

# GOVERNANCE COMMITTEE AGENDA

Wednesday, 23<sup>rd</sup> January 2019 at 7:15pm

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 Mrs J Beavis	Councillor Mrs J Pell
Councillor M Dunn	Councillor R Ramage
Councillor J Elliott (Chairman)	Councillor M Thorogood
Councillor A Hensman	Councillor Mrs L Walters
Councillor H Johnson (Vice-Chairman)	Vacancy
Councillor G Maclure	Vacancy

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](mailto:governance@braintree.gov.uk) by 3pm on the day of the meeting.

A WRIGHT  
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](mailto:governance@braintree.gov.uk) no later than midday on the working day before the day of the Committee meeting. The Council reserves the right to decline any requests to register to speak if they are received after this time. Members of the public can remain to observe the public session of the meeting.

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### **Mobile Phones**

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### **Documents**

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<b>PUBLIC SESSION</b>		<b>Page</b>
<b>1</b>	<b>Apologies for Absence</b>	
<b>2</b>	<b>Minutes of the Previous Meeting</b> To approve as a correct record the minutes of the meeting of the Governance Committee held on 24 <sup>th</sup> October 2018 (copy previously circulated).	
<b>3</b>	<b>Public Question Time</b> (See paragraph above)	
<b>4</b>	<b>Declarations of Interest</b> 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.	
 <b>Monitoring and Finance</b>		
<b>5</b>	<b>Second Quarter Performance Management Report 2018/19</b>	<b>5 - 37</b>
<b>6</b>	<b>Key Financial Indicators - 31<sup>st</sup> December 2018</b>	<b>38 - 44</b>
 <b>Audit and Governance</b>		
<b>7</b>	<b>Internal Audit Update, Including Progress Against Internal Audit Plan 2018/2019</b>	<b>45 - 51</b>
<b>8</b>	<b>External Audit Plan 2018/19</b>	<b>52 - 73</b>
<b>9</b>	<b>Certification of claims and returns annual report 2017-18</b>	<b>74 - 88</b>
<b>10</b>	<b>Fraud Update</b>	<b>89 - 93</b>
<b>11</b>	<b>Strategic Risk Management</b>	<b>94 - 118</b>

**12 Draft Treasury Management Strategy Statement 2019/20 119 - 141**

**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 that this Agenda was published there were no Items for Private Session.*

**PRIVATE SESSION**

**Page**

<b>Second Quarter Performance Management Report 2018/19</b>		<b>Agenda No: 5</b>
<b>Corporate Priority:</b> Finance and Performance		
<b>Report presented by:</b> Tracey Headford, Performance and Improvement Manager		
<b>Report prepared by:</b> Tracey Headford, Performance and Improvement Manager		
<b>Background Papers:</b>		<b>Public Report:</b>
Second Quarter Performance Management Report 2018/19		YES
<b>Options:</b>		<b>Key Decision:</b>
To note the report.		NO
<b>Executive Summary:</b>		
<p>The purpose of the attached report is to summarise the performance of the Council at the end of the second quarter (July to September 2018).</p> <p>As at the end of the second quarter, 13 projects have been completed and a further 46 projects are on track and progressing well. Six projects are experiencing delays which will push back the end dates to the projects and one project has been closed due to a change in the scope of the project for which a new project is required.</p> <p>Nine performance indicators have achieved or exceeded target, two have missed target by less than 5% and four have missed target by more than 5%.</p> <p>Under performance has been noted in the following areas:</p> <p><u>Tonnage of residual household waste not recycled</u> Achieved 114kgs against a target of 108kgs missing target by more than 5%. The figures quoted are still awaiting verification from Essex County Council and are likely to change. The increase in tonnage reflects a trend across the county and the UK generally which is being monitored. The ongoing work of the waste minimisation team includes engaging and educating residents in a bid to reverse the current trend.</p> <p><u>Percentage of household waste sent for reuse, recycling and composting</u> Achieved 48.37% against a target of 52.75% missing target by more than 5%. The figures quoted are still awaiting verification from Essex County Council and are likely to change. The recycling outturn is lower in the second quarter due to the unpredictably hot, dry summer resulting in a significant reduction in garden waste. The waste minimisation team are working on a range of activities dedicated to reducing tonnage and increasing recycling.</p>		

#### Average call answer time in the Customer Service Centre

Achieved 20 seconds call answering time against a target of 15 seconds missing target by more than 5%. The Customer Service Centre were short-staffed during the second quarter due to staff sickness which ran alongside pre-booked annual leave. Agency staff were recruited to provide cover during this period, however, a period of training was required prior to going live. It is expected that the call answering time will improve throughout the remainder of the year and achieve target.

#### Time taken to process housing benefit claim changes

Achieved a processing time of 7.39 days against a target of 6 days missing target by more than 5%. The volume of changes has increased since the introduction of Universal Credit; with over 3,000 changes being received per month. Annual leave during the summer period has also had an impact on performance. A new process enabling the automatic updating of the claim with the change details received from the DWP is currently being tested. Performance is expected to improve when the process is fully operational.

#### Collection rate for Council Tax

Achieved a collection rate of 58.80% against a target of 59.25%. Target has been missed by less than half a percent and it is expected that the shortfall will be made up over the coming months and the end of year target will be achieved.

#### Collection rate for Business Rates

Achieved a collection rate of 57.76% against a target of 58.07%. Target has been marginally missed and it is expected that the shortfall will be made up over the coming months and the end of year target will be achieved.

### **Financial Performance**

This part of the report provides an updated review of the financial position for the year up to the end of September 2018. It examines the latest forecast for spending on day-to-day service provision compared to the budget for the year. Also included is a summary of treasury management activities; projected movements on the General Fund balance; and a summary of spending to date on capital investment projects.

#### **Summary:**

- An overall positive variance for the year of £127,000 (-0.9%) is projected against the budget
- Across all services staffing budgets are forecast to be underspent by £294,000; and after allowing for the corporate efficiency target of £200,000, results in a projected variance of -£94,000.
- Other Expenditure is projected to be overspent by £382,000.
- Income is projected to be overachieved by £415,000.
- The projected variance for the year has improved from the position reported at Q1 which forecast an overall adverse variance of £87,000. This change is mainly due to higher estimated income (+£311,000), partially offset by a net change in the projected variances for Staffing and Other Expenditure (+£97,000).

For a detailed explanation of the financial performance, please refer to page 20 onwards of the full report.

#### **Decision:**

Members are asked to note the report

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<b>Corporate implications [should be explained in detail]</b>	
<b>Financial:</b>	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.
<b>Legal:</b>	There are no legal issues raised by this report.
<b>Safeguarding</b>	There are no safeguarding issues raised by this report.
<b>Equalities/Diversity</b>	Equalities and diversity issues are considered fully in the Council's key projects, where appropriate.
<b>Customer Impact:</b>	Performance of front line services, including Customer Services, Housing Benefits and Planning, for the quarter is provided. A summary of complaints received in the quarter, analysed by outcome (justified, partially justified or not justified) is provided.
<b>Environment and Climate Change:</b>	The report provides details of progress in the delivery of the Council's key projects including projects around reducing energy consumption and carbon emissions
<b>Consultation/Community Engagement:</b>	Consultation is considered fully in the Council's key projects, as appropriate.
<b>Risks:</b>	Risks regarding the assumptions used in determining the predicted financial outturn for the year are identified.
<b>Officer Contact:</b>	Tracey Headford
<b>Designation:</b>	Performance and Improvement Manager
<b>Ext. No.</b>	2442
<b>E-mail:</b>	tracey.headford@braintree.gov.uk



# Second Quarter Performance Management Report

1st July 2018 to 30th September 2018



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## Section 1: Introduction and Summary






### Purpose of the Report

The purpose of the report is to demonstrate the performance of the Council at the end of the second quarter in relation to the publication of the 'Annual Plan 2018/19'. This sets out the key activities and measures used to check our performance for the year and along with the Corporate Strategy 2016-20 sets out the priorities we are working towards. This year we signed up to 'The Future of Essex' which is a vision shared by more than 100 partners, all dedicated to improving the county over the next 18 years. The projects that are supporting this vision are marked with **(E)**. Further detail is given in relation to a set of business performance indicators covering finances, customer focus, our people and health and safety.






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

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

The following table provides updates for the end of the second quarter in relation to the key activities in the 'Annual Plan 2018/19'




Corporate Priorities	Status of projects and actions				
					
Environment and Place	2	8	0	0	0
Strategic Growth and Infrastructure	0	4	5	0	0
Economic Development	3	8	0	0	0
Health and Communities	5	8	0	0	1
Finance and Performance	3	10	0	0	0
Overall Strategy and Direction	0	8	1	0	0
<b>TOTAL</b>	<b>13</b>	<b>46</b>	<b>6</b>	<b>0</b>	<b>1</b>

#### KEY:




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

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

The following table shows the performance for the end of the second quarter in relation to the quarterly and annually reported Performance Indicators that have targets set as defined in the 'Annual Plan 2018/19'.

Corporate Priorities	Status of indicators			
				Data Only
Environment and Place	2	0	2	0
Strategic Growth and Infrastructure	2	0	0	0
Health and Communities	2	0	0	0
Finance and Performance	3	2	2	0
<b>TOTAL</b>	<b>9</b>	<b>2</b>	<b>4</b>	<b>0</b>

#### KEY:

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

### **Summary Position**







Progress in the second quarter of the year continues at a steady pace with 13 projects now complete and a further 46 on track and progressing well. Six projects have an amber status due to delays occurring which will push back end dates of the projects and one project has been closed due to the scope of the project changing and is due to be replaced with a new project next year.

Nine performance indicators have met or exceeded target, two performance indicators have missed target by less than 5% and four performance indicators have missed target by more than 5%.

Performance is expected to improve over the year as we strive to deliver our corporate objectives whilst focusing our resources to deal with the challenges the Council faces with constraints on funding.



## Environment and Place






Project description and comments	Target Date	Status
<b>Continue to support the Essex Waste Management Partnership to reduce waste, increase recycling and participate in countywide campaigns</b>		
Braintree District Council has led on a county wide framework for street sweeping arisings, generating a reduction of costs per tonne circa £8.00 in the processing of arisings. The contract is in 'infancy' stage, and is closely monitored to ensure we are getting the correct data for recycling credits and we are working closely with partnering authorities and Essex County Council to ensure a beneficial outcome.	March 2019	
<b>(E) Work with other Essex Councils and the University of Essex to better understand people's attitudes towards waste and recycling</b>		
Braintree District Council is working with Essex County Council and the University of Essex to pilot initiatives to increase recycling and reduce waste. The first initiative launched in September involves two versions of the waste calendar which is delivered to Households in September and October. The calendars will feature different recycling messages with the aim to encourage residents to recycle more. Monitoring will take place over the coming months to see if there are any changes to recycling habits.	March 2019	
<b>Offer our commercial customers a more tailored refuse and recycling service that will help them reduce, reuse and recycle their waste</b>		
The Council continues to offer commercial customers bespoke quotations broken down into refuse/recycling options for the customer to consider. This includes container sizing and specification to empower the customer to make the choice of containers appropriate to their business need, alongside our expertise. A customer satisfaction survey is currently being drafted to assist in identifying further improvements.	March 2019	
<b>Continue to protect our larger open spaces from illegal encampments by installing perimeter fencing and lockable bollards to prevent disruption and inconvenience to local residents</b>		
All larger open spaces in the district are now protected from illegal encampments following the installation of perimeter fencing and lockable bollards.	June 2018	
<b>Develop an improved low tariff energy switching scheme for both residents and businesses in the District, improving the customer experience and offering additional benefits and improved rates for residents on pre-paid meters</b>		
A new low tariff energy switching scheme has been introduced that will be taking an active role in engaging with residents. The first auction took place in August and a scheme for discounted solar installations will be introduced in the Autumn.	September 2018	
<b>Increase the electric car charging infrastructure by installing chargers at the three leisure centres across the District</b>		
Visits have taken place at the three leisure centre sites across the District to look at the practicalities of installing the wiring needed for the electric car charging points. We are also liaising with Freeport to install charging points in their car park.	March 2019	
<b>Upgrade the lighting in our car parks with new energy efficient LED lights to reduce costs and benefit the environment</b>		
The contract has been awarded to upgrade the lighting in our car parks and works will commence in the Autumn.	March 2019	

<b>Trial the use of compaction bins in Braintree Town Centre to see if they offer better value for money for the taxpayer</b>		
A demonstration from a compact bin company took place in August and the Council is currently considering its options for locating the compaction bins.	March 2019	
<b>Continue to maintain a focus on investigating and enforcing littering, dog fouling and fly tipping to help keep the District looking clean and tidy</b>		
Since April, a total of 47 fixed penalty notices have been served by the Environmental Services Enforcement Team resulting in nine prosecutions.	March 2019	
<b>Run a car litter campaign to reduce litter and raise awareness of the increase in fines</b>		
'You Melt' campaign launched in August aimed at social media and younger audiences. A further car litter campaign in partnership with McDonalds and KFC, aimed at reducing car litter and to raise awareness of the increase in fines, has been agreed and advertising space is currently being arranged. 'You Melt' campaign will also be adapted to address street-littering and displayed in town centre notice boards.	March 2019	



## Strategic Growth and Infrastructure

Project description and comments	Target Date	Status
<b>(E) Complete the examination and adoption of the Local Plan</b>		
The adoption of the Local Plan is reliant on the approval of the plans for Garden Communities which require more work before they can be agreed. A suggested way forward together with a revised timetable will be submitted to the planning inspector in October and once a response has been received, the end date of the project will be revised accordingly.	December 2018	
<b>(E) Continue to work on the development of Garden Communities to provide housing, employment and supporting infrastructure to address our long term housing and community needs</b>		
The plans for a west of Braintree garden community have been reviewed by the planning inspector. Braintree District Council is currently is working with partners to strengthen and improve plans before resubmitting to the planning inspector in October with a suggested way forward and revised timetable. Once a response has been received, the end date of the project will be revised accordingly.	November 2018	
The plans for a west of Colchester garden community have been reviewed by the planning inspector. Braintree District Council is currently is working with partners to strengthen and improve plans before resubmitting to the planning inspector in October with a suggested way forward and revised timetable. Once a response has been received, the end date of the project will be revised accordingly.	November 2018	
<b>(E) Set up a Housing Development Company to deliver new mixed-tenure homes across the District.</b>		
Approval was given at July's Cabinet for funds to develop up to five Council sites to submit planning applications in a twin track approach to run alongside the development of the Business Case for the Development Company. The Strategic Investment Team and Member Reference Groups will review the legal, financial, governance and company advice and the intention is to present the full business case for approval to Cabinet in February 2019. Three Members' Reference Groups have taken place providing guidance to officers	March 2022	




with a further two to take place which will review the governance and financial options of a potential Development Company. The finding of the Reference Groups will help to inform the decision on setting up the Company.		
<b>(E) Secure planning consent to deliver new homes in Braintree Town Centre as part of the Manor Street Regeneration Project</b>		
A detailed planning application was submitted in July 2018 and it is anticipated that the planning application will be determined late October 2018.	<b>March 2019</b>	
<b>(E) Continue to work with partner agencies to drive forward improvements to the Braintree and Witham rail link</b>		
Network Rail were asked to produce a specification and cost for a Governance for Railway Investment Projects (GRIP) 2 study. The cost has been established and work has currently halted as progressing beyond the current GRIP stage is unaffordable and alternative options need to be considered.	<b>March 2019</b>	
<b>(E) Continue to work with Essex County Council to deliver an improvement scheme at Springwood Drive roundabout and Panfield Lane to reduce congestion</b>		
As part of the Braintree Integrated Transport Package, Essex County Council is looking to re-designated lane markings at Springwood Drive to ensure Keep Clears are effective. Essex County Council continue to progress the design for the larger scale improvement schemes which are for capacity improvements including increased entry capacity on all arms as well as increased circulatory, and are looking to secure S106 contribution to fund this.	<b>March 2019</b>	
The employment site is dependent on provision of the Spine Road to Panfield Lane. The planning application is progressing through the planning process including S106 heads of terms which are currently being determined.	<b>March 2019</b>	
<b>(E) Progress the delivery of new slip roads linking the A120 to Millennium way to alleviate the congestion at Galleys corner</b>		
Essex County Council will be leading on the project and a project team has been established and commenced design works. Ecology surveys are continuing and should be completed by October. A planning application will be submitted to Essex County Council in March/April 2019. Construction should start October 2019 with and anticipated build of 15 months. Essex County Council have launched a website which has a flythrough of the proposed scheme. Further information on the A120 Millennium Way scheme will be presented in conjunction with a number of other major schemes proposed in Braintree District as part of the Braintree Integrated Transport Package (ITP) consultation, which commenced on Monday 24th September for a period of 6 weeks. Public exhibitions will take place in October regarding the scheme.	<b>March 2021</b>	



# Economic Development




Project description and comments	Target Date	Status
<b>(E) Complete the acquisition of strategic employment land at Great Notley providing additional sites to support business growth</b>		
Following Council approval in February for the acquisition of the employment land at Great Notley, Heads of Terms have been agreed with both the developer and the vendors of the master-plan land. Negotiations to agree the contracts are now close to being finalised. A marketing agent will be appointed to develop a marketing strategy to deliver the emerging vision of an exemplar business community attracting high value companies.	March 2019	
<b>Complete the construction of four new high quality grow-on units at the Braintree Enterprise Centre</b>		
Construction of four new high quality grow-on units and a car-park has completed and handover took place on 17th September 2018.	July 2018	
<b>Develop our business engagement service, supporting businesses to grow and develop</b>		
A business mentoring programme has received 19 referrals and to date five businesses have been successful in their applications. Local businesses are being visited by officers and members to better understand business requirements. A Business Engagement and Support Strategy together with an action plan has been developed and will be submitted to Cabinet in November.	March 2019	
<b>(E) Work in partnership with Essex County Council and the Haven Gateway to secure grant funding to support the delivery of a Construction Innovation Centre</b>		
Braintree District Council has agreed to further invest in the delivery of a Construction Innovation Hub following the withdrawal of Essex County Council to commit funds to the project. The council expects to receive feedback regarding funding from the European Regional Development Fund in October. Procurement is currently underway to procure a contractor who will submit a planning application in the Autumn.	March 2019	
<b>(E) Work with the Braintree Education and Skills board to broker stronger engagement between education providers and businesses to provide a workforce that meets employers' needs</b>		
The annual Braintree District Careers Fair was held at Chelmsford City Racecourse in September. The event saw over 1,000 year 11 students across the district attend and meet over 90 exhibitors promoting post-16 learning and career opportunities. Filming for the Advanced Manufacturing and Engineering career case study video also took place at the racecourse. The first edit has been received and further filming will take place at employer sites.	March 2019	
<b>(E) Commence work on the regeneration of Braintree Town Centre enhancing the appeal of the town to residents and visitors</b>		
A full business case detailing the latest proposals and financial arrangements for the regeneration of Manor Street was approved at Cabinet in May and by Council in June. A planning application was submitted in July and the procurement process has started. It is anticipated that the planning application will be determined late October 2018.	March 2020	
<b>(E) Continue to work in partnership with key community partners to deliver the regeneration schemes in Witham and Halstead</b>		
The spatial plans for improvements to Halstead Town Centre have been prepared and remain with the Highways Authority for a principle decision.	March 2019	
A series of studies and reports have been completed to look at the impact of the Witham Town Centre improvement proposals on the highway network, market rights and other private rights that relate to the site area. A summary	March 2019	











report recommending options to proceed has been prepared for a decision on next steps. Following the success of the street markets in Braintree, the first street market was trialled in Witham in September. The success of this will determine whether future events are secured.		
<b>(E) Support businesses and increase tourism by launching the 'Visit Braintree' website to highlight key events and attractions across the District</b>		
The content of the 'Visit Braintree' website will be taken from the Tourism Plan which will now be presented to Cabinet in November. A meeting with the proposed web developer is scheduled for October to discuss the main objectives of the website and timescales for delivery.	March 2019	
<b>(E) Create an event that celebrates the 90 year anniversary of the opening of the Braintree Town Hall which will enhance the heritage and commercial offer of the Town Hall</b>		
Braintree District residents who share their 90th birthday with Braintree Town Hall were invited to help celebrate the local landmark as part of a special celebration that took place in May. A talk was provided by Julien Courtauld and residents were able to watch a screening of the opening of the town hall with a piece of birthday cake and a cup of tea.	May 2018	
<b>(E) Promote high speed and reliable broadband across the District through the support of phase 4 of the Superfast Essex rollout</b>		
At a Cabinet meeting in May, it was agreed that Braintree District Council will invest £356,000 into the Superfast Essex Phase 4 rollout, run by Essex County Council, to enable an additional 1,668 premises to receive superfast broadband by end of 2020. The £356,000 funding from Braintree District Council will be match-funded by The Department for Digital, Culture, Media and Sport grant. The funding will support the district to reach 99% superfast broadband coverage by end of 2020, which is above the county's average coverage.	June 2018	






