating of at least A-, where domiciled in the UK, or in a foreign country with a sovereign rating of AA+ or higher.

6.16. **Non-Specified Investments:** Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies and is not expecting to make any investment which is defined as capital expenditure by legislation, such as the acquisition of share capital, until such time a funding strategy is agreed by the Council to support North Essex Garden Communities Ltd on any potential garden communities. Therefore, non-specified investments will comprise long-term investments, i.e. those

that are contractually due to mature 12 months or longer from the date of arrangement; or investments with bodies and schemes not meeting the Council's definition of high credit quality. Limits on non-specified investments are shown in the table below and whilst individual limits are given for each category, allowing for some discretion by the Corporate Director (Finance) over the actual mix of investments used, this will be subject to an overall limit of £25million.

Table 7: Non-Specified Investment Limits

	Cash limit
Investments due to mature 12 months or longer from the date of arrangement	£10m
Investments without credit ratings or rated below the Council's definition of high credit quality	£20m
Overall limit on Non-Specified Investments	£25m

6.17. Investment limits: The Council's revenue reserves available to cover investment losses are forecast to be £21million at 31 March 2018. On this basis the maximum that will be lent to any one organisation (other than the UK Government or other local authority) in accordance with Table 6 will represent around 25% of these reserves. A group of banks under the same ownership will be treated as a single organisation for the purpose of the limits.

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

7. Non-Treasury Management Investments

7.1. Although not classed as treasury management activities and therefore currently not covered by the CIPFA Code or DCLG guidance, the Council has historically acquired and developed investment property, as well as made loans and investments for service purposes.

7.2. Such loans and investments are subject to the Council's normal approval process for revenue and capital expenditure and need not comply with this treasury management strategy.

7.3. The total carrying value of the Council's non-treasury management investments at 31 March 2017 was £35.937million with details provided in **Appendix C**.

8. Treasury Management Indicators

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

8.2. **Security:** A voluntary measure of exposure to credit risk is applied by monitoring the value-weighted average credit rating of the Council's investment portfolio. This is calculated by applying a score to each investment (e.g. AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of the investment. Unrated investments are assigned a score based on their perceived risk. The target average credit rating adopted is to aim to maintain the portfolio at an overall rating of at least A.

8.3. **Interest rate exposures:** This indicator is set to control the Council's exposure to interest rate risk and applies for 2018/19 and the subsequent three financial years. In determining the limits the following local circumstances have been taken into account

- The Council's outstanding borrowing is subject to six monthly call options when the interest rate could be varied; consequently this debt is treated as being at variable rate. The interest rate on lease finance and other long-term liabilities is set at the time of entering into the arrangement and therefore these are deemed fixed rate.
- Fixed rate investments and borrowing are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable.

8.4. The following limits shall apply:

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

8.5. **Maturity structure of borrowing:** this indicator is used to control the Council's exposure to any future refinancing risk by establishing an upper and lower limit across a range of maturity periods. The limits will be set in the funding strategy that will be adopted if the Council undertakes any new external borrowing in support of the District Investment Strategy.

8.6. **Principal sums invested for periods longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limit on the long-term principal sum invested to final maturities beyond 364 days is £10m.

9. Other Items

- 9.1. **Policy on use of financial derivatives:** Financial derivatives may be embedded into loans and investments entered into by the Council (e.g. LOBO loans and callable deposits).
- 9.2. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of financial risks that the Council is exposed to and only having taken appropriate specialist advice and subject to counterparty limits.
- 9.3. **Treasury Management Training:** The Corporate Director (Finance) will ensure that all Members with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.
- 9.4. Relevant Members will be involved in strategy and other meetings with the Council's external treasury advisors; and provided with information and guidance as is deemed appropriate by the Corporate Director.
- 9.5. Senior officers with responsibility for the treasury management function have a professional responsibility for continued professional development including ensuring they are aware of, and apply the Codes and Guidance covering the treasury management function.
- 9.6. The Council's external treasury advisor provides regular training events and workshops covering a variety of treasury management and related matters which officers attend. These events also provide opportunities to network with other local authorities and share best practice.
- 9.7. **Investment Advisers:** The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues.

10. Financial Implications

- 10.1. The budget for investment income in 2018/19 is £815,000 (including £760,000 estimated dividend income to be received from the long-term pooled fund investments). The budget for debt interest to be paid is £282,000, with a further £126,000 estimated interest payable within the annual rental payment made on finance leases.
- 10.2. Under current accounting rules changes in the market value of the Council's pooled fund investments is held in a reserve and is not realised until such time the Council sells the investments. Changes to accounting rules commencing from 1 April 2018, may change this treatment resulting in such price fluctuations having an impact on the Council's revenue budget. However, until the CIPFA Accounting Code of Practice and any associated

statutory regulations are published, the position remains uncertain. In the event that these accounting changes do have a negative impact on the revenue account, then the Council may need to look to rebalance the pooled fund portfolio to reduce volatility. This may result in a lower but more certain level of income.

Appendix A – Arlingclose Economic & Interest Rate Forecast November 2017

Underlying assumptions:

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates

are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.

- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15
3-month LIBID rate														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.22
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.20
1-yr LIBID rate														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.27
Arlingclose Central Case	0.70	0.70	0.70	0.70	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.77
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	-0.26
5-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.80	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	0.89
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.25	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.55	1.36
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.85	1.85	1.85	1.85	1.85	1.90	1.90	1.95	1.95	2.00	2.05	2.05	2.05	1.93
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.38
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.70	1.70	1.70	1.70	1.70	1.75	1.80	1.85	1.90	1.95	1.95	1.95	1.95	1.82
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.39

Appendix B – Investment & Debt Portfolio Position

	31-Mar-17 Actual Portfolio £'000	30-Nov-17 Actual Portfolio £'000
External Borrowing:		
LOBO Loans from banks	(6,000)	(6,000)
Total External Borrowing	(6,000)	(6,000)
Other Long Term Liabilities:		
Finance Leases	(3,201)	(2,974)
Local Authority - Essex County Council	(1,000)	(1,000)
Total Gross External Debt	(10,201)	(9,974)
Investments:		
<i>Managed in-house</i>		
Impaired Investment	15	12
Short-term investments	12,000	26,000
Cash & cash equivalents	(95)	897
<i>Managed externally</i>		
Money Market Funds	9,000	11,000
Pooled Equity Funds	11,000	12,000
Property Fund	3,000	3,000
Total Investments	38,920	52,909
Net Investments	28,719	42,935

Appendix C – Non-Treasury Management Investments

	31-Mar-17 Fair Value £'000
<u>Investment Property</u>	
Industrial Land	9,206
Industrial Units	4,098
Shops	2,079
Mayland & Grove House	10,083
Connaught House	4,220
Block B College	1,904
Century Drive	799
Other Commercial Property	1,172
Sub-Total Investment Property	33,561
<u>Loans/ Deposits for service purposes</u>	
Local Authority Mortgage Scheme	2,000
Housing Act Advances	51
Loans to other organisations	323
Loans to individuals (cycle to work)	2
Sub-Total Loans/ Deposits	2,376
Total Non-Treasury Management Investments	35,937

External Auditor Appointment		Agenda No: 11
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services Delivering better outcomes for residents and businesses and reducing costs to taxpayers	
Report presented by:	Trevor Wilson, Head of Finance	
Report prepared by:	Trevor Wilson, Head of Finance	
Background Papers:	Public Report	
Appointment of External Auditors report to Governance Committee 28 th September 2016 and Full Council 17 th October 2016 (Minute 60 refers) Email from PSAA to Andy Wright, dated 18 th December 2017, re: Braintree District Council - confirmation of auditor appointment from 2018/19	Key Decision: No	
Executive Summary:		
<p>The Governance Committee on 28th September 2016 recommended that the Council agree the 'Opt-in to the Sector Led Body' option, with Public Sector Audit Appointments Limited (PSAA), for the procurement of future external audit contracts, commencing with the audit of the 2018/19 Accounts. Full Council agreed the recommendation on 17th October 2016.</p> <p>The PSAA is an independent, not-for-profit company limited by guarantee. It was created to carry out a number of functions in relation to auditor appointments, following the closure of the Audit Commission, under powers delegated by the Secretary of State for Communities and Local Government.</p> <p>By opting into the PSAA offer authorities avoided the costs of undertaking their own procurement and management of the contract and also the requirement to set up an auditor panel with independent members.</p> <p>The PSAA completed the procurement to let audit contracts from 2018/19 in June 2017 and on 15th August informed the Council that it proposed to appoint BDO LLP to audit its accounts for five years from 2018/19. This proposal was subject to consultation to allow authorities an opportunity to object to the proposed appointment, and was open to 22nd September 2017.</p> <p>The Council confirmed that it had no objections to the appointment of BDO LLP. BDO LLP had been the Council's external auditor up to and including the 2014/15 Accounts.</p> <p>The process timetable allowed for the PSAA to:</p> <ul style="list-style-type: none"> • Consider representations and respond to authorities by 16th October 2017; 		

- If representations were accepted, to consult on an alternative auditor appointment between 16th to 27th October 2017;
- Consider further representations if alternative appointment is not acceptable;
- Board meeting on 14th December 2017 to consider all proposed auditor appointments; and
- Write to all authorities to confirm the Board's final decision on the appointment of the auditor by 21st December 2017.

Confirmation of BDO LLP's appointment as the Council's external auditor for a 5 year period with effect from 1st April 2018 was received on 18th December 2017.

The audit fees that the Council will be charged will cover the costs to the PSAA of appointing auditors and managing the arrangements.

Recommended Decision:

To note that BDO LLP has been appointed as the Council's external auditor for 5 years with effect from 1st April 2018.

Purpose of Decision:

To inform Members of the outcome of the new process for appointing the Council's external auditors, as required following the closure of the Audit Commission.