## Health and Communities

Project description and comments	Target Date	Status
<b>Ensure the football pitches on the Deanery Gardens sports ground and the rugby pitch on King George V playing field are in year round good condition through the installation of a piped drainage system</b>		
Quotations have now been received and the contract has been awarded. The end date for the project has been revised to the end of March 2019 as the first procurement process did not provide any successful tenders.	March 2019	
<b>Continue to invest in our recreational open spaces by enhancing the play equipment at Meadowside and Twelve Acres, Braintree</b>		
The upgrade to the play equipment at Meadowside and Twelve Acres in Braintree has been completed and the outdoors gym equipment has been upgraded at Spa Road in Witham.	December 2018	
<b>(E) Continue to deliver the Livewell child project, working with families and young children providing support and advice on nutrition and healthy activities</b>		
Meetings have taken place with 9 out the 10 schools involved in the Livewell Child project to present them with a cheque from Tesco's Bags of help funding and to discuss the project with the schools. Christmas events and learning	March 2020	












conferences are being set up to improve parental engagement in the project. The project board is due to meet early October to discuss future funding opportunities and how the project will develop into its final year in 2019.		
<b>Introduce a new programme to encourage junior school children to be more healthy, looking at fitness and eating in a fun and informative way</b>		
Active Essex have agreed to deliver the Fitbods programme in to Livewell schools across the District. This is an Essex County Council initiative where children participate in team games to promote fitness, team skills and healthy competition with children receiving a reward and certificate for the number of sessions they take part in. Teachers received training at the start of the new academic year to deliver the Fitbods programme.	March 2019	
<b>Provide children and parents with activities which gets them to explore the green areas in our three main towns whilst increasing their activity levels during the school holidays</b>		
All the Xplorer events planned for the school holidays have been successfully completed with a total of 421 participants across Braintree, Halstead and Witham.	November 2018	
<b>Improve the outdoor playing experience at Halstead Leisure Centre by installing a new 3G surface</b>		
A consultant has been appointed to put together a capital bid for a contribution towards the costs of a new 3G surface at Halstead Leisure Centre. Secretary of State consent is required and we are currently awaiting their response.	March 2019	
<b>(E) Understand the range of services available to improve mental health and support early interventions for those residents with mental health issues, identifying any areas for improvement</b>		
A mental health workshop took place in July bringing together a range of partners and organisations across the statutory and voluntary sector to gain a better understanding of mental health in the Braintree District. The workshop provided an insight into the issues in the district, how changes are already impacting on services, identified gaps in service provision and provided ideas on what to focus on as well as how we can work together to improve local mental health services. A strategic meeting has been arranged for October to discuss the next steps required in working together to improve the support currently provided.	March 2019	
<b>(E) Implement a winter warmth campaign providing advice on improving energy efficiency, helping vulnerable residents stay warm during the winter months</b>		
A booklet is currently being prepared for publication in November. The focus of the booklet will be on helping residents combat fuel poverty and how to stay healthy during the winter months.	November 2018	
<b>(E) Improve the handyman scheme by expanding the service to help disabled and frail residents lead more independent lives</b>		
The handyman scheme was launched in July to support vulnerable residents providing a contractor to undertake safety improvements to prevent trips or falls, installing energy efficiency measures, security devices and to provide dementia support.	July 2018	
<b>(E) Raise awareness of child exploitation amongst the business community and licensed trades through the use of the 'Spot-it, Stop-it' campaign</b>		
Work is ongoing with Licensing officers from Essex Police and Braintree District Council to organise training and promotion of the 'spot-it, stop-it' campaign with the night time economy including taxi drivers.	March 2019	
<b>(E) Work with Mid Essex Clinical Commissioning Group to see how Braintree District Council can be part of the Home First Programme which ensures residents recuperate in the best environment after receiving hospital treatment</b>		
Following meetings with the Mid Essex Clinical Commissioning Group it has been decided to increase the scope of the project and look at a County wide 'home from hospital' fast track scheme aimed at ensuring the transition from	March 2019	

hospital to home runs smoothly, providing additional support where required. This project has therefore been cancelled and will be replaced with a new project next year.		
<b>(E) Identify and provide opportunities that would benefit those with dementia and their carers through the Braintree District Dementia Alliance and engagement with those living with dementia and their carers</b>		
A number of dementia friendly activities are taking place across the district such as a tea dance, dementia friendly cinema showings, dementia friendly swimming sessions and walks and talks. Attendees continue to enjoy the exercise and friendships that have evolved with people which is also providing peer support and information sharing about services and experiences. The Alzheimer's Society delivered "Step inside Dementia" training to staff, councillors and partners in September, providing an insight into what it may be like to live with or care for someone with dementia and how we can have a better understanding to improve some of the ways we deliver our services.	March 2019	
<b>(E) Support community groups to deliver local projects and activities through the Councillors' Community Grant scheme</b>		
Since April, a total of 28 grants have been awarded across the district for various projects totalling £19,598.	March 2019	
<b>(E) Work with partners across the community to raise awareness and reduce the impact of social isolation and loneliness</b>		
Essex County Council commissioned the young foundation to work with the community to carry out research into social isolation and loneliness through a number of workshops and events held in Halstead. A 'Taking Action' event took place to discuss ideas to address social isolation and loneliness and the feedback from this and other events will be fed into a report. The young foundation provided feedback to the community at an event in September to allow the community to identify follow up activities. Further projects will be set up once the next steps have been agreed.	June 2018	



## Finance and Performance

Project description and comments	Target Date	Status
<b>Review our waste service, identifying ways to manage the impact of District growth on the future cost of the service</b>		
There are a number of projects and actions being carried out already reported on under 'Environment and Place' in this report. Additional areas of work include undertaking research on garden waste and the number of local authorities charging for this service, drawing up a specification for replacing food waste vehicles, presenting a business case to Management Board on vehicle maintenance options and a Task and Finish group has been set up with meetings taking place throughout July and August looking at waste minimisation and recycling.	March 2019	







<b>Review options to secure a sustainable future for our Community Transport service</b>		
The Commercial Manager has been working with the Community Transport team to look at alternative models of delivery for the service including meeting with private and social enterprise organisations. Analysis of the Community Transport market and pricing is currently underway and a report will be drafted in the Autumn.	December 2018	
<b>Ensure that our Housing service is resilient to respond to the new demands placed on it through the Homelessness Reduction Act</b>		
The Commercial Manager has been working with the Housing service to identify improvements and address resilience following the introduction of the Homelessness Reduction Act in April 2018, the duty to refer which comes into effect in October 2018 and the increasing number of applicants joining the housing register. A new triage function has been implemented which will act as a first line of support for new applicants allowing the Housing Officers to focus on their case work. New staff will be recruited within the Housing service to accommodate this function and increase resilience of the team. The supply of temporary accommodation has also been increased by three units.	March 2019	
<b>Develop our commercial programme to generate income that can be reinvested in front line services</b>		
An expanded Commercial programme with four elements has been developed. These are increasing income, getting maximum value against third party spend, generating service efficiencies and contract and supplier management. Services have been asked to review their services and identify savings or income opportunities and a service review programme has been agreed. Additional income opportunities identified will be prioritised and scoping activities planned. The Local Government Association (LGA) have approved funding for a leading procurement expert to review the contracts register and provide support in the identification of saving opportunities.	March 2019	
<b>Identify and progress investment opportunities that support us to deliver our corporate strategy whilst providing a return on investment to strengthen our financial independence</b>		
The Council have taken back possession of the Braintree Enterprise Centre and continues to issue new leases and let vacant units, collecting rent and service charge payments. This provides a significant unbudgeted income for the Council. Investments opportunities identified and reported on elsewhere in the report are being progressed.	March 2019	
<b>Ensure the 2017/18 accounts are produced, audited and published by the 31<sup>st</sup> July 2018</b>		
The external auditors audit results report for the 2017/18 accounts was presented at Governance Committee and published on the 26 <sup>th</sup> July 2018.	July 2018	
<b>Improve customer focused services by delivering a programme of continuous improvement to achieve the Customer Service Excellence Standard</b>		
The Customer Service Excellence Standard assessment will take place in November 2018. Evidence base is currently being collated.	December 2018	
<b>Prepare the organisation for the changes in data protection legislation due to commence 25<sup>th</sup> May 2018</b>		
A number of areas of work are now completed to ensure the Council is in a good position following the implementation of the General Data Protection regulations and the Data Protect Act 2018. Privacy notices have been added to our website and forms that collate personal data amended accordingly. All staff received data protection training to ensure they are fully aware of the requirements placed on them regarding processing personal data.	May 2018	
<b>Develop our online booking and payment systems enabling residents to book and pay for more services through our website</b>		
We are currently working with our website providers to develop an on line booking system. The secure card portal has been approved and testing will be taking place in the Autumn.	March 2019	
The payment system to integrate with the new booking system and our on line	March 2019	

forms has now been approved and testing of the system will take place in the Autumn.		
<b>Improve our mobile working technology to allow our staff to be more flexible and customer focused</b>		
A working group has been formed to work with our ICT team to identify different technical opportunities that can be used more effectively to assist staff in their day to day activities. Areas being looked at include remote working, tele-working and home working.	March 2019	▶
<b>Continue to respond to emerging cyber security threats, protecting our network and information by regularly reviewing our approach and training</b>		
All ICT security and usage procedures have been reviewed and updated. The issues identified from the metacompliance exercise are currently being analysed and will be available in October. The ICT team are contacting staff who are not using encrypted USB sticks and encrypting them and a cyber security training module has been rolled out across the Council for all staff to complete.	March 2019	▶
<b>Introduce in-cab technology into our street scene vehicles to improve the efficiency of the service</b>		
Work is continuing on specifications for the implementation of in-cab technology into our street scene vehicles. Testing of the devices will be taking place in October.	March 2019	▶



## Overall Strategy and Direction









Project description and comments	Target Date	Status
<b>Work effectively with our partners to deliver the Essex Vision to give communities, groups and businesses in Essex a way to collaborate in planning their future, recognising the collective power of Essex as a whole</b>		
Throughout this report, the actions that reference how we are supporting the Essex Vision are marked with <b>(E)</b> . They provide an update to show how we are dedicated to improving the county by working with partners to deliver the Essex Vision.	March 2019	▶
<b>Ensure that Braintree District Council is financially sustainable and fit for the future by delivering a balanced budget and becoming financially independent by 2020, whilst ensuring we remain a resilient organisation providing effective frontline services through smarter working</b>		
Budget pressures the council face over the next few years were outlined at staff briefings in the first quarter. Services have now been asked to review their services and identify how they can make savings in what they do whilst ensuring the residents of Braintree continue to receive the service they need. As part of the commercial programme, work has begun on identifying income opportunities to bridge the budget gap.	March 2019	▶
<b>(E) Deliver projects under the District Investment Strategy to achieve better outcomes for the District and a return for the taxpayers purse by:</b>		
<ul style="list-style-type: none"> <li>• Working in partnership to improve health provision across the District</li> <li>• Facilitating the need for housing by providing homes and supporting infrastructure</li> <li>• Improving our most congested roads and journeys across the District</li> <li>• Planning for growth by providing 9000 jobs by 2026 by delivering increased opportunities for new businesses and employment</li> <li>• Delivering investment opportunities that support growth and provide a return for the District Council</li> </ul>		








Following close partnership working with the Mid-Essex Clinical Commissioning Group and NHS England, the regeneration of Manor Street has been designed to include a Live Well Hub. The Council is also working with two local GP practices, Mid Essex Clinical Commissioning Group and NHS England to develop proposals to deliver a rural healthcare hub on Council-owned land in Sible Hedingham. Provision of new health care facilities in Witham are progressing and the Clinical Commissioning Group are working on a clinical case for change to demonstrate future patient growth and how the new practice will operate.	March 2019	
The Manor street regeneration project includes the provision of 35 new homes and the business case has been approved by Cabinet and Full Council. A planning application has been submitted and a decision is expected in the Autumn.	March 2019	
Work continues on a number of projects reported under the Strategic Growth and Infrastructure section such as the A120 Millennium Slip roads and improvements to Springwood roundabout and Panfield Lane.	March 2019	
A number of projects and actions are underway to ensure delivery of the Braintree Plan for Growth to provide jobs such as working with developers to bring forward strategic employment land at Great Notley, completing the construction of four grow on units at the Braintree Enterprise Centre and securing funding for the delivery of a Construction Innovation Centre.	March 2019	
There are a number of projects reported under the Strategic Growth and Infrastructure section that provide an update on current investment opportunities under the District Investment Strategy. As and when new opportunities arise, projects will be set up accordingly.	March 2019	
<b>Work with partner authorities (Tendring District Council, Colchester Borough Council and Essex County Council) and other public and private sector organisations to plan for and enable sustainable growth in homes and jobs in the north Essex area</b>		
Braintree District Council continues to work with Tendring District Council, Colchester Borough Council and Essex County Council on the shared part one of the proposed Local Plan. Strategic planning meetings continue to take place with Chelmsford City Council to co-ordinate growth and infrastructure in the region. Meetings are also taking place with Uttlesford on strategic growth matters regarding the West of Braintree Garden Community.	March 2019	
<b>Support Essex County Council in the management and operation of the Country Park to enhance the visitor experience, making full use of the leisure, recreational and natural facilities the park has to offer</b>		
A Joint Governance Partnership Board meeting was held in May, at which the Annual Review of the artificial grass pitch and multi-use games was reviewed by Members. A new Service Level Agreement has been drafted that reflects the partnership with Braintree Town Football Club (Community Iron) to deliver the Football Development Plan.	March 2019	



## Section 3: Managing the Business

### Our Performance Indicators in Detail

Performance Indicator	2018/19						Comments
	Q1 Outturn	Q2 Outturn	Q3 Outturn	Q4 Outturn	Target for the Quarter	Status at the end of the Quarter	
<b>Environment and Place</b>							
Percentage of land that falls below cleanliness standards for litter	n/a	6%			6%		Recorded three times a year – July, November and March
Percentage of household waste sent for reuse, recycling and composting	55.19%	48.37%			52.75%		We are awaiting reconciliation of the figures by Essex County Council and they may change if the data for residual waste changes. The recycling outturn is lower in the second quarter due to the unpredictably hot, dry summer resulting in a significant reduction in garden waste. The waste minimisation team are working on a range of activities dedicated to reducing tonnage and increasing recycling.
Tonnage of residual household waste not recycled	121kgs	114Kgs			108kgs		We are awaiting reconciliation of the figures by Essex County Council. Nationally there is an increasing trend in tonnage of residual waste which is being monitored. The ongoing work of the waste minimisation team includes engaging and educating residents in a bid to reverse the current trend.
Number and percentage of non-hazardous fly tips on public land cleared within 24 hours of being reported	100% (170)	100% (211)			100%		
Number of fuel poverty and domestic energy reduction installations carried out	Annually reported indicator					n/a	
<b>Strategic Growth and Infrastructure</b>							
Number of affordable homes delivered	63	35			35		
Number of homes granted planning permission	667	125			100		
<b>Health and Communities</b>							
Average waiting time for applicants on the Disabled Facilities Grant	105 days	59 days			75 days		
Achieve a 2% increase on the contract baseline in participation levels	238,928	279,892			216,417		

Performance Indicator	2018/19						Comments
	Q1 Outturn	Q2 Outturn	Q3 Outturn	Q4 Outturn	Target for the Quarter	Status at the end of the Quarter	
across all our sports centres							
Achieve at least a 1% increase in adults being active for 150 minutes per week	Annually reported indicator						n/a
<b>Finance and Performance</b>							
Average call answer time in the Customer Service Centre	13 seconds	20 seconds			15 seconds		<i>Customer Services were short-staffed during Q2 due to staff sickness which ran alongside pre-booked annual leave. Agency staff were recruited to provide cover during this period, however, a period of training was required prior to going live.</i>
Time taken to process housing benefit/council tax benefit new claims	19.92 days	20 days			22 days		
Time taken to process housing benefit claim changes	7.7 days	7.39 days			6 days		<i>The volume of changes has increased since the introduction of Universal Credit; with over 3,000 changes being received per month. Annual leave during the summer period has also had an impact on performance. A new process enabling the automatic updating of the claim with the change details received from the DWP is currently being tested. Performance is expected to improve when the process is fully operational.</i>
Percentage of Stage 1 complaints responded to within target	94.71%	94.79%			90%		
Collection rate for Council Tax	31.06%	58.80%			59.25%		<i>The target has been missed by less than half a percent and it is expected that the shortfall will be made up over the coming months and the end of year target will be achieved.</i>
Collection rate for Business Rates	31.40%	57.76%			58.07%		<i>Target has been marginally missed and it is expected that the shortfall will be made up over the coming months and the end of year target will be achieved.</i>
Percentage of invoices paid within 30 days of receipt	99.19%	99.26%			99.25%		

## **Complaints**

The quarterly complaints analysis for the second quarter of 2018/19 and the end of the year is detailed below. This is compared with 2017/18 figures shown in brackets. The figures represent all three stages of the complaints process.

<b>Complaint Category</b>	<b>Q1 2018/19</b>	<b>Q2 2018/19</b>	<b>Q3 2018/19</b>	<b>Q4 2018/19</b>	<b>TOTAL</b>
Justified	110 (64)	92 (67)	(38)	(60)	(229)
Not Justified	24 (69)	85 (79)	(67)	(81)	(296)
Partially Justified	76 (27)	25 (31)	(22)	(17)	(97)
Not known	0 (0)	1 (1)	(3)	(0)	(4)
<b>Total</b>	<b>210 (160)</b>	<b>203 (178)</b>	<b>(130)</b>	<b>(158)</b>	<b>(626)</b>

## **Comments**

The number of complaints received in the second quarter of 2018/19 is marginally lower than the first quarter. The high number of complaints received are mainly in respect of waste collections.

A recent change to some of the routes across the district has impacted on the number of complaints regarding missed collections due to either collection times changing and residents not presenting their waste at their boundary on time or due to waste operative staff not being familiar with certain collection points. This has settled down in the latter part of the second quarter, but did result in an increase in the complaints received in July. The re-routing exercise will improve service delivery but takes time to embed. The service will continue to monitor missed waste collections.

In the second quarter of 2018/19, of the 203 complaints received:

- 194 are stage one complaints
- 6 are stage two complaints
- 3 is a stage three complaint

## **A summary of Local Government Ombudsman (LGO) cases:**

In the second quarter of 2018/19, the LGO has received one new complaint which it declined to investigate on the grounds that the complaint was prematurely presented to them and the complainant needs to seek a review of the Councils housing decision before pursuing a complaint through the LGO.

The LGO has issued three final decisions on complaints received in previous quarters all relating to planning enforcement. Two complaints were upheld of which one was due to unnecessary delays by the council although this did not cause a significant injustice to the complainant and in respect of the second complaint, the ombudsman has agreed that the council was at fault in the handling of several applications and objections to them and agreed a further payment for the avoidable distress caused to the complainant.

Three further complaints from previous quarters remain under investigation with the LGO.



## Our Organisation

The following is a selection of our people performance measures:

People: Indicators of Performance	Q1 17/18	Q2 17/18	Q3 17/18	Q4 17/18	Change on previous period	Yearly Target
Total headcount	469	473			+ 3	-
Total number of posts	485	485			+ 5	-
Number of temporary staff	33	32			-	-
Total staff FTE	425.08	427.45			+ 3.63	-
Level of employee turnover	2.13%	2.96%			+ 0.2%	-
Number of leavers	10	14			+ 1	-
Number of starters	13	18			+ 10	-
Working days lost to sickness per employee	2.07 days	1.71 days			0.13 days	8.0 days
Percentage of staff with nil sickness	78.68%	64.9%			-	-
Number of learning hours	7747	8131			- 1027	-
Number of delegates	602	381			+ 207	-
Number of apprentices **	15	24			- 1	-

Year on Year Headcount Analysis	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	466	478	472	470	464	466

\*\* BDC's apprenticeship programme runs from September each year. The figures reflect level 2, 3 and 4 apprenticeships together with degree apprenticeships.

## Health & Safety

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

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

Health & Safety: Indicators of Performance	Q1	Q2	Q3	Q4	
	(2017/18 figure in brackets)				
Total number of reported accidents/ incidents, calculated from:	10 (10)	6 (10)	(26)	(13)	
<i>Accidents/ incidents to employees</i>	6 (8)	6 (8)	(20)	(12)	
<i>Accidents/ incidents to contractors</i>	0 (1)	0 (2)	(5)	(0)	
<i>Accidents/ incidents to non-employees</i>	1 (1)	0 (0)	(1)	(1)	
Time lost in days due to employee accidents/ incidents	85 (0)	19 (20)	(8)	(28)	Two incidents involved time lost in days. One involved an arm injury to a waste operate and the other incident related to a leg injury to a member of staff within horticulture
Number of reported verbal/ physical incidents to employees	2 (0)	1 (2)	(1)	(0)	A verbal assault was recorded against a member of staff within the planning department
Number of near miss incidents	1 (0)	1 (0)	(0)	(0)	
Number of Accidents/ incidents registered resulting in insurance/ compensation claim	1 (0)	3 (0)	(0)	(0)	
Number of claims settled	0 (0)	0 (0)	(0)	(0)	

## Financial Performance

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

## Background

Full Council approved a budget of £14.784 million for the 2018/19 financial year. This included planned spending across all services totalling £12.144 million; corporate items amounting to £2.840 million; and an overall efficiency target to be achieved in-year of £200,000.

Financing of the budget was to be from a combination of: general government grants (£294,000); business rates (£5.237 million); and Council Tax (£9.253 million).

During the year individual budgets may be updated in accordance with the Council's Budget and Policy Framework Procedure, and against which quarterly performance is monitored.

On 23 July 2018, Full Council approved a supplementary budget of £219,460 to fund the transitional staffing arrangements for the Strategic Investment Team, with the amount to be met by a withdrawal from General Fund balances. Furthermore, Full Council agreed on 8 October 2018, a budget virement of £181,500 between the Planning Application Fees budget and the Development Management Staffing budget. These budget changes have been taken into account for the purposes of this quarter's report.

## Summary Financial Position at the Second Quarter (Q2)

- An overall positive variance for the year of £127,000 (-0.9%) is projected against the budget.
- Across all services staffing budgets are forecast to be underspent by £294,000; and after allowing for the corporate efficiency target of £200,000, this results in a projected variance of -£94,000.
- Other Expenditure is projected to be overspent by £382,000.
- Income is projected to be overachieved by £415,000.
- The projected variance for the year has improved from the position reported at Q1 which forecast an overall adverse variance of £87,000. This change is mainly due to higher estimated income (+£311,000), partially offset by a net change in the projected variances for Staffing and Other Expenditure (+£97,000).

## Revenue Spending

Service	Updated Budget £'000	Projected Spend £'000	Adverse (Positive) variance against budget				RAG Status
			Staffing £'000	Other Expenditure £'000	Gross Income £'000	Total £'000	
Asset Management	(2,131)	(2,216)	-	87	(172)	(85)	G
Business Solutions	1,985	1,985	(19)	20	(1)	-	G
Community Services	350	348	(4)	(13)	15	(2)	G
Corporate Management	1,249	1,191	(57)	(1)	-	(58)	G
Economic Development	238	238	-	-	-	-	G
Environment & Leisure	844	764	(41)	(8)	(31)	(80)	G
Finance	1,173	683	(189)	(81)	(220)	(490)	G
Governance	922	1,069	81	(12)	78	147	R
Housing Services	799	804	9	(2)	(2)	5	A
Human Resources	346	345	-	(1)	-	(1)	G
Marketing and Communications	544	541	(10)	(4)	11	(3)	G
Operations	5,136	5,258	(47)	193	(24)	122	A

Strategic Investment	231	231	-	-	-	-	G
Sustainable Development	677	806	(17)	215	(69)	128	R
<b>Service Total</b>	<b>12,363</b>	<b>12,046</b>	<b>(294)</b>	<b>392</b>	<b>(415)</b>	<b>(317)</b>	<b>G</b>
Corporate Financing	2,621	2,611	-	(10)	-	(10)	G
Efficiency target	(200)	-	200	-	-	200	
<b>Total</b>	<b>14,784</b>	<b>14,657</b>	<b>(94)</b>	<b>382</b>	<b>(415)</b>	<b>(127)</b>	<b>G</b>

RAG Status: G = favourable or nil variance, A = up to 5% adverse variance or <£50k, R = > 5%  
Budget = controllable expenditure budget net of direct service income

## Staffing

Staffing budgets include both directly employed staff, and bought-in/ agency staff, the latter being used where additional resources are required to meet increased service demands and/ or the need for specialist skills; to provide cover in cases of absence (e.g. holidays, sickness, maternity etc.); or where in-house staff are assigned to work on other projects and priorities.

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

Service – Staffing Budgets	Updated Budget	Projected Spend	Adverse/ (Positive) variance	RAG Status
	£'000	£'000	£'000	
Asset Management	265	265	-	G
Business Solutions	1,196	1,177	(19)	G
Community Services	369	365	(4)	G
Corporate Management	1,228	1,171	(57)	G
Economic Development	273	273	-	G
Environment & Leisure	1,557	1,516	(41)	G
Finance	2,390	2,201	(189)	G
Governance	565	646	81	R
Housing Services	870	879	9	A
Human Resources	310	310	-	G
Marketing & Communications	371	361	(10)	G
Operations	5,297	5,250	(47)	G
Strategic Investment	490	490	-	G
Sustainable Development	1,716	1,699	(17)	G
<b>Service Total</b>	<b>16,897</b>	<b>16,603</b>	<b>(294)</b>	<b>G</b>
Corporate Financing	-	-	-	
Efficiency	(200)	-	200	
<b>Total</b>	<b>16,697</b>	<b>16,603</b>	<b>(94)</b>	<b>G</b>

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

### Commentary on staffing variations:

Based on information known at the end of Q2, a number of service areas are projecting underspends on staffing budgets totalling £294,000, an improvement from Q1 of £149,000 on a like-for-like basis. The largest service with a projected underspend is **Finance** (-£189,000). These savings are expected to be achieved from a combination of vacant posts which have now been deleted as there is a gradual reduction in benefits processing required as Universal Credits is being rolled out. Also contracted hours have been reduced, and appointments made at lower grade/ scale points.

Other service areas with projected underspends include: **Corporate Management** (-£57,000) arising from senior management savings; along with vacancies in **Environment & Leisure** (-£41,000) and **Operations** (-£47,000).

**Governance** is still forecasting overspends for the year (+£80,000) as per Q1. These are projected costs associated with the need for additional capacity for legal work in relation to the Council's strategic growth agenda and projects. The assumption is that temporary additional resources will be required for the remainder of the year, but looking ahead some

additional resourcing has been approved by Full Council from 2019/20 as part of the overall business case on resourcing the Council's strategic growth agenda.

The approved budget provided for a **Corporate Efficiency Target** which in previous years has been achieved from in-year staffing variances. The amount included in the budget for 2018/19 was £200,000, which based on this quarter's review will be achieved, leaving an overall projected staffing underspend for the year of £94,000.

**Recharges to capital projects:** A number of service areas recharge a proportion of officer time to capital projects which means the costs are not charged against the General Fund revenue account. The extent to which these recharges can be made is dependent upon actual progress of individual projects and the nature of the activities being undertaken. The budget provides for a total of £364,000 to be recharged. Based on actual time allocations combined with future estimates, it is currently anticipated that the overall level of recharges will be in line with budget, with higher recharges now expected from the Strategic Investment Team (£65,000) offsetting a similar reduction in charges from other service areas.

### Other Service Expenditure

In total there is a projected overspend against non-staffing expenditure budgets of £382,000. The main service areas contributing to this position are:

- **Asset Management (+£87,000):** Includes increased costs following the transfer back to the Council of the management and operation of the Braintree Enterprise Centre, including a one-off cost to address Energy Performance Compliance requirements. Unbudgeted holding costs are also being incurred in relation to premises held vacant pending works commencing on the Manor Street regeneration scheme. The projected overspend in this service area is more than offset by higher forecast rental income.
- **Operations (+£193,000):** increased costs in Waste Management are forecast on gate fees payable to the Council's material recovery facility (MRF) operator, the price of which is linked to market indices and subject to quarterly review. The budget was set based on an assumed fee of £24.36 per tonne (based on Q3 17/18), whereas the price has been higher for Quarter 1 and Quarter 2 at £58.14 and £40.36 per tonne, respectively. The price for Q3 has recently been set at £38.56 per tonne. The cumulative effect of these price changes has resulted in a projected overspend of £224,000 for the year. In addition, vehicle fuel costs have increased as fuel pump prices have risen leading to a projected additional cost of £66,000 above budget. However, partially offsetting these two issues are savings on the cost of recycling and residual waste sacks (a mix of usage and lower cost); lower operating costs of the clinical waste service; and lower operating costs of the Cordons Farm waste transfer site.
- **Sustainable Development (+£215,000):** The Development Management service is currently experiencing an increased number of planning applications of a type which requires additional specialist support from external providers to carry out viability assessments, provide urban design advice, and undertake landscape impact assessments, resulting in a projected overspend of £35,000. In addition, the service is anticipating a higher number of appeals leading to public inquiries and requiring expert legal support. Consequently, management have assessed the likely cost of planning appeals in the year to be £445,000, which will be partially funded from an existing reserve (£287,000), leaving a balance of £158,000 as an in-year budget variance.
- **Finance (-£81,000):** The budget for the net cost of Housing Benefits to the Council is £389,000, which is calculated from an estimate of payments to individuals of around £39million, and an assumed 99% cost recovery rate through subsidy from the Department for Works and Pensions. The recovery rate is now estimated to be higher at 99.12% based on the outturn for 2017/18, coupled with a revised estimate of payments to

individuals of circa £34million, which is 12% lower than budgeted (10% less than the actual payments for 2017/18). The combined effect of these two factors have resulted in a forecast underspend for the year of £70,000. In addition, the Council continues to make adjustments to benefit entitlements under the previous Council Tax Benefit Scheme (since replaced with the Local Council Tax Support Scheme). Where benefit is reduced an unbudgeted credit is made to the General Fund revenue account which in the current year is estimated to be £10,000.

## External Income

A significant proportion of the Council's budget is reliant on external income. Grants and subsidies from government, alongside income from business rates are major elements, totalling over £45 million. These income streams are either fairly predictable as they are determined at the start of the year as part of the annual Local Government Finance Settlement; or variations can be largely offset by commensurate changes in expenditure, e.g. subsidy received on housing benefits is related to the level of payments made.

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

As a participant in the Essex Business Rates Pool the Council is entitled to a share of the extra business rates retained "locally" which will be rebated against the 2018/19 levy. The final determination and receipt of the actual amount of the Council's share will be made after year-end returns have been collated from each of the participating authorities. At the start of the year it was anticipated that Braintree's share for 2018/19 could be around £560,000. The benefits received from being a member of the Pool have to date been held in the Business Rate Retention reserve.

Other external income for which the Council has budgeted £15.574 million comes from a variety of sources that are subject to external demands and other influences, meaning these are more susceptible to variations against budget. It is currently forecast that services will over achieve against their income budgets by a net £415,000, as shown in the table below:

Service	Updated Budget £000	Joint Financing	Sales, Fees & Charges	Rents	Other Income	Total	RAG Status
		5,381	5,603	2,906	1,684	15,574	
Asset Management	2,992	-	10	(183)	1	(172)	G
Business Solutions	23	(1)	-	-	-	(1)	G
Community Services	208	-	18	-	(3)	15	A
Corporate Management Plan	-	-	-	-	-	-	G
Economic Development	-	-	-	-	-	-	G
Environment & Leisure	1,324	(17)	1	-	(15)	(31)	G
Finance	2,495	6	-	-	(226)	(220)	G
Governance	306	-	78	-	-	78	R
Housing Services	56	-	(2)	-	-	(2)	G
Human Resources	-	-	-	-	-	-	G
Marketing & Communications	130	25	14	-	(28)	11	A
Operations	5,203	(26)	(2)	17	(13)	(24)	G
Strategic Investment	157	-	-	-	-	-	G
Sustainable Development	1,434	-	(69)	-	-	(69)	G

<b>Service Total</b>	<b>14,328</b>	<b>(13)</b>	<b>48</b>	<b>(166)</b>	<b>(284)</b>	<b>(415)</b>	<b>G</b>
Corporate Financing	1,246	-	-	-	-	-	G
<b>Total</b>	<b>15,574</b>	<b>(13)</b>	<b>48</b>	<b>(166)</b>	<b>(284)</b>	<b>(415)</b>	<b>G</b>

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

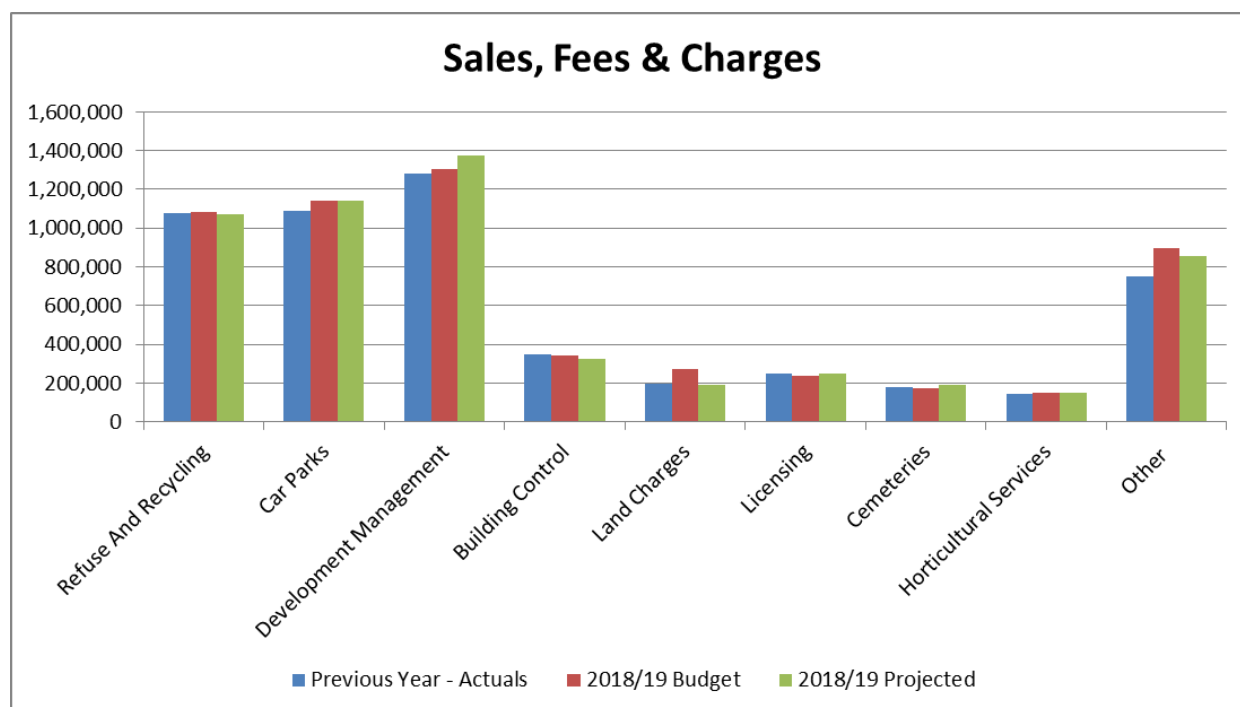
## Joint Financing & Other Reimbursements

The total budget for income from joint financing and other reimbursements is £5.381 million, the main sources of which are: Essex County Council contributions towards service costs (£2.374 million); estimated benefit from the Essex Business Rate Pool (£560,000); Council Tax sharing and investment agreement with the major precepting bodies (£625,000); housing benefit overpayment recoveries and local tax costs recovered (£768,000); and subscriptions to the Procurement Hub (£359,000).

At Q2 a variance for the year is predicted of £13,000 across all services.

## Sales, Fees & Charges

The budget for income from sales, fees & charges is £5.603 million which is projected to be underachieved by a net £48,000. The following chart shows the main income streams:



### Commentary on Fees and Charges:

- **Car Parks:** New tariff charges were introduced with effect from April 2018, and whilst initial figures showed a potential shortfall of £32,000 (Q1) the position has since improved leading to the revised assumption that the budget will now be achieved. However, the position will continue to be monitored over the remainder of the year.
- **Development Management:** Planning application income received up to the end of September was £805,000. Based on historical trends, the projection for the whole of 2018/19 is £1.350 million (last year actual was £1.267 million). The budget for fee income is £1.293million having been increased by a virement of £181,500 approved by Full Council following the Q1 projections. The current position is, therefore, a projected over

achievement of income of £57,000 against the revised budget. In addition, the service is also projecting an overachievement of income on the Street Naming and Numbering service of £12,000.

- **Local Land Charges:** Income from search fees at the end of September was £102,000 which is around 8% lower than last year for the same period despite a price increase of nearly 14%. The number of full searches are down by 13% (899 compared to 1,031), and free of charge viewings, mainly by personal search companies, have increased by 3%. The overall downturn in the number of searches appears to be in line with reduced activity in the housing market. The combined effect is a projection of income of £194,000 compared to the budget of £272,000, a potential shortfall of £78,000. The approved budget included an increase of £50,000 to reflect the price increase introduced to recoup the additional costs faced by the Council for digital enhancement of land search information in preparation for data migration to Land Registry. Whilst there is no set date for this transfer the digital enhancement work is still required, albeit it is progressing at a slower pace and utilising some internal resources, thereby leading to a potential underspend on this work of £10,000 in 2018/19.
- **Other Income - Marketing and Communications:** The total budget for sponsorship and advertising income is £93,000. Currently the post of Sponsorship Officer is vacant and not expected to be filled until January at the earliest. Consequently, a shortfall is currently projected of £51,000 (-£26,000 from sponsorship; and -£25,000 from the sale of advertising). Income generation across a number of the Council's services is one of the work streams currently being reviewed by the Commercial Manager.

## Rental Income

The budget for rental income from land & property is £2.906million – comprising the investment & commercial property portfolio, markets, housing properties, and other let properties. The current projected outturn for the year is a net over achievement of £166,000.

### **Commentary on Rental Income:**

- **Asset Management:** Following the closure of Ignite Business in May 2018, the Council has taken back responsibility for the management and letting of the former Ignite House at the Springwood Industrial Estate, as well as the Corner House in Braintree town. With the addition of the grow-on units being developed by the Council at Springwood, along with the anticipated transfer to the Council of Osier House in Sible Hedingham, there is a projected increase in net rental income of £91,000 (after allowing for some additional staffing costs). On the existing commercial portfolio the level of voids in the first six-months of the year has been lower than allowed in the budget, which when combined with the outcome of a number of rent reviews, means a further estimated £50,000 of additional rental income is expected in the year. In addition, following the completion of tenancy agreements last year, Causeway House remains fully let leading to £37,000 of extra income than was originally budgeted.
- **Operations – Markets:** A promotion of reduced rates to market traders has been introduced in an attempt to increase the number of stalls; however, as yet demand does not appear to have increased sufficiently to generate the budgeted level of income (£80,000) leading to a shortfall of income of £15,000 being predicted for the year.

## Other Service & Corporate Income

Total budgeted Other Income is £1.684million of which £675,000 is internal recharges including staffing costs that are expected to be charged against capital projects (£364,000). Other external income is projected to be overachieved by £284,000.



Other external income includes the following streams:

- **Investment & Other Interest Income:** The budgeted amount is £843,000, which is expected to be overachieved by £165,000, mainly due to increased money market rates following changes by the Bank of England to the Base Rate, combined with higher levels of cash available for investment than was originally assumed.
- **Solar Panel Feed-in-Tariffs:** the budget provides for an expected £93,000 of income from investment in solar panels at various Council facilities.

Other variances projected include a number of unbudgeted government grants (£61,000) and increased work undertaken by the graphics and reprographics team (£40,000).

### **Treasury Management**

The Council's treasury management activity to the end of the quarter is summarised in the table below:

Amount Invested at start of the year	Activity to the end September		Amount Invested at end of the quarter
	New Investments	Investments Sold or Matured	
£42.26m	£55.82m	£36.75m	£61.33m
Average amount invested for the period			£59.36m
Highest amount invested			£64.50m

The Council has £16 million invested for the long-term spread across a mixture of property and equity funds. Remaining investments have been in short-term instruments including call accounts and term deposits with UK and Non-UK financial institutions, deposits with other local authorities, and Money Market Funds (MMF).

Interest and dividends earned to the end of the quarter total £602,000, which is equivalent to an annualised rate of return of 2.02%:

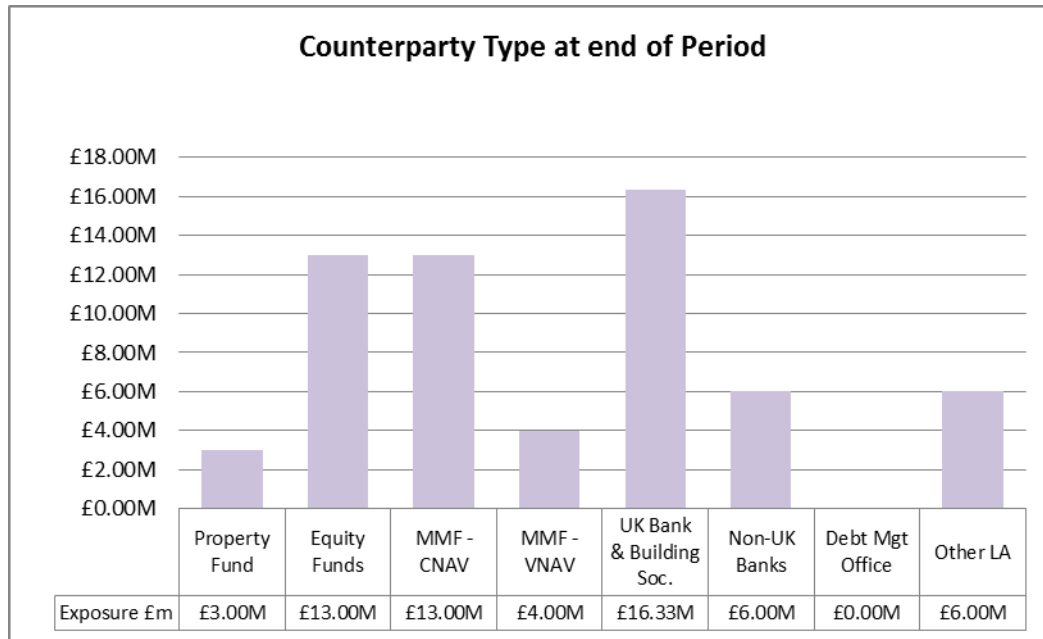
Investments	Average Amount Invested	Interest & Dividends Earned	Annualised Return %
Long-Term Pooled Funds	£16.00m	£467,000	5.83%
Short-Term	£43.36m	£135,000	0.62%
<b>Total</b>	<b>£56.81m</b>	<b>£602,000</b>	<b>2.02%</b>

Investment returns have been increased by the dividend income earned from long-term investments. In addition, being exposed to equities and property, the value of these funds fluctuate based on prevailing market conditions. At the end of the quarter the market valuation for all the long-term pooled funds was £17.978 million, representing an unrealised gain of £1.978 million on the original amounts invested.

### ***Market Commentary***

The Financial Times Stock Exchange (FTSE) 100 index has been fairly buoyant over the period, at times exceeding 7800 before falling sharply in September and finished the quarter at 7510. The Bank of England's Monetary Policy Committee (MPC) maintained monetary policy up until its meeting in August at which rates were increased by 0.25% taking the Bank Rate to 0.75%. The increase in Bank Rate resulted in higher money market rates.

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



CNAV = Constant Net Asset Value i.e. the Fund value is expected to remain constant  
VNAV = Variable Net Asset Value i.e. the Fund value and therefore amounts invested can fluctuate

## General Fund Balances

General Fund balances are held for the following reasons:

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

Based on the projected outturn set out above, the movement on the General Fund balance is estimated to be:

	<b>£'000</b>
<b>Balance at 1 April 2018</b>	<b>2,860</b>
Add:	
Budgeted addition	228
Pension Fund triennial payment	1,411
Projected in-year variance	127
Less:	
Supplementary budget	(219)
<b>Estimated Balance at 31 March 2019</b>	<b>4,407</b>

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

- The budget approved by Council for 2018/19 included an anticipated addition to balances of £228,072, reflecting savings anticipated being made in advance of future years' budget shortfalls.
- The budget for 2017/18 included a one-off payment to the Pension Fund covering the period April 2017 to March 2020, which was in part funded from General Fund balances. A repayment back into balances was expected in 2018/19 and 2019/20.
- The projected outturn variance for the year would mean an additional £127,000 being added to balances.

- An allocation from General Fund balances was approved by Full Council in July 2018 to meet a supplementary budget request for the transitional costs of the Strategic Investment Team.

## **Risks and Assumptions**

The forecasts reflect service managers' "best estimate" of the predicted outturn for the year. The previous year outturn and trends in-year have been considered; however, as always, these are subject to changing circumstances and unforeseen events. Directors and service managers continue to scrutinise all expenditure commitments in light of the planned savings set out in the Medium Term Financial Strategy. External income is inherently difficult to predict as it is substantially demand led and impacted by external factors.

Planning application fee projections are based on the best information available regarding when developers are likely to submit planning applications for growth locations within the district - this could change and income could be significantly higher or lower than projected. Projections are based on historical trends and will be influenced by both the number and type of planning applications received.

The projected costs of planning appeals for the year is currently £445,000 which can be partially funded from the earmarked reserve brought forward at the start of the year (Balance £287,000). On this basis the reserve will be depleted by the end of 2018/19, and with the level of appeals and public inquiries currently being experienced, it is likely that further money will need to be set aside.

Payments made by the Council for processing its recycling material collected from households are subject to quarterly review of market indices. Consequently future gate fees may fluctuate +/-.

The budget assumes that £364,000 of staffing costs can be recharged to capital projects. The actual amount recharged will depend on the extent to which projects progress and staff are working on activities that can properly be treated as capital under accounting rules. The current assumption is that the budgeted level of recharges will be achieved in 2018/19.

Investment income from the Council's long-term pooled funds is budgeted at £760,000 and is derived from quarterly dividend payments. These dividends can fluctuate and are not contractually committed unlike interest on term deposits and loans. The current assumption is that the budget will be achieved.

## **Capital Investment**

Taking into account projects which were in progress and carried forward from earlier years, new projects approved as part of the Budget agreed in February 2018, and the subsequent decisions taken by Council on some major growth and infrastructure projects, the overall capital programme currently totals in excess of £39 million. Delivery of significant projects will span a number of years, therefore, the amount expected to be spent in the current year is £13.104 million. The following table shows how much has been spent to the end of Q2.