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

Financial:	The PSAA anticipates that authorities can expect an average reduction of audit fees of 18%, An estimated reduction has been included in the initial 2018/19 Budget proposals agreed by Cabinet on 27 th November 2017.
Legal:	<p>Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31st December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor.</p> <p>Section 12 makes provision for the failure to appoint a local auditor. In this event the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.</p> <p>Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.</p>
Safeguarding:	No issues arise from this report.
Equalities/Diversity:	No issues arise from this report.
Customer Impact:	No issues arise from this report.
Environment and Climate Change:	No issues arise from this report.
Consultation/Community Engagement:	No issues arise from this report.
Risks:	No issues arise from this report.
Officer Contact: Trevor Wilson	
Designation: Head of Finance	
Ext. No: 2801	
E-mail: Trevor.wilson@braintree.gov.uk	

Forward Look – Twelve Months to January 2019		Agenda No: 12
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services Delivering better outcomes for residents and businesses and reducing costs to taxpayers	
Report presented by:	Trevor Wilson, Head of Finance	
Report prepared by:	Trevor Wilson, Head of Finance	
Background Papers:	Public Report	
	Key Decision: No	
Executive Summary:		
<p>To present to Governance Committee the report schedule for the year with a brief summary of each report so that Members can see the routine audit and accounts business that will come before the Committee in each cycle together with the annual cycle of governance reports.</p> <p>There may be ad-hoc reports added, either at the request of members, the external auditor or from officers, during the year.</p>		
Recommended Decision:		
Members are asked to note the report schedule for the next twelve month period.		
Purpose of Decision:		
To agree the work and reports which will be undertaken and presented to the Governance Committee over the coming 12 months.		

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

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

Report Schedule

Date	Report	Summary
21st March 2018	Internal Audit Plan 2018/19	To present the Internal Audit Plan for the 2018/19.
	External Audit Work Plan	To receive the audit work plan from the Council's external auditor.
	Internal Audit Activity report	To present details of the completed audit assignments.
	Internal Audit Annual Report	To present the Annual Report on Internal Audit for 2017/18.
	Governance Committee Annual Report	To consider and approve the Committee's Annual report for 2017/18 to be presented to full Council.
	Governance Committee self-assessment	For members to undertake an evaluation of the Committee's effectiveness and identify any training needs.
	Effectiveness of the Internal Audit function report	Outcome of the external quality assessment on the effectiveness of the Council's Internal Audit function.
	Financial Indicators report	To present details of key financial indicators for the year to end of February 2018.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report advising of progress on projects, performance indicators and the forecast position on revenue spending and the capital programme.
	Annual Governance Statement 2017/18	To present for approval the Annual Governance Statement for incorporation in the Statement of Accounts. Regulation 6 (1) of the Accounts and Audit Regulations 2015 requires "The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk".

	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.
25th July 2018	Receipt of the Statement of Accounts for 2017/18 together with the External Auditor’s Final report to Governance Committee	To consider and approve the Statement of Accounts for 2017/18, which will have been subject to external audit. The draft Statement of Accounts is due to be certified by Corporate Director, by 31 st May 2018. The external auditor’s report provides a summary of the work the external auditor has carried out during their audit of accounts. The conclusions they have reached and the recommendations they have made to discharge their statutory audit responsibilities are reported to those charged with governance at the time they are considering the financial statements. In preparing their report, the Code of Audit Practice requires them to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 ‘Communication of Audit Matters to Those Charged With Governance’.
	Financial Indicators report	To present details of key financial indicators for the year to end of June 2018.
	Risk Management – Operational Risks & Information Asset Risks	Details of the annual review of the Council’s Operational Risks and Information Asset Risks
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report advising of progress on projects, performance indicators and the forecast position on revenue spending and the capital programme.
	Treasury Management Strategy	To present a year-end report on the delivery and performance of the Treasury Management Strategy for 2017/18.
24th October 2018	Quarterly Performance Report	To provide a copy for information of the Cabinet Report advising of progress on projects, performance indicators and the

		forecast position on revenue spending and the capital programme.
	Internal Audit Activity report	To present details of the completed audit assignments.
	Treasury Management Strategy	To present a mid-year report on the delivery and performance of the Treasury Management Strategy for 2018/19.
	Financial Indicators report	To present details of key financial indicators for the year to September 2018.
January 2019	Annual Audit Letter 2017/18	To present the Annual Audit Letter covering the Council's financial audit. The Committee receives the report on behalf of the Council and may make observations to Cabinet who can decide to take action to make improvements based on the external auditor's assessment.
	Grant Claim Certification for year ended 31 st March 2018	To receive external auditors report
	Draft Treasury Management Strategy 2019/20	To present the draft Treasury Management Strategy for 2018/19. The Governance Committee to review and make observations on the draft to the Cabinet, which will then present the Strategy to Full Council for approval in February 2019.
	Internal Audit Activity report	To present details of the completed audit assignments.
	Financial Indicators report	To present details of key financial indicators for the year to end of November 2018.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report advising of progress on projects, performance indicators and the forecast position on revenue spending and the capital programme.
	Risk Management – Strategic Risks Report	To provide a copy for information of the Cabinet Report on the Council's Strategic Risk Register which details significant business risks being monitored and managed by

		Management Board in line with the Council's Risk Management Strategy.
	Standards Annual Monitoring Officers Report on the Standards Framework	Report from the Head of Governance on the activity of the Standards Sub-Committee for 2018.