	<b>Profiled Spend 2018/19 £000</b>	<b>Actual Spend at Quarter 2 £000</b>	<b>Actual Spend at Quarter 2 % of 18/19 Profile</b>
Commercial and investment property	8,125	472	6%
Manor Steet regeneration	430	224	52%
Springwood Drive business units and parking	663	538	81%
Planned maintenance to Council premises	533	64	12%
Replacement vehicles and plant	740	164	22%
Information technology systems	573	54	9%
Play areas, parks and open spaces	311	61	20%
Spa Road environmental improvements	282	60	21%
John Ray Park improvement	42	-	0%
Industrial estate improvements	116	-	0%
Museum heating system & ICT upgrade	115	100	87%
Operational equipment	83	45	54%
Sports and leisure facilities improvements	40	-	0%
Cordons Farm waste transfer station	39	-	0%
Grants to registered social landlords	35	12	34%
Disabled facilities grants	613	333	54%
Capital salaries	364	181	50%
<b>Total</b>	<b>13,104</b>	<b>2,308</b>	<b>18%</b>

The programme for 2018/19 has increased by £416,000 since Q1 mainly due to the addition of anticipated spend for initial design work on I-Construct (required as part of the bidding process for European funding); and feasibility work on a proposed new health facility in Sible Hedingham. An additional green waste refuse vehicle has also been included in the programme (funded from the vehicle replacement reserve).

The current programme for 2018/19 includes the proposed acquisition of sites as part of the Council's District Investment Strategy which are subject to exchange and completion of contracts. Excluding these projects actual spend to the end of the quarter represents around 38% of budget.

### **Capital resources**

The main sources of new capital resources anticipated for the year are from the sale of Council owned assets (£3.674 million), preserved right-to-buy (RTB) receipts (£1 million) and the Council's share of the VAT shelter operating in conjunction with Greenfields Community Housing (£250,000).

Whilst the Council has exchanged contracts on a number of sites it is selling, these are still subject to buyers gaining satisfactory planning consents. Consequently, sales are now not expected to complete until at least 2019/20. The Council has, however, received an overage payment of £136,000 relating to a previous sale of Council owned land.

Greenfields has reported that 14 RTB sales have been completed up to the end of Q2 generating approximately £2million for the Council. Greenfields have also advised that a further 47 applications are in progress. Based on the timing and likelihood of progression to completion, experience suggests an estimated total of 25 sales may completed this year generating circa

£3.5million for the Council. This compares to 20 sales completed last year which generated £2.122million for the Council.

Greenfields have also reported two repayments of RTB discounts which provides a further £72,000 to the Council.

VAT shelter monies due to the Council at the end of Q2 were £128,000, which is broadly in line with what could be expected based on the full year estimate.

The Council has received £862,000 grant from the Better Care Fund, which is used to fund the Council's disabled facilities grant scheme. This is an increase of £162,000 over that originally anticipated for the year, although some of this funding is likely to carry over into 2019/20.

<b>Key Financial Indicators – 31<sup>st</sup> December 2018</b>		<b>Agenda No: 6</b>
<b>Portfolio</b>	<b>Finance and Performance</b>	
<b>Corporate Outcome:</b>	<b>A high performing organisation that delivers excellent and value for money services Delivering better outcomes for residents and businesses and reducing costs to taxpayers</b>	
<b>Report presented by:</b>	<b>Trevor Wilson, Head of Finance</b>	
<b>Report prepared by:</b>	<b>Trevor Wilson, Head of Finance</b>	
<b>Background Papers:</b>	<b>Public Report</b>	
	<b>Key Decision: No</b>	
<b>Executive Summary:</b>		
<p>The attached schedule (Appendix A) of key financial indicators provides details of performance recorded for the financial year to 31<sup>st</sup> December 2018.</p> <p>Commentary:</p> <p>a) The net General Fund revenue budget for the year is £14.784million. The net expenditure incurred in the year to 31<sup>st</sup> December was £8.289million. This represents a positive variance of £781,000 compared to the profiled budget of £9.070million. The estimated outturn for the year based on the position at the half-year was an expected positive variance of £127,000. It is considered this variance will improve further based on the position at 31<sup>st</sup> December due primarily to planning application fee income of £1.3million received against the revised budget for the year of £1.35million. Accountants are currently working with service managers on this third quarter information to predict the outturn for the year.</p> <p>b) The total budget for Salaries for the year is £16.688million. Expenditure on salaries for the year to the end of December was £11.983million. This compares to a profiled budget of £12.199million. The positive variance of £216,000 is after allowing for £150,000 of the Efficiency Factor (£200,000 for the year).</p> <p>c) Expenditure on capital projects, to the end of December, was £9.399million against the Capital Programme of £13.697million. The main schemes on which expenditure has been incurred are: Purchase of employment site at Great Notley (£6.232m), Disabled Facility Grants (£0.588m), Springwood Grow-on units (£0.538m), Silver End Doctors Surgery (£0.403m), Manor Street Development (£0.330m), Spa Road Shops improvements (£0.254m), Food waste vehicles (£0.200m), Refuse freighter (£0.16m) and contribution for a new boiler at the Braintree Museum (£0.100m).</p>		

- d) The total Council Tax collectable debit for the year is £88.438million. The collection rate as at the end of December is 86.8% (£76.764million collected), which compares to a rate of 87.2% for the same period last year, a small reduction of 0.4%.
- e) The total Business Rates (National Non-Domestic Rates) collectable debit for the year is £43.607million. The collection rate as at the end of December is 85.09% (£37.105million collected), which compares to a rate of 84.6% for the same period last year, a small improvement of 0.49%.
- f) A total of 651 write-offs of Council Tax, with a value of £58,991 have been authorised in the year to 31<sup>st</sup> December: 188 in respect of the current year and 463 in respect of previous financial years.
- g) A total of 48 write-offs of Business Rates, with a net value of £201,831, have been authorised in the year to 31<sup>st</sup> December: 19 in respect of the current year and 29 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 £3.094million, of which £1.772million was in respect of Housing Benefit overpayments. The target for 2018/19 is to reduce the debt outstanding, excluding Housing Benefit overpayments and invoices raised in March in respect of 2019/20, to £600,000 or less as at 31<sup>st</sup> March 2019.
- i) The rate of return achieved on investment of the Council's balances and funds in the year to-date is 0.66%. This return was achieved on an average amount invested of £43.86million 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 31<sup>st</sup> December is £556,626. The market values of these pooled funds show an unrealised net increase in the principal sum of £0.377million as at 31<sup>st</sup> December 2018. The total invested in pooled funds was increased by £2million in December, with investment placed in two multi-asset funds. This takes the total invested to £18million invested in equity, property and multi-asset funds. 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 £37.34million and in pooled funds, totalling £18million, as at 31<sup>st</sup> December 2018, is provided at Appendix B.

**Recommended Decision:**

Members are asked to accept the report of the Key Financial Indicators as at 31<sup>st</sup> December 2018.

**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.**

<b>Financial:</b>	<p>The net General Fund revenue budget for the year is £14.784million. The net expenditure incurred in the year to 31<sup>st</sup> December was £8.289million. This represents a positive variance of £781,000.</p> <p>Capital expenditure increased significantly in December with the purchase of employment land in Great Notley (£6.232million)</p> <p>Collection rates for both business rates and council tax are expected to be on course to achieve the targets by the year-end.</p>
<b>Legal:</b>	None
<b>Safeguarding:</b>	None
<b>Equalities/Diversity:</b>	None
<b>Customer Impact:</b>	None
<b>Environment and Climate Change:</b>	None
<b>Consultation/Community Engagement:</b>	None
<b>Risks:</b>	Regular consideration of a suite of Financial Health Indicators is recommended good practice
<b>Officer Contact:</b> Trevor Wilson	
<b>Designation:</b> Head of Finance	
<b>Ext. No:</b> 2801	
<b>E-mail:</b> Trevor.wilson@braintree.gov.uk	



**Key Financial Indicators at 31st December 2018**

**APPENDIX A**

	Full Year Budget 2018/19	Actual as at 31 Dec 2018	Profile to 31 Dec 2018	Variance from Profile	
	£'000	£'000	£'000	£'000	%
General Fund - Revenue (Controllable)	14,784	8,289	9,070	-781	-8.6%
Capital Programme (Excl. capital salaries incl. below)	13,697	9,399			
General Fund - Salaries	16,688	11,983	12,199	-216	-1.8%

	Full Year Target	Actual as at 31 Dec 2018	Actual as at 31 Dec 2017	Variance
Council Tax collection in year - %	98.30%	86.80%	87.20%	-0.40%
Council Tax collection - income collected for year - £m	£88.44	£76.76	£72.80	£3.97
Write-offs in year - £'000		£23	£24	-£1
Write-offs in year - number		188	138	50
Write-offs all years £'000		£59	£50	£9
Write-offs all years - number		651	589	62
Business Rates collection in year - %	98.60%	85.09%	84.60%	0.49%
Business Rates collected for year - £m	£43.61	£37.11	£37.57	-£0.46
Write-offs in year - £'000		£51	£42	£9
Write-offs in year - number		19	21	-2
Write-offs all years - £'000		£202	£50	£152
Write-offs all years - number		48	84	-36
Creditors - payment of invoices within 30 days of receipt	99.25%	99.18%	99.47%	-0.29%

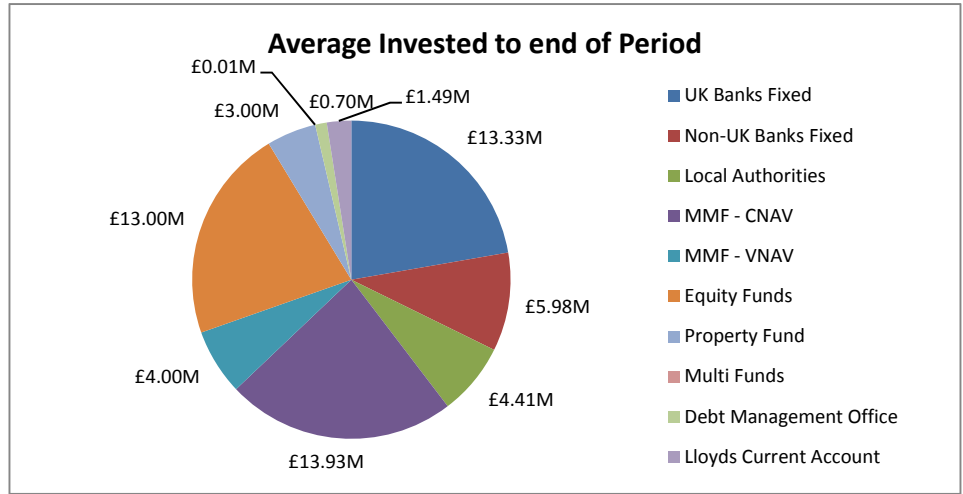
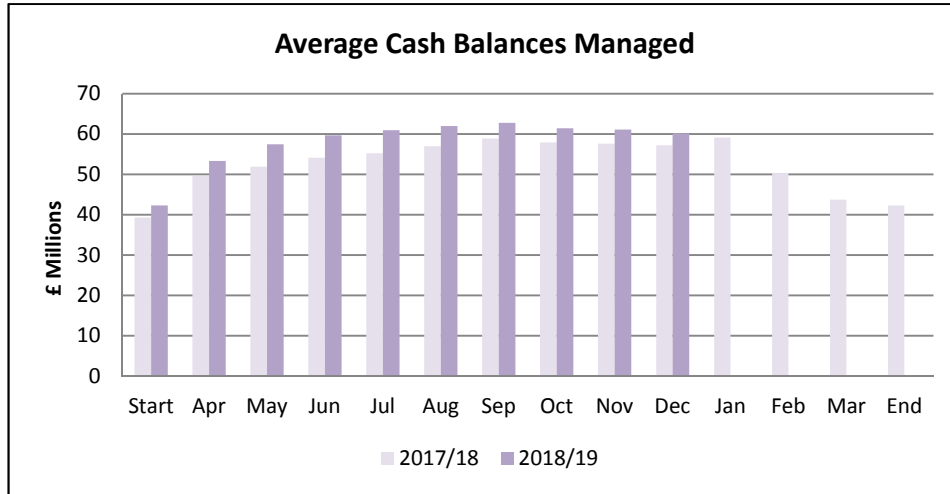
<b>Debtors - Balance Outstanding</b>	31-Mar-16	31-Mar-17	31-Mar-18	31-Dec-18
	£'000	£'000	£'000	£'000
Service Level Agreement charges - principally Tabor Academy and residents of Twin Oaks, Stisted	319	303	197	183
Capital Projects	8	3	0	0
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	143	8	7	47
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	10	103	80	70
Development & Environment	271	619	538	440
Finance	61	108	111	96
Leisure	169	208	65	50
Operations	288	936	1219	373
Housing	77	83	47	63
Sub-Total - excluding Hsg. Benefits	1,346	2,371	2,264	1,322
Housing Benefits	1,647	1,436	1,745	1,772
<b>Total</b>	<b>2,993</b>	<b>3,807</b>	<b>4,009</b>	<b>3,094</b>
Target is for Debt Outstanding (excluding Housing Benefits, charging orders and large value invoices raised in final days of the month-end) to be £0.6million by 31 March 2018.				
Profile by Recovery Stage:				
Invoice	1,377	2,561	2,542	1,364
Reminder	275	281	329	485
Final Notice	190	-	-	-
Pre-legal	338	212	567	448
Enforcement Agent	426	387	310	252
Tracing Agent	4	11	2	1
Charging Order	23	32	31	31
Attachment to Benefits/Earnings	360	322	228	513
Summons		1	-	-
<b>Total</b>	<b>2,993</b>	<b>3,807</b>	<b>4,009</b>	<b>3,094</b>
Write offs in year - value - £000	£20.0	£25.5	£161.4	£2.9
Write-offs in year - number	245	371	392	112

**Progress on achieving Efficiency Savings Targets**

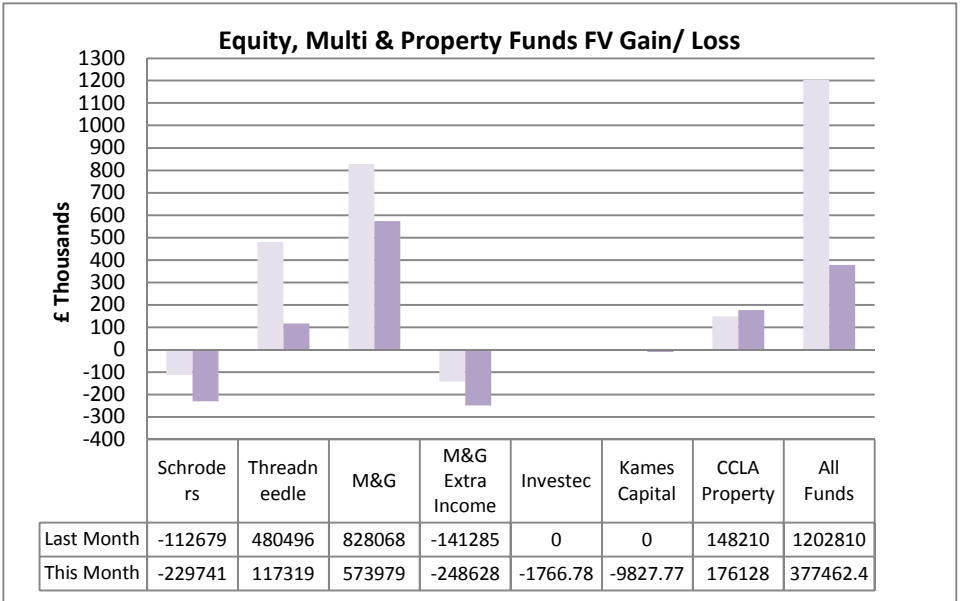
The amount of the Efficiency Savings target included in the budget for 2018/19 is a net amount of £200,000. The underspend on salaries of £216,000, recorded above, is after offsetting £150,000 of the target.

**Treasury Management Monitor - December 2018**

**APPENDIX B**



	Investment Activity			
	This Month Made (£m)	Sold (£m)	Cumulative Made (£m)	Sold (£m)
<b>External Investments</b>				
Property Fund	0.0	0.0	0.0	0.0
Equity Funds	0.0	0.0	0.0	0.0
Multi Funds	2.0	0.0	2.0	0.0
MMF - CNAV	1.0	-7.0	30.8	-30.3
MMF - VNAV	0.0	0.0	0.0	0.0
<b>Sub-Total</b>	<b>3.0</b>	<b>-7.0</b>	<b>32.8</b>	<b>-30.3</b>
<b>Deposits - Fixed</b>				
UK Bank & Building Soc.	0.0	0.0	12.0	-3.0
Non-UK Banks	0.0	0.0	3.0	0.0
Debt Mgt Office	5.0	-5.0	28.5	-28.5
Local Authorities	0.0	0.0	9.0	-11.0
<b>Sub-Total</b>	<b>5.0</b>	<b>-5.0</b>	<b>52.5</b>	<b>-42.5</b>
Lloyds Bank PLC	0.2	0.0	0.6	0.0
<b>Sub-Total</b>	<b>0.2</b>	<b>0.0</b>	<b>0.6</b>	<b>0.0</b>
<b>Total</b>	<b>8.2</b>	<b>-12.0</b>	<b>85.8</b>	<b>-72.8</b>



### **Commentary**

Average sum invested in the month £60.1m (Last year £57.18m)

Average sum invested for the year to date £59.86m (Last year £55.49m)

Actual sum invested at the end of the period £55.34m (Last year £55.92m)

Interest secured on instant access accounts, fixed deposits, and MMFs at the end of the period £218749 a return of 0.66% [Annual Budget £55k]

Note: 3mth Libid 0.74% 6mth LIBID 0.86%

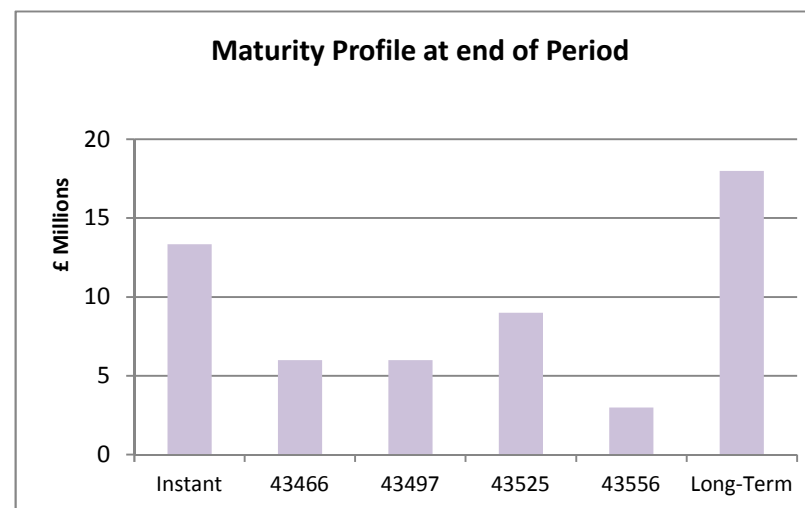
Dividends earned (declared) on equity and property funds to the end of the period £556626 [Annual Budget £760k]

Unrealised gain/ -loss at end of period for equity and property funds is a net £377462 a change of £-825348 from last month

New funds: Investec Diversified Fund £1m and Kames Capital Diversified Fund £1m placed

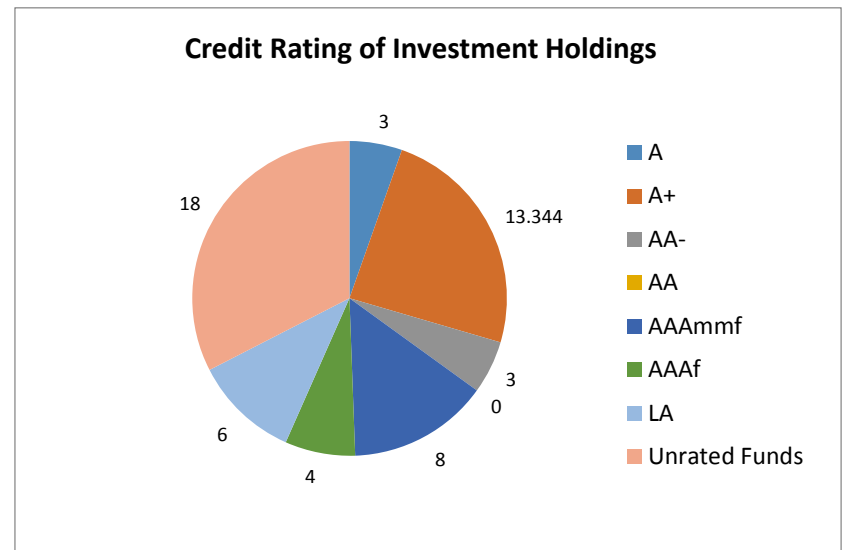
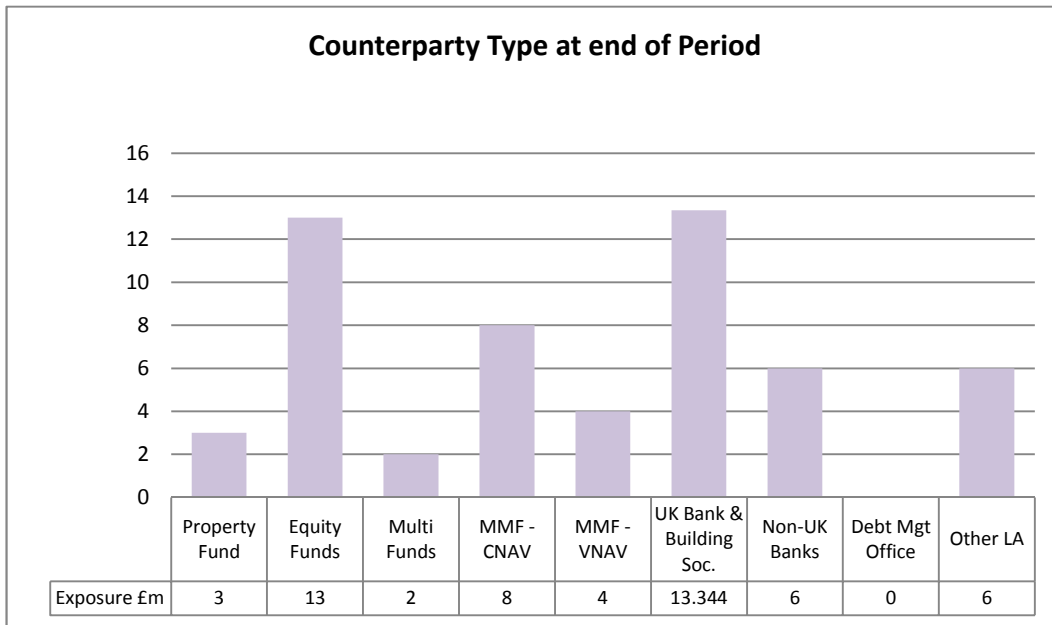
### **INVESTMENT HOLDINGS AT END OF PERIOD**

<u>COUNTERPARTY</u>	<u>Type</u>	<u>Principal</u>	<u>Start</u>	<u>Maturity</u>	<u>Return</u>
SANTANDER	FIXED	3000000	14/08/2018	01/02/2019	0.86%
BARCLAYS	FIXED	3000000	18/10/2018	21/01/2019	0.70%
NATIONWIDE	FIXED	3000000	03/10/2018	03/01/2019	0.67%
EASTLEIGH BOROUGH COUNCIL	DEPOSIT - LA	3000000	18/10/2018	01/02/2019	0.77%
DUNDEE CITY COUNCIL	DEPOSIT - LA	3000000	17/09/2018	23/04/2019	0.91%
AUST AND NZ BANKING	FIXED	3000000	05/12/2018	20/03/2019	0.92%
LANDESBANK HESSEN-THURINGEN (HE	FIXED	3000000	03/10/2018	01/03/2019	0.83%
BANK OF SCOTLAND	FIXED	3000000	14/11/2018	01/03/2019	0.92%
LLOYDS BANK	CALL A/C	1344000	31/12/2018	01/01/2019	0.65%
DEUTSCHE	MMF	0	31/12/2018	01/01/2019	Variable
GOLDMAN SACHS	MMF	3000000	31/12/2018	01/01/2019	Variable
STANDARD LIFE	MMF	5000000	31/12/2018	01/01/2019	Variable



**EXTERNAL FUND INVESTMENTS**

SHRODERS INCOME MAX.	EQUITY	2500000		Variable
THREADNEEDLE UK EQUITY	EQUITY	5000000		Variable
M&G GLOBAL DIVIDEND	EQUITY	2500000		Variable
M&G EXTRA INCOME	EQUITY	3000000		Variable
KAMES CAPITAL	MULTI	1000000		Variable
INVESTEC	MULTI	1000000		Variable
CCLA – LAMIT PROPERTY	PROPERTY	3000000		Variable
ROYAL LONDON CASH PLUS	MMF-VNAV	4000000		Variable



<b>Internal Audit Update, Including Progress Against Audit Plan 2018/2019</b>		<b>Agenda No: 7</b>
<b>Portfolio</b>	<b>Finance and Performance</b>	
<b>Corporate Outcome:</b>	<b>A high performing organisation that delivers excellent and value for money services</b>	
<b>Report presented by:</b>	<b>Angela Mitchell, Audit Insurance and Fraud Manager</b>	
<b>Report prepared by:</b>	<b>Angela Mitchell, Audit Insurance and Fraud Manager</b>	
<b>Background Papers:</b>	<b>Public Report: Yes</b>	
None.	<b>Key Decision: No</b>	
<b>Executive Summary:</b>		
<p>The Internal Audit Plan for 2018/2019 was approved by the Governance Committee on 25<sup>th</sup> July 2018; this report provide Members with an update on progress against planned work and any other matters affecting the provision of the Internal Audit Service.</p>		
<b>Recommended Decision:</b>		
<p>Members note the progress against the Revised Internal Audit Plan 2018/19.</p>		
<b>Purpose of Decision:</b>		
<p>The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit activity to report functionally to the Governance Committee, being the committee charged with independent assurance on the adequacy of the risk management framework and the associated internal control environment.</p> <p>This report provides an update on Internal Audit activity, and progress and performance against the approved Internal Audit Plan in accordance with the Governance Committee role and the requirements of the PSIAS.</p>		

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

<b>Financial:</b>	None
<b>Legal:</b>	None
<b>Safeguarding:</b>	None
<b>Equalities/Diversity:</b>	None
<b>Customer Impact:</b>	None
<b>Environment and Climate Change:</b>	None
<b>Consultation/Community Engagement:</b>	None
<b>Risks:</b>	None
<b>Officer Contact:</b> Angela Mitchell	
<b>Designation:</b> Audit, Insurance and Fraud Manager	
<b>Ext. No:</b> 2821	
<b>E-mail:</b> Angie.mitchell@braintree.gov.uk	

## **1. INTRODUCTION**

The revised Internal Audit Plan was approved by the Governance Committee on 25<sup>th</sup> July 2018. This report identifies progress against the plan, the outcome of audits completed since the last report to the Governance Committee, and other work completed.

## **2. PROGRESS AGAINST THE INTERNAL AUDIT PLAN 2018/19**

The progress against the Revised Internal Audit Plan for 2018/19, and also the status of audits commenced in respect of the Provisional Plan are identified in Appendix 1 to this report.

The following audits have been completed since the last report to the Governance Committee (25<sup>th</sup> July 2018). Appendix 2 provides a summary of the outcomes of these audits:

- Debtors / Income – **Significant Assurance**
- Procurement – **Full Assurance**
- Financial Systems (Feed in to EFin) – **Full Assurance**

The proportion of planned work completed has been affected by the following factors:

- Work has been undertaken in line with the Provisional Audit Plan on 8 audits which were not reflected in the revised plan
- The Internal Audit function has developed new processes, and has made changes to the reporting format to ensure work and outputs accord with the requirements of the PSIAS, and in accordance with the outcomes of the External Quality Assessment. These changes have required staff to learn and adjust to new practices, and staff development in line with these changes is ongoing
- The Audit Manager's time is also spent on Insurance matters (including the renewal process, review of the scope of cover and claims management), and Fraud (including the supplication of sanctions, and the expansion of the scope of anti-fraud activity)

Many other audits recorded as 'In Progress' are also substantially complete and expected to be finalised soon. An audit is considered complete when the content and actions have been agreed by management.

The Internal Audit Plan is prioritised, audit resources will be focussed in the areas considered to be greatest priority and progress of and any changes to planned work will be reported to the Governance Committee at each meeting.

## **3. OTHER INTERNAL AUDIT ACTIVITY**

The service continues to implement actions arising from the External Quality Assessment of the service as reported to the Governance Committee in April 2018. A full update of the progress of implementation will be provided to a future meeting of the Governance Committee.

In addition to Planned Audit Work, the service provides consultancy and advice, a summary of the areas where such additional support has been provided are included in Appendix 1.

## **APPENDIX 1 – PROGRESS AGAINST THE 2018/19 INTERNAL AUDIT PLAN**

The Governance Committee will receive an update at each meeting on progress against the Plan. The progress as at 10<sup>th</sup> January 2019 reflects audits in the provisional internal audit plan for which work was commenced prior to the new Audit Insurance and Fraud Manager commencing in post and prior to the revised Plan being prepared, and the revised Internal Audit Plan as approved by the Governance Committee in July 2018

	<b>Audit</b>	<b>Priority</b>	<b>Current Status</b>	<b>Completed – Date Report to Governance Committee</b>
<b>Provisional Plan – Audits in Progress</b>				
	Fees and Charges		Completed	25/07/2018
	Petty Cash		Completed	25/07/2018
	Travel & Subsistence		Completed	25/07/2018
	Refuse Collection including Trade Waste		Completed	25/07/2018
	Cemeteries		Completed	25/07/2018
	Performance Indicators & Data Quality		In Progress *	
	Consultants		Completed	24/10/2018
	Leased Cars		Completed	24/10/2018
	Community Grants		Completed	24/10/2018
<b>Revised Plan – All Audits</b>				
1	Contract Management – Major Contracts	1	Note 1	
2	Debtors / Income	1	Completed	23/01/2019
3	Procurement	1	Completed	23/01/2019
4	Financial Systems – Feed in to Efin	1	Completed	23/01/2019
5	Investments	2		
6	Housing Development Company	1		
7	Pre-Application Service	2	Note 2	
8	Planning Delegations	3		
9	Discretionary Housing Payments / Exceptional Hardship Fund	3		
10	Projects – Other	1		
11	Partnerships	1	In Progress	
12	Consultants	2	Completed	24/10/2018
13	Housing Register	1	In Progress	
14	Homelessness	1	In Progress	
15	Asset Acquisitions	1	In Progress	
16	Business Continuity	1	In Progress	
17	Business Resilience	2		
18	Information Management	1	Note 3	
19	Cyber Security	1	In Progress	
20	Performance Indicators	2	In Progress *	
21	PCI DSS Compliance	2	In Progress	
22	Freedom of Information Requests / Complaints	3		
23	Strategic Investment Projects – Advisory	1	Ongoing / Note 4	
24	Major Project Stakeholder Engagement	1		
25	Annual Governance Statement	1		
26	Corporate Governance	1		
27	Animal Welfare	3		
28	Taxi Licensing	3		
29	Land Charges	3		
30	Risk Management	1		



31	Culture & Ethics	2		
32	Safeguarding	3		
33	Follow Up Reviews	2		
34	Fraud Risks	2	In Progress	

Notes:

*Note 1 - Contract Management (Major Contracts):*

- Part of the Leisure Centre Contract Performance Monitoring arrangements was reviewed as part of the Performance Indicators audit

*Note 2 – Pre-Application Service:*

- This audit was commenced but is currently deferred at request of the Planning Service

*Note 3 – Information Management:*

- A Corporate Strategic Information Governance Group has been convened to ensure coordination and strategic management of Information Governance, the Audit Insurance & Fraud Manager is a Member of this group.

*Note 4 – Strategic Investment Projects (Advisory)*

- The Trainee Internal Auditor has performed financial appraisals of companies tendering for Strategic Investment Projects

**ADDITIONAL WORK COMPLETED**

Since the last report to the Governance Committee the following additional work has also been performed by the Internal Audit Function:

- Review of card purchases (ongoing)

Consultancy

Since the last report to the Governance Committee the function has provided ad hoc advice and guidance in a number of areas, including:

- System user access arrangements
- Compliance with Contract Procedure Rules
- Insurance arrangements
- Leased Car arrangements for excess mileage
- Petty Cash

**APPENDIX 2 - OUTCOME OF AUDITS COMPLETED SINCE THE PREVIOUS REPORT TO GOVERNANCE COMMITTEE (23<sup>rd</sup> January 2019)**

The following audits have been completed since the preparation of the report for the Governance Committee meeting held 23<sup>rd</sup> January 2019:

Audit	Overview of Scope	Summary of Findings	Recommendation(s)	Priority	Agreed / Responsible Officer / Action Date
<b>Debtors &amp; Income</b>  Significant Assurance	The audit arrangements for raising invoices and collecting income, including the accuracy of the charge applied, and reconciliation processes. Charging arrangements for Grounds Maintenance and Trade Waste were reviewed.	The review confirmed invoices were raised promptly, due amounts were paid and income allocated correctly to debtor accounts, Trade Waste collections were completed in accordance with agreements and routes monitored by supervisors, and Aged Debt lists are produced to facilitate monitoring. There was opportunity to review the timing of some Grounds Maintenance invoicing, and some minor (low value) charges applied were incorrect and we noted some timing differences in the upload of information between systems which impeded reconciliations (minor differences)	Town Hall Charges / Environmental Permitting Late Payment Charges to be applied in accordance with approved charges / legislation Horticultural charges to be raised on commencement of work  The Ground Maintenance Working Group to review contract quote, pricing and approval protocols  Continued improvement to reconciliation between Civica and Efin systems	Low  Medium  Low	October – December 2018 Leisure & Contracts Manager Environmental Health Manager Horticultural & Grounds Maintenance Manager  March 2019 Operations Strategy & Policy Manager  March 2019 Revenues & Recovery Manager
<b>Procurement</b>  Full Assurance	Review of procurement agreements and contracts let	The review confirmed there was good documentation for all tender / framework agreements, contract notices were published, rebate invoices were raised and protocols existed for supplier checks before suppliers were added to the E-Purchasing system.  Not all contract evaluation files had	Evaluation sheets to be retained centrally	Low	October 2018 Procurement Manager

		been saved centrally, although records were located within purchasing departments.			
<b>Financial Systems (Feed in to EFin)</b>  Full Assurance	Review of processes and reconciliations supporting upload of data to the main financial system	There were effective reconciliations between the Cash Receipting System, Efin and Civica  We noted one report type which periodically omitted transactions, but reconciliations were carried out using alternative data sources. The issue had been logged with the system provider.	Progress resolution of report differences with system provider	Low	This is ongoing Financial Services Manager

**Key:**

*For the scope of objectives subject to review during the audit:*

<i>Full Assurance</i>	<i>Internal controls meet acceptable standards and are consistently applied. Reasonable, but not absolute, assurance that adequate risk management and controls are in place.</i>
<i>Significant Assurance</i>	<i>Significant assurance that the internal control framework meets minimum acceptable standards. Some weaknesses or inconsistent application in control means some risks are not adequately mitigated.</i>
<i>Limited Assurance</i>	<i>Internal control framework does not meet minimum acceptable standard. Weaknesses or inconsistent application of controls means some risks are not mitigated and require significant improvement</i>
<i>No Assurance</i>	<i>The internal control framework does not meet the minimum acceptable standards and no assurance can be given</i>

<b>External Audit Plan 2018/19</b>		<b>Agenda No: 8</b>
<b>Portfolio</b>	<b>Finance and Performance</b>	
<b>Corporate Outcome:</b>	<b>A high performing organisation that delivers excellent and value for money services</b>	
<b>Report presented by:</b>	<b>BDO</b>	
<b>Report prepared by:</b>	<b>BDO</b>	
<b>Background Papers:</b>	<b>Public Report: YES</b>	
BDO Audit Plan 2018/19	<b>Key Decision: NO</b>	
<b>Executive Summary:</b>		
<p>The external Audit Plan summarises the work that BDO (External Auditors) propose to undertake in respect of the audit of Braintree District Council for the 2018/2019 financial year.</p> <p>The audit will include:</p> <ul style="list-style-type: none"> <li>• An audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31<sup>st</sup> March 2019 together with income and expenditure for the year, and whether the financial statements have been prepared in accordance with Accounting Standards.</li> <li>• A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources</li> <li>• The return required to facilitate preparation of the Council's Whole of Government Accounts (WGA) consolidated accounts consistent with the audited financial statements.</li> </ul> <p>The proposed fees chargeable for the audit and grant certification work for 2018/19 total £56,012. Whilst this may be subject to variation should additional unplanned work be required, a significant saving will be made against the 2017/18 actual fee of £90,694 for 2017/18 (including the scale fee variation).</p>		
<b>Recommended Decision:</b>		
To note the External Audit Plan 2018/19 together with the agreed audit fees.		
<b>Purpose of Decision:</b>		
That Members are aware of the coverage of the External Audit Plan for 2018/19 and the associated costs of the external audit.		

<b>Any Corporate implications in relation to the following should be explained in detail.</b>	
<b>Financial:</b>	2018/19 budget for external audit and grant certification work is £67,430.
<b>Legal:</b>	None
<b>Safeguarding:</b>	None
<b>Equalities/Diversity:</b>	None
<b>Customer Impact:</b>	None
<b>Environment and Climate Change:</b>	None
<b>Consultation/Community Engagement:</b>	None
<b>Risks:</b>	None
<b>Officer Contact:</b> Trevor Wilson	
<b>Designation:</b> Head of Finance	
<b>Ext. No:</b> 2801	
<b>E-mail:</b> trevor.wilson@braintree.gov.uk	



# Braintree District Council

DRAFT AUDIT PLAN

Audit for the year ending 31 March 2019

11 January 2019

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# WELCOME

## PURPOSE AND USE OF OUR REPORT

We have pleasure in presenting our draft Audit Plan to the Governance Committee. This report forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process with those charged with governance. This draft Audit Plan will be updated once we have completed all of our interim procedures and we will issue our final Audit Plan at the Governance Committee in April.

Our draft Audit Plan summarises the planned audit strategy for the year ending 31 March 2019 in respect of our audit of the financial statements and use of resources; comprising materiality, key audit risks and the planned approach to these, together with timetable and the BDO team.

The planned audit strategy has been discussed with management to ensure that it incorporates developments in the business during the year under review, the results for the year to date and other required scope changes.

We look forward to discussing this draft plan with you at the Governance Committee meeting on 23 January and to receiving your input on the scope and approach.

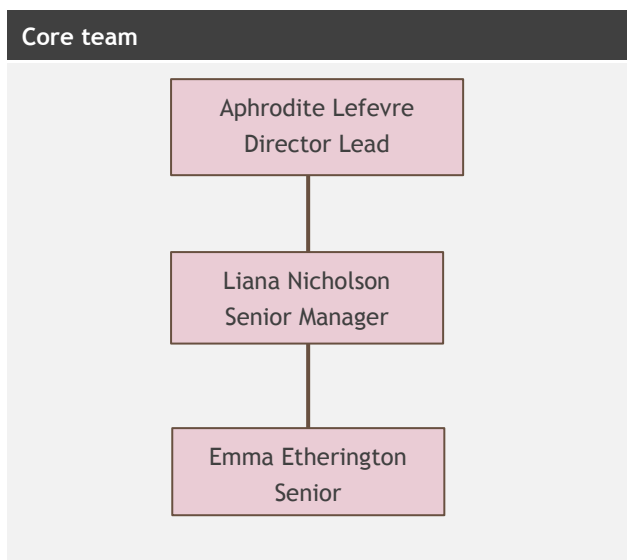
In the meantime if you would like to discuss any aspects in advance of the meeting please contact one of the team.

This report has been prepared solely for the use of the Governance Committee and those charged with governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.





## YOUR BDO TEAM



Name	Contact details	Key responsibilities
<b>Aphrodite Lefevre</b> Engagement Lead	Tel: 01603 756909 Aphrodite.Lefevre@bdo.co.uk	Oversee the audit and sign the audit report
<b>Liana Nicholson</b> Project Manager	Tel: 01473 320 715 Liana.Nicholson@bdo.co.uk	Management of the audit
<b>Emma Etherington</b> Senior	Tel:075831 80999 Emma.Etherington@bdo.co.uk	Day to day supervision of the audit team

Aphrodite Lefevre is the engagement lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements and use of resources. In meeting this responsibility, she will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that:

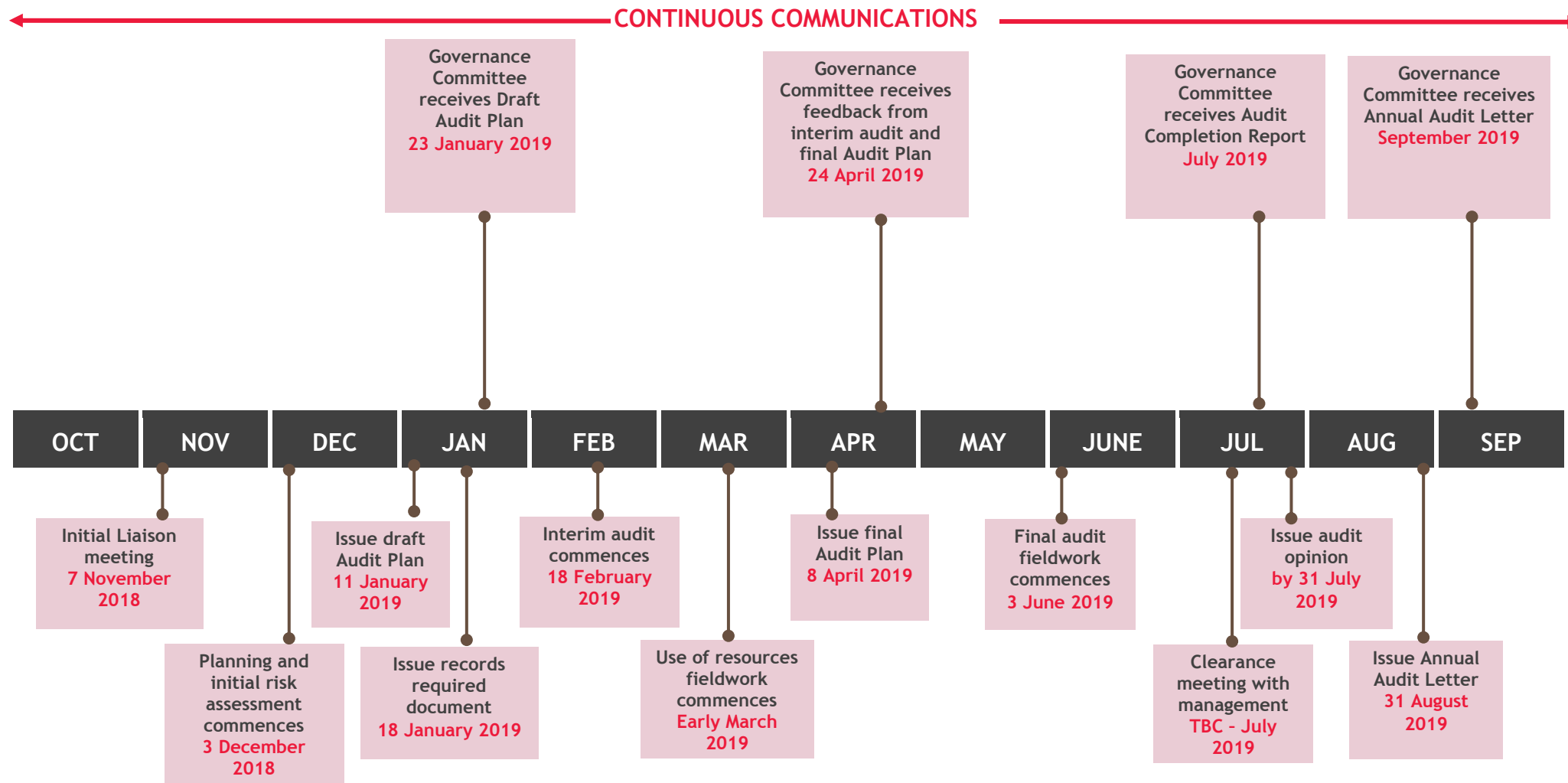
- The financial statements are free from material misstatement, whether due to fraud or error
- The authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

She is responsible for the overall quality of the engagement.

# ENGAGEMENT TIMETABLE

## TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements and completion of the use of resources audit.



## AUDIT SCOPE AND OBJECTIVES

FINANCIAL STATEMENTS		OTHER INFORMATION	WGA CONSOLIDATION	USE OF RESOURCES
<p><b>1</b> The financial statements give a true and fair view of the financial position of the authority and its income and expenditure for the period in question.</p>	<p><b>2</b> The financial statements have been prepared properly in accordance with the CIPFA Code of Practice on Local Authority Accounting 2018/19, applicable accounting standards or other direction.</p>	<p><b>3</b> Other information published together with the audited financial statements is consistent with the financial statements (including the Governance Statement) and our knowledge obtained during the audit.</p>	<p><b>4</b> The return required to facilitate the preparation of the Whole of Government Accounts (WGA) consolidated accounts is consistent with the audited financial statements.</p>	<p><b>5</b> The authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>
ADDITIONAL POWERS AND DUTIES				
<p><b>6</b> Where necessary: Consider the issue of a report in the public interest Make a written recommendation to the authority Allow electors to raise questions about the accounts and consider objections.</p>	<p><b>7</b> Where necessary: Apply to the court for a declaration that an item of account is contrary to law Consider whether to issue an advisory notice or to make an application for judicial review.</p>			

# MATERIALITY

## AUTHORITY MATERIALITY

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Braintree District Council	£1,220,000	£24,000

Please see Appendix I for detailed definitions of materiality and triviality.

Planning materiality for the Council has been based on 1.75% of the prior year gross expenditure. This will be revisited when the draft financial statements are received for audit.

The clearly trivial amount is based on 2% of the materiality level.

# OVERALL AUDIT STRATEGY

## We will perform a risk based audit on the authority's financial statements and use of resources

This enables us to focus our work on key audit areas.

Our starting point is to obtain an understanding of the authority's business and the specific risks it faces. We review the predecessor auditor's prior year audit file and we discuss with management any changes to the business and management's own view of potential audit risk, to gain an understanding of the authority's activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

For the use of resources audit, we consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and authority-specific level, and draw on relevant cost and performance information as appropriate.

We then carry out our audit procedures in response to audit risks.

### Audit risks and planned audit responses

For the financial statements audit, under International Standard on Auditing 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The auditing standard requires us to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties

- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

For the use of resources audit, the NAO has provided information on potential significant risks such as:

- Organisational change and transformation
- Significant funding gaps in financial planning
- Legislative or policy changes
- Repeated financial difficulties or persistently poor performance
- Information from other inspectorates and review agencies suggesting governance issues or poor service performance.

We consider the relevance of these risks to the authority in forming our risk assessment and audit strategy.

### Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will review relevant reports as part of our audit and consider whether to place any reliance on internal audit work as evidence of the soundness of the control environment.

# OVERALL AUDIT STRATEGY

## Fraud risk assessment

We have discussed with management its assessment of the risk that the financial statements may be materially misstated due to fraud and the processes for identifying and responding to the risks of fraud.

Management believes that the risk of material misstatement due to fraud in the authority's financial statements is low and that controls in operation would prevent or detect material fraud. We are informed by management that there have not been any cases of significant or material fraud to their knowledge.

We are required to discuss with those charged with governance their oversight of management's processes for identifying and responding to risks of all fraud.

We expect Governance Committee members, as those charged with governance, to let us know if there are any actual, suspected or alleged instances of fraud of which they are aware. We will make these enquiries as part of the Governance Committee pre-meetings throughout the year.



# KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Management override	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.</p> <p>Under auditing standards there is a presumed significant risk of management override of the system of internal controls.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</li> <li>• Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.</li> <li>• Obtain an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual.</li> </ul>	Not applicable.

## KEY AUDIT RISKS AND OTHER MATTERS

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Revenue and expenditure recognition	<p>Under auditing Standards there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the completeness, accuracy and existence of income.</p> <p>In particular, we consider there to be a significant risk in respect of the existence (recognition) and accuracy of the revenue and capital of grants that are subject to performance and / or conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES).</p> <p>We also consider there to be a significant risk in relation to the completeness and existence of fees and charges (specifically cash based items) recorded in the CIES.</p> <p>In the public sector, auditors also consider the risk of fraud and error on expenditure. As most public bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. Therefore we also consider there to be a significant risk around the completeness of expenditure.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Test an increased sample of grants subject to performance and / or conditions to confirm that conditions of the grant have been met before the income is recognised in the CIES.</li> <li>• Test an increased sample of fees and charges and investment rental income to ensure income has been recorded in the correct period and that all income that should have been recorded has been recorded.</li> <li>• Test an increased sample of transactions to ensure that expenditure has been recorded in the correct period.</li> </ul>	<p>We will review the grant funding information published from the departments issuing the grants.</p>



## KEY AUDIT RISKS AND OTHER MATTERS

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Non-current asset valuations	<p>Local authorities are required to ensure that the carrying value of non-current assets is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date.</p> <p>The Council appointed an external valuer to carry out revaluations on a sample of assets as at 31 March 2019.</p> <p>Due to the significant value of the Council's non-current assets, and the high degree of estimation uncertainty, there is a risk over the valuation of non-current assets where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at the year-end.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Review the instructions provided to the valuer and the valuer's skills and expertise in order to determine if we can rely on the management expert.</li> <li>Confirm that the basis of valuation for assets valued in year is appropriate based on their use.</li> <li>Review the reasonableness of assumptions used in the valuation of non-current assets, the accuracy and completeness of the source data used by the valuer and the Council's critical assessment of the external valuer's conclusions.</li> <li>Check that the accounting policy adopted in relation to the valuation of assets is reasonable.</li> </ul>	<p>We will review independent data that shows indices and price movements for classes of assets against the percentage movement applied by the Council.</p>

## KEY AUDIT RISKS AND OTHER MATTERS

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Pension liability assumptions	<p>The net pension liability comprises the Council's share of the market value of assets held in the Essex County Council Pension Fund, and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the membership data and cash flows provided to the actuary as 31 March may not be correct, or the valuation uses inappropriate assumptions to value the liability.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Review the consulting actuary report over the competency and experience of the actuary and reasonableness of assumptions used.</li> <li>Review the competence of the management expert (actuary).</li> <li>Agree the disclosures to the information provided by the pension fund actuary.</li> <li>Review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.</li> <li>Obtain assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary.</li> <li>Check whether any significant changes in membership data have been communicated to the actuary.</li> </ul>	<p>We will use the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions.</p>

## KEY AUDIT RISKS AND OTHER MATTERS

AUDIT RISK AREAS - USE OF RESOURCES			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Sustainable resource deployment	The update to the Medium Term Financial Strategy to 2022/23 has forecast further reductions in Government core grant funding. The Council is in a relatively strong financial position due to successfully achieving savings plans in previous years, largely from its commercialisation agenda. A balanced budget has been set for the next few years, with a budget gap expected to arise from 2020/21 of £508k.	<p>We will:</p> <ul style="list-style-type: none"> <li>Review the assumptions used in the Medium Term Financial Strategy, particularly around the likely levels of income from commercial activities.</li> <li>Review the Council's capital/revenue planning for future capital projects and investments.</li> <li>Monitor the delivery of the budgeted savings in 2018/19 and the plans to deliver identified savings for 2019/20.</li> </ul>	Not applicable.
	The Council continues to have a large commercialisation agenda to assist in generating income. This includes the Town Centre Redevelopment, Housing Developments, new Doctors Surgeries, new industrial units and the Horizon 120 project. Due to the nature and scale of some of these projects, there is a risk that the Council could not be adequately informed prior to the decision making as well as over the Council's ability to deliver such projects within the resources available.	<p>We will:</p> <ul style="list-style-type: none"> <li>Check that any current or future borrowing considerations are in line with CIPFA's Prudential Code for Capital Finance in Local Authorities and CIPFA's Treasury Management Code.</li> <li>Review the current governance and corporate arrangements for some of the large capital projects currently underway to ensure that they are fit for purpose.</li> </ul>	Not applicable.
Informed Decision Making			

# INDEPENDENCE

## INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to ‘those charged with governance’. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Governance Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the year ending 31 March 2019.

We confirm that the firm complies with the Financial Reporting Council’s Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired. These policies include engagement lead and manager rotation, for which rotation is required after 5 years and 10 years respectively.

### INDEPENDENCE - ENGAGEMENT TEAM ROTATION

#### SENIOR TEAM MEMBERS

#### NUMBER OF YEARS INVOLVED

Aphrodite Lefevre - Engagement lead	1
Liana Nicholson - Audit Manager	1

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

# FEES

## FEES SUMMARY

Our proposed fees, excluding VAT, for the year ending 31 March 2019 are:

	2018/19 Proposed fee £	2017/18 Actual fee £
Code audit fee	46,012	59,756
<b>Fees for non-audit services - audit related services</b>		
• Certification of housing benefits subsidy claim	10,000	13,728
• Other non-audit services	-	16,333
<b>Total non-audit services</b>	<b>10,000</b>	<b>30,061</b>
<b>TOTAL FEES</b>	<b>56,012</b>	<b>89,817</b>

### Billing arrangements

We will raise invoices for the Code audit fee in two instalments as follows:

- £23,006 in September 2018
- £23,006 in March 2019

Following our firm's standard terms of business, full payment will be due within 14 days of receipt of invoice. Fee invoices for other services, including the certification of the housing benefits subsidy claim, will be raised as the work is completed.

### Amendments to the proposed fees

If we need to propose any amendments to the fees during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee or where we are required to carry out work in exercising our additional powers and duties, we will first discuss this with the Corporate Director. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Governance Committee.

### Our fee is based on the following assumptions

- The complete draft financial statements and supporting working papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.
- Key dates will be met, including receipt of draft accounts and working papers prior to commencement of the final audit fieldwork.
- We will receive only one draft of the financial statements prior to receiving the final versions for signing.
- A near final draft of the Annual Report will be available at commencement of the final audit visit.
- Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

# APPENDIX I: MATERIALITY

## CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
  - Narrative disclosure e.g. accounting policies, going concern
  - Statutory performance targets
  - Instances when greater precision is required (e.g. senior manager remuneration disclosures).
- International Standards on Auditing UK also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the authority, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
  - Assist in establishing the scope of our audit engagement and audit tests
  - Calculate sample sizes
  - Assist in evaluating the effect of known and likely misstatements on the financial statements.

# APPENDIX I: MATERIALITY

## REASSESSMENT OF MATERIALITY

- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

## UNADJUSTED ERRORS

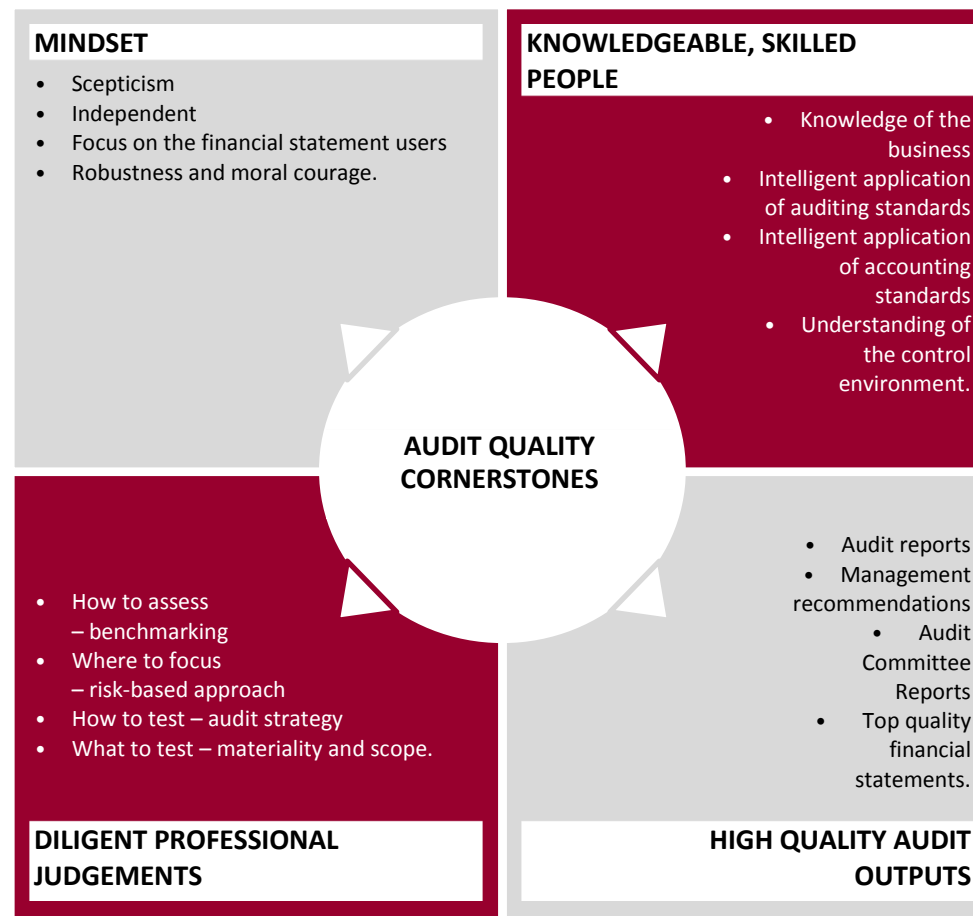
- In accordance with auditing standards, we will communicate to the Governance Committee all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.
  - Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.
  - We will obtain written representations from the Governance Committee, confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
  - There are a number of areas where we would strongly recommend/request any misstatements identified during the audit process being adjusted. These include:
    - Clear cut errors whose correction would cause non-compliance with statutory performance targets, management remuneration, other contractual obligations or governmental regulations that we consider are significant.
    - Other misstatements that we believe are material or clearly wrong.
-

## APPENDIX II: AUDIT QUALITY


### AUDIT QUALITY

#### BDO's audit quality cornerstones underpin the firm's definition of audit quality

- BDO is committed to audit quality. It is a standing item on the agenda of the Leadership Team, who in conjunction with the Audit Stream Executive, monitors the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. We welcome feedback from external bodies and are committed to implementing necessary actions to address their findings.
- We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external regulators, the firm undertakes a thorough annual internal Audit Quality Assurance Review and, as a member firm of BDO International network, we are also subject to a quality review visit every three years.







The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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<b>Certification of claims and returns annual report 2017-18</b>		<b>Agenda No: 9</b>
<b>Portfolio</b>	<b>Finance and Performance</b>	
<b>Corporate Outcome:</b>	<b>A high performing organisation that delivers excellent and value for money services</b>	
<b>Report presented by:</b>	<b>Ernst &amp; Young, External Auditors</b>	
<b>Report prepared by:</b>	<b>Ernst &amp; Young, External Auditors</b>	
<b>Background Papers:</b>	<b>Public Report: Yes</b>	
Certification of claims and returns annual report 2017-18	<b>Key Decision: No</b>	
<b>Executive Summary:</b>		
<p>The purpose of the Certification of claims and returns annual report 2017/2018 is to summarise the results of the work carried out by Ernst &amp; Young on the Housing Benefit Subsidy Claim. A copy of the report is attached at Appendix A.</p> <p>From 1<sup>st</sup> 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 2017/2018 these arrangements required only the certification of the housing benefits subsidy claim. In certifying this claim, Ernst &amp; Young followed a methodology determined by the Department for Work and Pensions.</p> <p>Although the Auditors issued a qualification letter in relation to the housing benefit claim, the amendments had no impact on the subsidy overall.</p> <p>The actual certification fees for 2017/2018 were £14,605. This is an increase of £877 over the Council's indicative certification fee prescribed by PSAA in March 2017, and reflects the need for extended testing. The additional fee has been agreed with Officers.</p>		
<b>Recommended Decision:</b>		
To receive the Certification of claims and returns annual report for 2017/2018.		
<b>Purpose of Decision:</b>		
For Members to receive the Certification of claims and returns annual report for 2017/2018.		

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

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

**Certification of  
claims and returns  
annual report  
2017-18**

**Braintree District Council**

December 2018



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

20 December 2018

Dear Governance Committee Members

We are pleased to report on our certification work. This report summarises the results of our work on Braintree District Council's 2017-18 Housing Benefits 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 reporting accountants 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 2017-18, 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.

This report is intended solely for the information and use of the Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

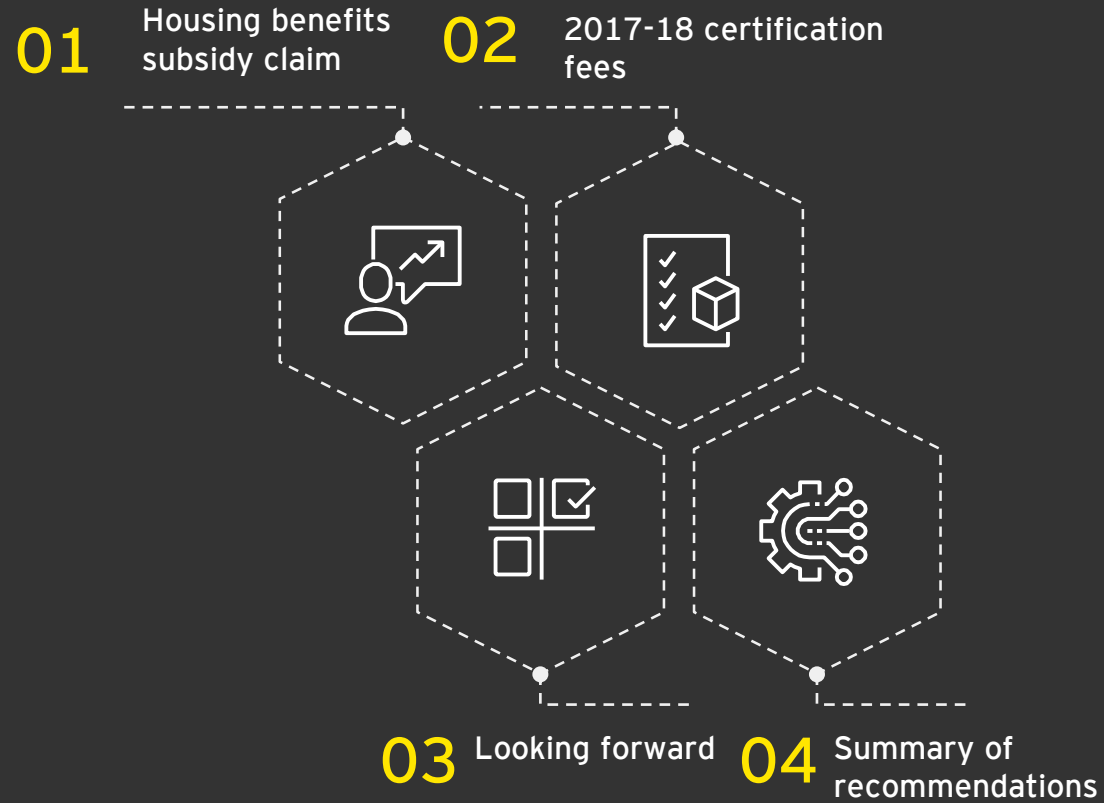
We welcome the opportunity to discuss the contents of this report with you on 23 January 2019.

Yours faithfully

Kevin Suter

For and on behalf of Ernst & Young LLP

# Contents



This report is made solely to the Governance Committee and management of Braintree District Council. Our work has been undertaken so that we might state to the Governance Committee, and management of Braintree District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance Committee, and management of Braintree District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





**01**

**Housing benefits subsidy claim**



## Housing benefits subsidy claim

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Scope of work	Results
Value of claim presented for certification	£37,924,412
Amended/Not amended	Amended: however it has no impact on the subsidy overall
Qualification letter	Yes
Fee - 2017-18	£14,605 (including scale fee variation of £877)
Fee - 2016-17	£13,778

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Recommendations from 2016-17	Findings in 2017-18
<p>Our audit work identified the following recommendation:</p> <ul style="list-style-type: none"><li>Continue with the agreed actions taken to address the recommendations made in previous years.</li></ul>	<p>Our audit work identified a number of errors as outlined below.</p> <p>We found 4 errors in our initial testing:</p> <ul style="list-style-type: none"><li>1 overpayment as a result of an earned income calculation error;</li><li>1 overpayment as a result of benefit end date error; and</li><li>2 underpayments as a result of tax credits error.</li></ul> <p>We found 7 errors in our '40+' or extended testing:</p> <ul style="list-style-type: none"><li>1 overpayment and 2 underpayments as a result of an earned income calculation error;</li><li>3 underpayments as a result of misclassification of expenditure; and</li><li>1 underpayment as a result of benefit start date error.</li></ul>

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## 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.

The certification guidance requires reporting accountants to follow a programme of work specified by DWP. Detailed case testing is carried out on an initial sample of 20 cases per benefit type. More extensive '40+' or extended testing is undertaken 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 certification of previous years claims. We found errors and carried out extended testing in several areas.

Extended and other testing identified errors which the Council amended. They had no net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

### Summary of errors: 2017-18

Description of Cell	Nature of Error
Cell 094: Rent Allowance - Total Expenditure (Benefit Granted)	Testing of initial sample identified 1 overpayment due to earned income calculation error. An '40+' testing of the sub-population identified 1 overpayment and 2 underpayments. We reported an extrapolation in the Qualification Letter.
Cell 094: Rent Allowance - Total Expenditure (Benefit Granted)	Testing of initial sample identified 1 overpayment due to incorrect benefit end date being applied. An '40+' testing of the sub-population identified 3 underpayments as a result of misclassification of expenditure. We reported an extrapolation in the Qualification Letter.
Cell 094: Rent Allowance - Total Expenditure (Benefit Granted)	Testing of initial sample identified 2 underpayments due to tax credits errors. An '40+' testing of the sub-population did not identify any fail. We reported an observation in the Qualification Letter.

### 2016-17 Follow Up

Description of Cell	Nature of Error
Cell 094: Rent Allowance - Total Expenditure (Benefit Granted)	In 2016-17 we identified errors where the Authority had applied incorrect benefits start dates for Rent Allowance cases. Our 2017-18 sub population '40+' testing identified 1 underpayment. We reported an observation in the Qualification Letter.



02

## 2017-18 certification fees





## 2017-18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017-18, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) and are available on their website ([www.psa.co.uk](http://www.psa.co.uk)).

<b>Claim or return</b>	<b>2017-18</b>	<b>2017-18</b>	<b>2016-17</b>
	<b>Actual fee £</b>	<b>Indicative fee £</b>	<b>Actual fee £</b>
<b>Housing benefits subsidy claim</b>	<b>14,605</b>	<b>13,728</b>	<b>13,778</b>

The indicative fee for 2017-18 is set by PSAA using the final fee of 2015/16.

The level of testing, and errors found, in the certification of 2017-18 claim are higher than expected based on our prior years' experience of the Council.

In comparison to the 2015/16 year there were two additional 40+ testing samples due to benefit end date error and tax credit errors found in our initial testing. As a result, further audit hours were required by EY to certify the claim. The additional fee of £877 has been agreed with officers and is currently subject to approval from PSAA.



**03**

**Looking forward**



## **2018/19 and beyond**

From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

These new freedoms represent an opportunity for Local Authorities to engage a Reporting Accountant that is not necessarily the same as the one appointed to undertake the audit of the financial statements, but rather one that it feels will best serve its assurance requirements.

Although we have not been selected to undertake the Housing Benefit Assurance Process for the Council for 2018/19, as the assurance provider to over 160 Local Government bodies, we believe that we are well placed to provide these services to you and can draw on a vast array of experienced and knowledgeable professionals to deliver the quality assurance that Local Government needs in these challenging times.

If you would like us to quote for the provision of grant claim work in the future, please contact Kevin Suter (Associate Partner) who will be happy to discuss your requirements and provide a competitive quotation.





**04**

**Summary of recommendations**



## Summary of recommendations

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

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
<p>The Authority should take note of the issues reported within the qualification letter and continue to improve the quality of the benefits assessment.</p> <p>This should include providing training in the assessment of earned income, tax credits and the benefits start and end dates.</p>	High	<p>We take all recommendations made by our external auditors extremely seriously, and as such we have already provided further training in relation to Earned Income, Start and End dates of assessments. This training was delivered by an external trainer on 13<sup>th</sup> December 2018.</p> <p>With regard to the error on Tax Credit, this was an isolated case caused by human error, however all staff have been reminded to take greater care when selecting the weekly or monthly option for an award and further checks will be made on the caseload to ensure, as far as is possible, that this does not occur in the future.</p>		Julie Rigby

## EY | Assurance | Tax | Transactions | Advisory

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ED None

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<b>Fraud Update</b>		<b>Agenda No: 10</b>
<b>Portfolio</b>		
<b>Corporate Outcome:</b>	<b>Finance and Performance</b>	
	<b>A high performing organisation that delivers excellent and value for money services</b>	
<b>Report presented by:</b>	<b>Angela Mitchell, Audit Insurance and Fraud Manager</b>	
<b>Report prepared by:</b>	<b>Angela Mitchell, Audit Insurance and Fraud Manager</b>	
<b>Background Papers:</b>		<b>Public Report: Yes</b>
NFI Matters Edition 1		<b>Key Decision: No</b>
<b>Executive Summary:</b>		
<p>This report provides Members with an overview of Fraud affecting Local Authorities, and the work undertaken by staff, including the Audit Insurance &amp; Fraud team, in this respect.</p>		
<b>Recommended Decision:</b>		
<p>Members note the report.</p>		
<b>Purpose of Decision:</b>		
<p>The Governance Committee functions include monitoring the effectiveness of the Council's risk management procedures, the internal control environment and counter fraud and corruption arrangements.</p> <p>The Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive to periodically report significant risk and control issues, including fraud risks. The PSIAS also require the function, as part of Internal Audit Risk Management activity, to evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.</p> <p>This report summarises fraud risks affecting the public sector, and approaches taken by the Council to address those risks.</p>		

<b>Any Corporate implications in relation to the following should be explained in detail.</b>	
<b>Financial:</b>	None
<b>Legal:</b>	None
<b>Safeguarding:</b>	None
<b>Equalities/Diversity:</b>	None
<b>Customer Impact:</b>	None
<b>Environment and Climate Change:</b>	None
<b>Consultation/Community Engagement:</b>	None
<b>Risks:</b>	None
<b>Officer Contact:</b> Angela Mitchell	
<b>Designation:</b> Audit, Insurance and Fraud Manager	
<b>Ext. No:</b> 2821	
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## **1. INTRODUCTION**

The Council's Counter Fraud Strategy states the Council is determined that the culture and tone of the organisation is one of openness, honesty and opposition for theft, fraud, corruption and bribery, and that there is an expectation and requirement that Council Members, Chief Officers and staff at all levels will lead by example in these matters and that all individuals and organisations associated with the Council will recognise this strategy and associated policies.

The Council has a corporate framework of Codes and Policies which underpin this strategy and exist to protect the Council against loss and reputational damage arising from theft, fraud, corruption or bribery. These include:

- An established Governance Committee whose remit includes monitoring the effectiveness of counter fraud and corruption arrangements
- Adopted Codes of Conduct for Members and Officers
- The Constitution, including Financial Procedure Rules and Contract Procedure Rules
- Dedicated Audit and Fraud staff whose roles includes detection, prevention and sanctioning of fraud
- Participation in data matching exercises to increase opportunity for detection of fraud, these include the National Fraud Initiative and the Pan Essex Compliance and Counter Fraud Scheme

## **2. PUBLIC SECTOR FRAUD RISKS**

The CIPFA Counter Fraud Centre produced a Fraud and Corruption Tracker for 2017/18. This estimates that for Local Authorities in the UK, the total value of fraud detected or prevented in 2017/18 was £302m, with an average value of fraud to be £3,600. The report notes that serious and organised crime is increasing, particularly in larger cities.

The key fraud risk areas identified in the report were:

- Housing and Tenancy
- Council Tax
- Business Rates (the area of greatest fraud growth)
- Disabled Parking Concessions
- Procurement
- Single Person Discount
- Adult Social Care
- Insurance
- No recourse to public funds / welfare assistance
- Payroll, recruitment, expenses and pension
- Economic and voluntary sector support and debt (grants)
- Mandate fraud and manipulation of data

Measures and controls to counter the risk of fraud include Policies and initiatives, with continual review of fraud risks and approaches, dedicated and trained staff, and the application of sanctions. The Fraud and Corruption Tracker report recommended assessment against the checklist from 'Fighting Fraud and Corruption Locally Strategy 2016–2019'. The Audit Insurance & Fraud Manager has carried out an assessment against this checklist, and from this concludes that the Council has taken appropriate measures towards addressing fraud risks but that further actions are required to strengthen the approach.

### **3. FRAUD INVESTIGATION**

The Council's Fraud Investigator, employed within the Audit Insurance and Fraud Team, conducts investigations into alleged or suspected fraud, liaising with other services or organisations as appropriate. He is experienced and professionally qualified to conduct investigations, and ensures appropriate cases are sanctioned in accordance with the Council's Prosecution Policy. In addition to the investigation activity he has developed Fraud related policies, and arranged training on the Regulation of Investigatory Powers Act for relevant staff within the organisation.

The main emphasis of Fraud work has been on Council Tax Support and Single Person Discount, the Fraud Investigator is now working with other Council Services and external organisations to address other fraud risk areas.

### **4. DATA MATCHING**

The National Fraud Initiative is a data matching exercise conducted by the Cabinet Office under Data Matching Powers set out in the Local Accountability and Audit Act 2014. Certain bodies, including Local Authorities, are required to participate through the provision of data for matching purposes, the initiative matches electronic data within and between public and private sector bodies to prevent and detect fraud. The outcome summary from the previous NFI Data Matching exercise recorded overpayments of £14,483. The Data upload for the 2018/19 matching has been completed, the results will be available for investigation in January 2019. The Cabinet Office has produced a summary of the outcomes from previous matching exercises, this publication is available as a background paper to this report.

The Pan Essex Compliance and Counter Fraud Scheme performs monthly data matching of a number of data sets from Local Authorities across Essex, Braintree DC is one of 14 Councils who participate in this matching exercise. The Council has employed a Data Matching Officer since March 2018 (within the Revenues and Benefits Team) to upload data and review the results, this matching has resulted in estimated savings of £26,433 over 56 cases.

In addition to the above the Council's Audit & Fraud Apprentice has conducted a review of Single Person Discount matches, for the current year to date this has resulted in savings of £33,592.

### **5. HOUSING BENEFIT FRAUD**

Housing Benefit Fraud is no longer investigated by the Council, this is now the responsibility of the Department of Work and Pensions (DWP) Single Fraud Investigation Service. The Council does have a formal protocol with the DWP for exchanging information relating to Benefit Fraud investigations, and is working towards joint working on relevant investigations

### **6. CORPORATE POLICIES AND PROCEDURES**

The Council currently has the following Fraud related strategies, policies and procedures. The Audit Insurance & Fraud Manager will coordinate the review of these documents:

- Counter Fraud Strategy (March 2013) – summarises the Council's approach to delivering counter fraud measures throughout the Council
- Fraud, Corruption and Dishonesty Policy (November 2015) – defines fraud, corruption and dishonesty, and includes the Code of Conduct for Members, the Code of

Conduct for Employees, the Code of Practice for Councillors and Officers Engaged in the Determination of Planning Applications, and summarises expectations

- Prevention of Money Laundering Procedures (June 2009) – identifies Council and staff responsibilities under Money Laundering Regulations, and protocols for record keeping and reporting
- Prosecution Policy (November 2015) – defines considerations for the prosecution of Local Council Tax Support and other fraud
- RIPA Policy (September 2016) – defines key staff contacts and outlines requirements for compliance with RIPA

In addition, the Council has a range of Policies and Procedures which support development of controls and approaches contributing to the prevention and detection of fraud, including the following:

- Whistleblowing Policy (November 2015) – defines whistleblowing, encourages reporting of wrongdoing, defines protocols for reporting and lists key officer contacts
- Risk Management Policy, Strategy and Implementation Plan (March 2005) – defines responsibility and protocols for corporate risk management
- The Constitution (May 2015) – defines how the Council operates, how decisions are made and the procedures followed to ensure these are efficient, transparent and accountable to local people
- Local Code of Corporate Governance (updated annually as part of the Annual Governance Statement) – defines the systems and processes, culture and values by which the Council is controlled
- Code of Conduct for Members, including Gifts and Hospitality (May 2015) – defines obligations and protocols for ensuring Member actions are consistent with the “Nolan Principles” and interests are disclosed
- Code of Conduct for Staff, including Gifts and Hospitality (May 2015) – ensures high standards of behaviour and conduct including avoidance of conflicts of interest and separation of roles during tendering
- Code of Practice for Members engaged in the Determination of Planning Applications (May 2015) – applies to Members and Officers, and defines protocols for ensuring fair and impartial decision making
- Disciplinary Procedures (December 2014) – provides guidance on how managers will treat cases of unsatisfactory conduct
- Staff Declarations of Conflicts of Interest – form for enabling staff to report conflicts
- IT Security Policy and ICT Codes of Practice (April 2018) – specify how the Council will apply information security
- Procurement and Contract Procedures (May 2015) – procedures for promoting good purchasing practice and public accountability and deter corruption
- Recruitment Policies – includes requirements for ensuring a fair recruitment and selection process, and the pre-employment checks conducted by HR and recruiting managers
- Corporate Post Opening Procedure (October 2013) – security of remittances sent by post

<b>Strategic Risk Management</b>		<b>Agenda No: 11</b>
<p><b>Corporate Priority:</b> Delivering excellent customer service  <b>Portfolio Area:</b> Corporate Services and Asset Management  <b>Report presented by:</b> Trevor Wilson, Head of Finance  <b>Report prepared by:</b> Trevor Wilson, Head of Finance</p>		
<b>Background Papers:</b>		<b>Public Report</b>
Risk Policy, Strategy and Implementation Plan – Council 19 <sup>th</sup> April 2006.		<b>Key Decision: No</b>
<b>Executive Summary:</b>		
<p>The report provides detail of the review and updating of the Council’s Strategic Risk Register for the Council as agreed by the Cabinet at its meeting on 26<sup>th</sup> November 2018.</p> <p>The Strategic Risk Register agreed by the Cabinet on 12<sup>th</sup> March 2018 was reviewed by Members at the Member Development evening on 25<sup>th</sup> October 2018; the outcome is the updated register considered and approved by Cabinet.</p> <p>The register details the risks which have potential to impact on the delivery of the Corporate Strategy over the medium-term. In addition to undertaking this review of the register the Management Board ensures that the register continues to be current by regularly reviewing and updating the strategic risks, as necessary.</p> <p>The strategic risk register forms one part of the Council’s overall approach to risk management, other facets include:</p> <ul style="list-style-type: none"> <li>• processes for identifying and recording operational risks,</li> <li>• risk registers for major projects,</li> <li>• business continuity planning, and</li> <li>• Emergency planning.</li> </ul> <p>Whilst the number of strategic risks identified is still shown as ten the risk rating of three risks have now been assessed at a higher level:</p> <ul style="list-style-type: none"> <li>• Medium-Term Financial Strategy – B2 from C2</li> <li>• Local Plan – B2 from C2</li> <li>• Service and Project Delivery – C2 from D2</li> </ul> <p>The narrative for each of the strategic risks has been updated as appropriate. The updated register is attached at Appendix B.</p>		

The number of risks above the Risk Tolerance Line (See Appendix A) and therefore requiring active management is nine.

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

<b>Risk Rating</b>	<b>March 2018</b>	<b>October 2018</b>
<b>B2</b> ( <i>High likelihood/ Critical impact</i> )	0	2
<b>C2</b> ( <i>Significant likelihood/ Critical impact</i> )	7	6
<b>D1</b> ( <i>Low likelihood/ Catastrophic impact</i> )	1	1
<b>D2</b> ( <i>Low likelihood/ Critical impact</i> )	2	1
<b>Total number of risks on Strategic Register</b>	<b>10</b>	<b>10</b>

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

**Decision:**

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

**Purpose of Decision:**

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

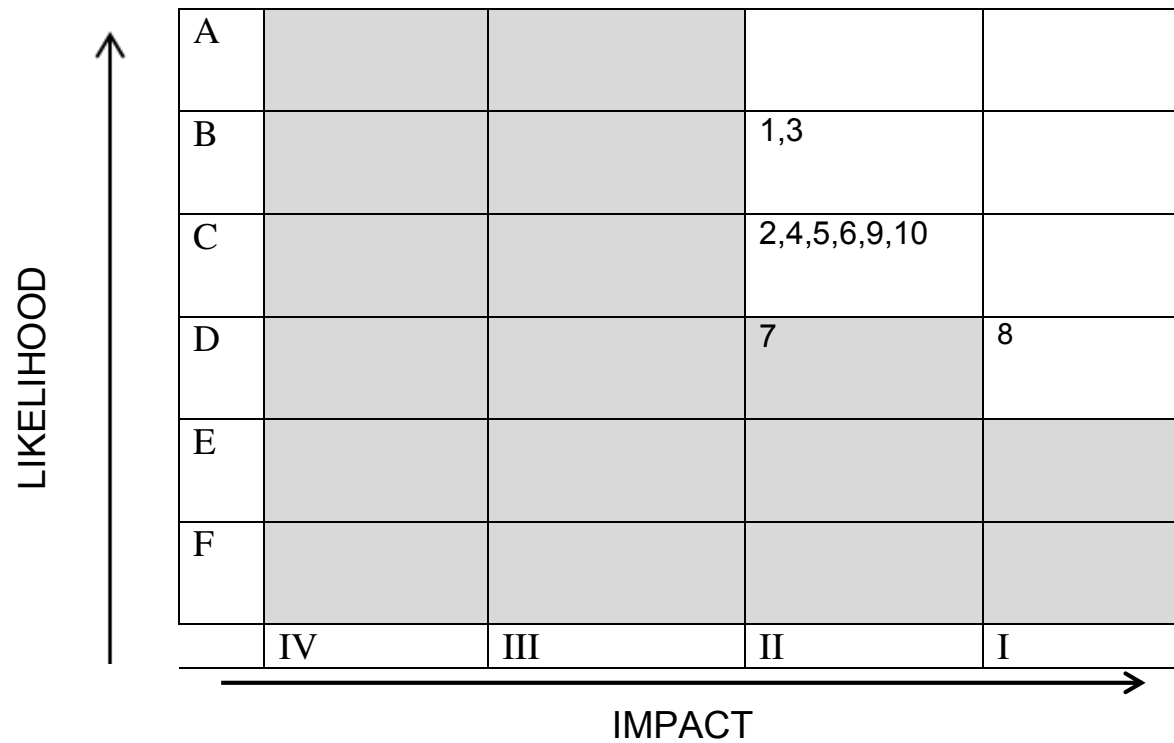
<b>Any Corporate implications in relation to the following should be explained in detail</b>	
<b>Financial:</b>	Risks and associated management action plans concerning the Council's finances are highlighted in risks 1 and 7.
<b>Legal:</b>	There are no specific risks of a legal nature at this time.
<b>Safeguarding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



**STRATEGIC RISK PROFILE**

Braintree District Council – Reviewed at Members Development evening 25<sup>th</sup> October 2018)

**APPENDIX A**



**KEY:**

**Likelihood:**

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

**Impact:**

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

Medium-Term Financial Strategy – 1

Risk Rating B2 (C2 March 18)

Management Board Owner – Corporate Director (CF)

Vulnerability	Trigger	Consequence
<p>The Council accepted the Government’s offer of a four-year settlement (2016/17 to 2019/20). The provisional Settlement Funding Assessment (SFA) allocation to the Council for 2018/19 and provisional allocation for 2019/20 were received on 19<sup>th</sup> December 2017. The reduction between 2016/17 and 2019/20 is £1.65m, or 34.6% and includes the Council receiving no Revenue Support Grant after 2018/19.</p> <p>The New Homes Bonus scheme was changed for 2017/18 which results in local authorities receiving reduced allocations and the Government has announced that it is to review how housing delivery is incentivised after 2019/20. Whilst not using NHB to support revenue this does mean less money for investment in infrastructure and affordable homes across the District.</p> <p>Whilst Local Government has had some certainty over funding for this four-year period there is fundamental change to Local Government funding planned for 2020/21 as the Government proposes to introduce 75% Business Rates Retention and implement the outcomes of the Fair Funding Review and the Government’s 2019 Spending Review which are currently in progress.</p> <p>There is also uncertainty over the impact of the UK leaving the European Union in 2019 on Local Government finances.</p>	<p>The Council’s financial plans are adversely impacted by:</p> <ul style="list-style-type: none"> <li>• Circumstances change which render the planned cost reductions/additional income unachievable</li> <li>• Other financial assumptions prove incorrect. Including significant income budgets not being achieved e.g. interest receivable on £16m invested in equity and property funds.</li> <li>• Other organisations which provide significant contributions to the Council face their own funding pressures and may require greater reductions than expected.</li> <li>• Economic conditions and market fluctuations cause changes at or before contract renewal.</li> <li>• Capital receipts not received as planned and capital resources insufficient to finance capital programme.</li> <li>• Business rates collected less than expected due to successful appeals being greater than the provision made.</li> <li>• Business Rates baseline reset for 2020/21, as determined by the Fair Funding Review, does not enable the Council to retain business rates growth achieved prior to reset.</li> <li>• Future Spending Reviews and Autumn Statement(s) require further savings from local government.</li> </ul>	<ul style="list-style-type: none"> <li>• Shortfall in resources both in year and following years.</li> <li>• Financial savings are not achieved; balances used more than planned.</li> <li>• Priorities and projects are not delivered.</li> <li>• Cuts necessary to services</li> <li>• Rushed decisions to find other savings</li> <li>• Staff unsettled and de-motivated.</li> <li>• Assets not fit for purpose</li> <li>• Satisfaction levels with the Council fall</li> <li>• Section 114 notice issued by the Corporate Director (Finance) that it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.</li> </ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Robust budget review and setting process involving Management Board and Cabinet Members developed over a number of years</p> <p>Unallocated balances significantly exceed minimum level of £1.5m.</p> <p>Regular Budgetary Control and monitoring processes.</p> <p>Council policy to use New Homes Bonus to fund infrastructure project delivery and affordable homes.</p> <p>Utilised borrowed monies, of £6m, to fund investments (e.g. commercial property and solar panels) to achieve improved rate of return over the medium-term.</p> <p>Efficiency Plan produced and approved by DCLG.</p> <p>Monitoring of investment counter-parties and returns on investments by Arlingclose, the Council's Treasury Management advisor.</p>	<p>Delivery against the workstreams contained in the Roadmap 2020.</p> <p>Monitor financial viability of key contract partners and commercial property tenants.</p> <p>Participate in consultation as proposals for the new 75% Business Rates Retention scheme and the Fair Funding Review are published.</p> <p>Monitor the disposal of assets against planned timescale for receipt of sale proceeds.</p>	<p>Corporate Director (CF)</p>	<p>Cost reductions and increased income delivered on time and as budgeted.</p> <p>Setting a balanced base budget and having plans to meet funding shortfalls in subsequent years of MTFS.</p> <p>Service and performance levels delivered as planned.</p> <p>Collection rates of council tax and business rates achieve planned levels.</p> <p>Budget variations reported in timely manner with explanation and action plan, where appropriate</p>	<p>Monthly</p>	<p>Feb. 2019 – Full Council sets council tax and budgets for 2019/20</p>	<p>MTFS provided a balanced base budget for 2018/19 including a 2.97% increase in council tax up to £174.51 (Band D).</p> <p>For planning purposes council tax increases in future years are at the referendum threshold, e.g. 2.99% for 2019/20 and 2% for 2020/21 onwards.</p> <p>Planned approach to addressing the estimated shortfalls in 2019/20 to 2021/22.</p> <p>Investment Strategy reviewed with maximum investment in equity and property funds increased to £20m.</p> <p>Member Strategic Investment Group established to consider all proposed investments.</p> <p>An Investment Evaluation Tool used to assess all investment opportunities.</p>

**Economic Development – 2**

Risk rating C2 (C2 March 18)

Management Board Owner – Corporate Director (CR)

Vulnerability	Trigger	Consequence
<p>The Council has identified Economic Growth as a key Corporate priority for the District as set out in the Corporate Strategy.</p> <p>The Plan for Growth was agreed by Cabinet and includes both a 5 year and rolling 1 year action plan of key priorities. These include infrastructure, business support and skills development projects.</p> <p>Most of the priorities in the action plan require work with partners who may or may not have the same level of commitment to a project as BDC</p> <p>Funding from other partners or government may not be available to support the action plan priorities</p> <p>Brexit and other marcoeconomic uncertainties may cause businesses in the District to make different investment decisions which may not be to the benefit of the District.</p>	<p>Lack of investment in infrastructure prevents business growth and job creation.</p> <p>Shortage of required skills to meet the need of businesses in the District</p> <p>Businesses are not provided with the support necessary to maximise opportunities for growth and development</p> <p>Amount of business rates collected reduced</p>	<ul style="list-style-type: none"> <li>• Reduction in jobs</li> <li>• Fewer new businesses being created</li> <li>• Jobs left unfilled due to lack of skilled employees</li> <li>• Disinvestment by existing businesses</li> <li>• Less investment in infrastructure</li> <li>• Businesses feel disengaged and cannot access support networks</li> <li>• Falling productivity rates in the District</li> <li>• Falling Gross Value Added (GVA) in the District</li> <li>• Loss of revenue / growth in business rates</li> </ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Strong working relationship with Essex County Council, Haven Gateway, the South East Local Enterprise Partnership (LEP) on major projects and key priorities</p> <p>District Plan for Growth agreed, setting clear economic priorities over 1 year and 5 year periods has been agreed</p> <p>Braintree Education and Skills board has been established and is progressing projects</p> <p>Braintree Town Centre Partnership has been established and an independent chair appointed</p> <p>Investment in key priorities to secure match funding e.g. Millennium Way Slips project</p> <p>Establishment of the Grape and Grain tour in partnership with Maldon District Council.</p> <p>Tourism Plan to be considered by members in Winter 2018</p>	<p>Continuing to develop our relationship with key stakeholders to ensure shared goals and priorities are met</p> <p>Marketing and promotion of BDC/Partner business support services.</p> <p>Effective implementation of skills projects agreed by the Education and Skills Board</p> <p>Continue to provide appropriate levels of support to the Town Centre Partnership</p> <p>Continue to source local and national funding sources which could provide grants for key projects</p> <p>Continue to work with neighbouring authorities and businesses to support tourism</p> <p>Continuous review of business engagement programme to ensure it is meeting the requirements of businesses.</p>	<p>Chief Executive Corporate Director (CR)</p>	<p>Creation of new jobs</p> <p>New Business start-ups</p> <p>Business growth in the District</p> <p>Inward Investment in the District</p> <p>Investment into District infrastructure</p> <p>Unemployment rate</p> <p>Business funding opportunities explored</p> <p>Empty commercial premises</p> <p>Readership of the Business Bulletin</p> <p>Apprenticeships</p>	<p>Quarterly</p>		<p>Joint project work is underway with the Haven Gateway on the economic strategy for the region and with ECC and the North Essex Authorities on a north Essex economic strategy, including ensuring the opportunities afforded by the garden communities are realized for economic growth</p> <p>District Plan for Growth approved and work is progressing on the targets for year one. to engage</p> <p>Education and skills board has high levels of attendance from schools colleges and employers and has approved funding for several projects which are currently being progressed to aid skills development in the District</p> <p>Braintree Town Centre Partnership has appointed an independent chair and has also set up a business working group and Christmas working group to take projects forward.</p> <p>Funding for infrastructure has been secured from ECC and Highways England and funding for skills projects has been secured through ECC.</p>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>New Business Engagement and Support Strategy to be considered by members in Winter 2018</p> <p>Working in partnership with education providers to encourage and develop skills training in key sectors, to encourage skill development and employment opportunities through apprenticeships.</p>						<p>Overview and Scrutiny Committee on tourism has provided member guidance into the Tourism Plan which will be need to be approved by Cabinet in the Spring/ Summer 2018</p> <p>Working with the LEADER program to help secure funding and jobs to the rural parts of the District</p> <p>A new look business bulletin, webpage and social media accounts have been activated to share information, news and best practice amongst businesses in the District</p> <p>Braintree District businesses are currently a priority target area for support from the BEST growth hub, providing bespoke and 1-2-1 help and advice to new and growing businesses</p>

**Local Plan – 3**

Risk Ratings: B2 (C2 March 2018)

Management Board Owner – Corporate Director (JH)

<b>Vulnerability</b>	<b>Trigger</b>	<b>Consequence</b>
<p>Braintree District Council has an adopted Core Strategy and has prepared a new Local Plan which is subject to examination. In line with government policy this will need to deliver a substantially higher target for housing numbers than was set out in the Core Strategy. Part of the strategy is to deliver new standalone garden communities.</p> <p>The Local Plan was submitted for examination in October 2017 and examination sessions were held in 2018, following which the Planning Inspector expressed concerns about the Plan, in particular relation to the Garden Communities. The additional evidence to address this is currently underway. However up the date of adoption the Local Plan only provides limited weight in decision making, depending on its progress and the amount of unresolved objections.</p> <p>Whilst the Local Plan is being produced, the Council may be at risk of being challenged by developers on its housing numbers. Once the Local Plan is adopted, the Council will need to maintain a five-year housing land supply.</p>	<p>Land owners submitting planning applications on unallocated sites.</p> <p>Lack of housing or economic growth leading to failure of allocated sites to deliver.</p> <p>Local Plan being found unsound by the Planning Inspector.</p> <p>Government changes to national policies, guidance or methodologies which have implications for Plan or decision making</p>	<ul style="list-style-type: none"> <li>• Council may have to approve planning applications on sites outside of those proposed resulting in development which conflicts with the agreed spatial strategy</li> <li>• Loss of appeals on planning applications for development on unallocated sites outside of development boundaries.</li> <li>• Infrastructure requirements of new developments may not be sufficiently met.</li> <li>• Lack of new jobs in the District and failure to deliver job target</li> <li>• Inability to attract inward investment or business growth</li> <li>• Inability to attract skilled workers to the District</li> <li>• Council not able to meet its objectively assessed need for housing including affordable housing</li> <li>• Council needing to revise its Local Plan or produce a new Local Plan</li> </ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Joint working with other authorities to deliver stand-alone new garden communities which will deliver growth over a longer term period.</p> <p>Good working relationships with Town and Parish Councils and community groups.</p> <p>Core Strategy adopted in 2011.</p> <p>Statement of Community Involvement adopted in 2013.</p> <p>Programme of reporting and decision making through Local Plan Sub-Committee and Council.</p> <p>Strong working relationship with major developers on key housing/commercial sites in the District.</p> <p>A Planning Appeal Cost reserve fund to ensure the Council has sufficient funds to refuse applications which we consider unacceptable.</p>	<p>Work programme keeps to timetable to ensure adoption of the Local Plan in line with the project plan.</p> <p>Close working relationship with major landowners and agents in the District to work together on delivery rather than in opposition.</p> <p>Extensive governance and working relationships in place with North Essex Garden Communities Ltd, Colchester BC, Tendring DC and ECC Councils to progress the garden community project.</p> <p>Infrastructure delivery will be a key part of the new Plan. Emphasis shifting to supporting housing delivery once the Plan is adopted.</p>	<p>Corporate Director (JH)</p>	<p>Ensuring Local Plan process is adopted/ approved on target.</p> <p>Outcome of appeal decisions relating to non-allocated sites.</p>	<p>Quarterly</p>	<p>Ongoing</p>	<p>Local Plan evidence base in place with ongoing work related to garden communities and Recreational Avoidance and Mitigation Strategy.</p> <p>Sustainability Appraisal published in June 2016 and revised in 2017. A revised Sustainability Appraisal for section 1 is currently underway</p> <p>The District Council is working in partnership with 3 other Authorities on the North Essex Garden Communities project and has received funding and support from the MHCLG.</p> <p>Budget provision agreed by this and each of the three other authorities to progress the Garden Communities project.</p> <p>An Issues and Options Consultation was held for Garden Communities Development Plan Documents in January 2018</p>



Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>A specific Local Plan budget of £480,000 was agreed in 2015/16 to ensure the funds were available to provide the necessary evidence base documents and other work required to produce the Local Plan in the timescales proposed.</p> <p>The Local Plan is currently in examination, with a suspension whilst further work is undertaken</p>						<p>Accepted Government's offer to implement 20% increase on Planning Application fees in January 2018 and to utilise additional resource in Development Management service.</p>

**Community Resilience – 4**

Risk Rating C2 (C2 March 2018)

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

<b>Vulnerability</b>	<b>Trigger</b>	<b>Consequence</b>
<p>Universal Credit (Full service) is operational for new claims from working age claimants in the Braintree District. Legacy claims of housing benefit (for working age claimants) will be transferred to Universal Credit by 2020.</p> <p>Further changes in the Housing Related Support funding by Essex County Council anticipated in 2019/20 which may mean we will have access to fewer supported housing schemes/bed spaces in the district and also impact on floating support services.</p> <p>The Homelessness Reduction Act 2017(HRA) came into force on the 3 April 2018, it means the Council assists more people, at an earlier stage if they are facing homelessness. Staff now work more intensively and for longer with people to help prevent and relieve their homelessness. Five new staffing appointments have been made across the Housing Team with another anticipated. Funding resources are in place but may not be sufficient in the longer term. Partnership working with other agencies is key to help tackle the sometimes complex reasons why people become homeless.</p> <p>There are a number of deprived areas in the district with children in poverty, health inequalities, lack of skills and higher unemployment.</p> <p>Educational attainment at some schools in the District has been relatively poor but is improving and as a whole the attainment is around the Essex average.</p> <p>There is a growing population of older people, within the district and nationally, a proportion of whom will require public services.</p>	<p>Demand for services from the Council and other public sector organisations increases which exceed supply.</p> <p>Essex County Council implements reduction and contract changes.</p>	<ul style="list-style-type: none"> <li>• Potential increase in people seeking the Council's assistance with their housing problems. Increased demand for temporary accommodation.</li> <li>• Increased demands on the Council's Housing and Customer Services.</li> <li>• Increased health inequalities.</li> <li>• Increase in number of households in fuel poverty</li> <li>• Increase in number of children in poverty.</li> <li>• Requests for Discretionary Housing Payments and/or Exceptional Hardship Fund payments exceed resources allocated.</li> <li>• Housing projects at risk of closure and/or change of access arrangements, which may mean additional temporary housing needs to sourced.</li> <li>• Reductions and changes to supported housing and floating support may impact on other public services, i.e. health and police.</li> </ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Partnership working with Citizens Advice, Greenfields CH, Dept. for Work and Pensions and Fusion to assist those affected by the welfare changes.</p> <p>Discretionary Housing Payments allocation from the Government of £242,147 for 2018/19. Short-term assistance available to tenants facing difficulty with their rent.</p> <p>Exceptional Hardship Fund of £13,150 for 2018/19. Short-term support available to council tax support claimants.</p> <p>Continued Liaison with Essex CC regarding future Housing Related Support proposals.</p> <p>Homelessness Strategy 2018 to 2023 and associated Action Plan – approved by Cabinet September 2018.</p>	<p>Regular meetings with partner organisations.</p> <p>Regular reviews of the impact the changes are having on those affected.</p> <p>Work jointly with Job Centre Plus</p> <p>Continued dialogue with Essex CC and housing providers.</p> <p>Exploring alternative funding arrangements to seek to sustain housing projects.</p> <p>Continue to review and implement actions in the Homelessness Strategy.</p>	<p>Corporate Director</p>	<p>Services able to meet increased demand</p> <p>Funding sufficient to support those residents in extreme financial difficulties with council tax and/or rent.</p> <p>Increased number of residents in employment.</p> <p>That a level of supported housing is retained in the district with continued nominations rights available to this Council.</p> <p>Homelessness Reduction Act 2017 – The number of applicants where homelessness has been prevented or relieved.</p>	<p>Quarterly</p>		<p>Grant agreement renewed with Citizens Advice to support their service provision across the district and additional Service Level Agreement to provide money advice service to residents, extended to 31 March 2019. An SLA with Community360.</p> <p>Support residents to be healthy and live well through the work of the Livewell and Livewell Child Boards.</p> <p>Health and Wellbeing Panel for the District established and working with a range of partners.</p> <p>Provide opportunities that benefit those living with dementia through the Braintree District Dementia Alliance.</p> <p>New Government grants and BDC funding to meet the requirements of the new HRA.</p> <p>Awarded grants for community projects through:-</p> <ol style="list-style-type: none"> <li>a) BDC's Councillors' Community Grant Fund</li> <li>b) The Braintree District and Greenfields Community Fund</li> </ol>

**Service and Project Delivery – 5**

Risk Rating C2 (D2 March 2018)

Management Board Owner – Corporate Director (CF)

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

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>People Strategy and Workforce development plans</p> <p>Workforce planning and succession planning included in Business Plans</p> <p>Staff support arrangements include:</p> <ul style="list-style-type: none"> <li>• Employee Wellbeing Strategy</li> <li>• Mental Health &amp; Work related stress policy</li> <li>• Free and confidential Employee counselling service</li> <li>• Free and confidential employee assistance helpline</li> </ul> <p>Security policies – regularly reviewed and updated</p> <p>Training/education in cyber security for users</p> <p>Training programme for managers</p> <p>Disaster recovery plan: Emergency generator; Independent resilient network; Alternative accommodation identified – Town Hall</p> <p>Business continuity exercise for senior managers held annually</p> <p>Regular server and workstation upgrades to ensure latest software versions are in use (reduces vulnerability to malware and viruses)</p>	<p>Ensure that there is effective management and change control of all systems to minimise disruptions.</p> <p>Individual disaster recovery arrangements in place for all systems.</p> <p>Review endpoint access to items such as USB memory sticks, CDs, DVDs</p>	<p>Corporate Director (CF)</p>	<p>Computer unavailability is minimised</p> <p>Uninterrupted service delivery</p> <p>No long-term vacancies</p>	<p>Quarterly</p>	<p>Business Plans produced December /January</p>	<p>Funding for the Strategic Investment Team agreed for a four-year period</p> <p>Additional staffing resources agreed for Planning and Housing services</p>

**Affordable Housing – 6**

Risk rating C2 (C2 March 2018)

Management Board Owner – Corporate Director (JH)

Vulnerability	Trigger	Consequence
<p>As the market has improved and Greenfields has developed many of the sites in its ownership, we are increasingly reliant on market delivery of new homes to facilitate affordable housing provision. In the short-term (3 years or so) delivery of new affordable housing is likely to be good but a downturn in the market could present a serious challenge.</p> <p>The current national political climate is more supportive of rented affordable housing than it has been for several years but we are still challenged continually by developers seeking to:</p> <ul style="list-style-type: none"> <li>• minimise the affordable housing provision;</li> <li>• reduce the size of units;</li> <li>• provide higher proportions of shared ownership or other tenures.</li> </ul> <p>The impact of homelessness is being managed locally but relies on continuing funding of support services by Essex County Council. Compared to many other Essex LAs, we have good local provision, so any review of resources is likely to take resources away from the District.</p> <p>In addition, other LAs and in particular London Boroughs, are increasingly looking to place people out of London. Many London Boroughs are actively pursuing opportunities such as office conversions to make nominations outside of their area.</p>	<p>Market downturn</p> <p>Government intervenes to require higher proportions of starter homes or other reduced-cost tenures.</p> <p>Developers push back on the number of affordable homes required on developments.</p>	<ul style="list-style-type: none"> <li>• Affordable housing need not met</li> <li>• Homeless households remain longer in temporary accommodation as fewer rented homes become available for letting through ‘Gateway to Homechoice’ choice based lettings scheme.</li> <li>• Cost to the Council of providing temporary accommodation increases</li> <li>• Young people/key workers leave the district</li> <li>• Some housing associations withdraw from higher-risk accommodation, such as supported housing schemes</li> <li>• Inability to find suitable affordable accommodation for larger families</li> <li>• Unable to provide supported housing in particular for under 35’s, who will not receive enough benefit to cover the rent for self-contained accommodation.</li> </ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>New Housing Strategy adopted in 2016/17</p> <p>New Homelessness Strategy adopted in 2018/19</p> <p>Up-to-date viability assessment and updated 'toolkit' to undertake individual assessments.</p> <p>Work with a range of housing associations to ensure that we can meet the varied needs of local residents and make sure we do not miss out on affordable housing opportunities.</p> <p>Underwriting schemes and purchase of land for affordable housing developments as opportunity and finance allow.</p> <p>Working with other providers.</p>	<p>Housing Research and Development Team continues to look for innovative ways of increasing affordable housing with developers and Registered Social Landlords.</p> <p>Use of Stat Nav toolkit to help identify need across the District.</p> <p>Build working relationships with developers to deliver affordable housing through S.106 agreements.</p>	<p>Corporate Director (JH)</p>	<p>Local target for an average 100 dwellings per annum</p>	<p>Quarterly</p>		<p>Local Plan in progress. Affordable Housing Viability Study has been completed.</p> <p>Regular meetings with all housing associations with local development programmes.</p> <p>Stat Nav data updated each year</p> <p>130 completions of new affordable homes expected in 2018/19. We expect 200 completions in 2019-20. This is likely to be the highest delivery for at least the last 25 years.</p> <p>Business case being prepared regarding the creation of a Housing Development Company.</p> <p>Authority delegated to Cabinet Members for Planning and Housing and Finance and Performance to agree acquisitions and funding commitments within the overall affordable housing budget in order to allow timely decisions to be taken and prevent opportunities being lost.</p>

**Return on Investments – 7**

Risk Rating D2 (D2 March 2018)

Management Board Owner – Corporate Director (CF)

Vulnerability	Trigger	Consequence
<p>The Council has an Investment Strategy which seeks to optimise use of available resources by investing in property, housing and other assets as well as investing surplus monies with financial institutions to achieve a reasonable rate of return and support the Council's revenue account.</p> <p>The security of the money invested is paramount but the Investment Strategy distinguishes between the investment of monies available only in the short-term due to cashflow requirements and monies (core funds) which are available for investment over the medium to long-term.</p> <p>The Council has set a limit of £20million on the amount of funds to be invested in pooled funds (equities and property) with the aim of achieving higher rates of return and capital growth over the medium term (3 to 5 years).</p> <p>The Council has increased its property portfolio where return on investment has been attractive and the quality of the tenant and the tenancy term has been good.</p> <p>The impact of the current economic climate on financial institutions makes the selection of: a strong counterparty, with which to invest, the selection of an asset, to purchase, and the tenant, to occupy and rent property, crucial.</p>	<p>Failure of investment counterparty.</p> <p>Tenant ceases trading leading to void period and requirement to find a new tenant.</p> <p>Collapse in the equity market at a time when the Council needs to release money by selling the equity pooled funds.</p> <p>Funds are needed to be recalled at short notice.</p>	<ul style="list-style-type: none"> <li>• Loss of the principal sum and / or interest due</li> <li>• Loss of rental income and increased costs (e.g. unoccupied business rates)</li> <li>• Impact on the Council's revenue account requiring unplanned service cuts and / or use of balances</li> <li>• Decline in Council reputation</li> </ul>



**Risk: Emergency Planning – 8**

Risk Rating: D1 (D1 March 2018)

Management Board Owner – Corporate Director (CR)

<b>Vulnerability</b>	<b>Trigger</b>	<b>Consequence</b>
<p>Braintree District Council has responsibilities under the Civil Contingencies Act (CCA) 2004a as a Category 1 responder: to plan for and respond to major emergencies working alongside the blue light services. Part 1 of CCA 2004 places legal obligations on emergency services and local authorities to assess the risk of, plan and exercise for emergencies as well as undertake business continuity management.</p> <p>Each service has to be resilient, through planned and tested procedures, to unexpected and potentially long term challenges.</p>	<p>Emergency event both response and recovery</p>	<p>District Wide</p> <ul style="list-style-type: none"> <li>• Possible loss of life or serious harm or injury to residents and/or staff.</li> <li>• Loss of physical assets e.g. premises</li> <li>• Ineffective response to an incident causes extended disruption.</li> <li>• Vulnerable residents at risk through lack of core service delivery.</li> <li>• Delays in recovery phase</li> </ul> <p>Council</p> <ul style="list-style-type: none"> <li>• Lack of preparedness results in the inability to deliver key/critical services e.g. benefits, refuse collection, homelessness applications, food inspections, etc.</li> <li>• Increased short term demand for services e.g. housing - alternative accommodation, repairs, waste team clean-up operation</li> <li>• Major impact on reputation if the Council is perceived to not provide an adequate response.</li> <li>• Council facing Public Inquiry – risk of cost, reputation and public trust</li> <li>• Priorities and projects are not delivered.</li> <li>• Being found wanting at public inquiry.</li> </ul>

Actions/controls already in place	Required action/ management control	Responsibility for action	Critical success factors and KPI's	Review frequency	Key dates	Progress to date
<p>A robust, peer reviewed Emergency Plan has been developed.</p> <p>New Communications &amp; Media plan</p> <p>A new Rest Centres plan which sees all Essex local authorities using the same best practice procedures, documentation and equipment.</p> <p>A Members Protocol has been produced setting out guidance for Members during an emergency.</p> <p>Mutual Aid – agreements are in place between authorities BDC is strengthening its procedures to receive Mutual Aid;</p> <p>Services have identified key skeleton staff No.'s only</p>	<p>Bi-yearly review of Emergency Plan</p> <p>Bi-yearly review of Communications and Media Plan</p> <p>Rest Centres plan – run an annual exercise</p> <p>Deliver training programme incl: crisis communication training, Communications training for Management Board, Leader and Deputy Leader.</p> <p>Dialogue with partner organisations</p> <p>Oversee implementation</p> <p>Dialogue with partner organisations</p> <p>Services need to demonstrate the capability and capacity to manage excessive additional demand due the Council's responsibility for response and recovery under the CCA 2004, Housing Act. Local Government Act and other relevant legislation.</p>	<p>Corporate Director</p>	<p>Service and performance levels delivered as planned.</p>	<p>Annual</p>		<p>Training delivered: senior/tactical training, recovery training, loggist training, rest centre training;</p> <p>Peer reviewed training programme for staff involved at all levels, volunteers-tactical-strategic</p> <p>New starters will have a requirement to assist in emergencies detailed in their role profiles.</p> <p>Developing arrangements with our leisure partner Fusion to provide support during an emergency.</p>

**Risk: Information Management and Cyber Security – 9**  
 Risk Rating – C2 (C2 March 2018)  
 Management Board Owner – Corporate Director (CF and CR)

Vulnerability	Trigger	Consequence
<p>The Council has been responsive to technology and has used it to shape the way services are delivered, to drive efficiency and improve productivity.</p> <p>With the increased use of technology and larger amounts of information stored comes an increase of the impact created through cyber security threats.</p> <p>It is essential that customer’s information, much of which is sensitive, is kept safe and that the Council ensures business continuity through strong management of its information and systems.</p> <p>The impact of changes in Data Protection legislation potentially impacts our ability to carry out services effectively and creates significant extra work for staff.</p> <p>The exit from the European Union, may impact on Data Protection legislation and the ability of the Council and its partners to manage and transfer personal data.</p>	<p>New Data Protection legislation commenced 25th May 2018, together with updates and ongoing guidance.</p> <p>Cyber attack            Hacking            Distributed Denial of service            Phishing/Spear Phishing            Ransomware            Emerging threats</p> <p>Information Security or Data Breach incident</p> <p>Loss of computer systems</p> <p>Loss of access to physical or digital information through emergency incident</p> <p>Staff do not manage data effectively</p>	<p>Loss of ability to deliver service/degradation in service</p> <p>Loss of reputation</p> <p>Enforcement from Information Commissioner’s Office with a potentially significant fines and reputational damage</p> <p>Inability to collect/payout money to customers</p> <p>Inability to share customer data with partners</p> <p>The Council cannot meet its requirements under the Data Protection legislation</p> <p>The Council is not able to adequately manage its information, which would then prevent it from being able to carry out services effectively.</p>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>security policies – regularly reviewed and updated</p> <p>External auditing and challenge on a regular basis against policies and systems as well as regular external penetration testing with action plans created</p> <p>Regular review of technical infrastructure, including firewalls, hardware and software</p> <p>PSN Compliance</p> <p>Training/education in cyber security for users</p> <p>6-weekly meeting of cyber-security sub-group to review all aspects of cyber-security</p> <p>Regular meta-compliance checks for all employees and members</p> <p>Project Plan to deliver and ensure ongoing management of Data Protection legislation.</p>	<p>Continued review of cyber security arrangements</p> <p>Raise awareness of information management and cyber security issues for all staff and members</p> <p>Review resourcing requirements around data protection and information management</p> <p>Targeted training</p> <p>Induction courses for new entrants</p> <p>Software kept up to date</p> <p>End of life hardware replaced as and when necessary</p>	<p>Corporate Director</p>	<p>Up to date Reviews</p> <p>Year on year improvements</p> <p>Number of articles published/ seminars delivered</p> <p>Training demand met</p> <p>New entrants on induction within 2 weeks of joining</p>	<p>Quarterly</p> <p>On completion of the forthcoming Office 365 implementation</p>		<p>Project Plan to deliver and ensure ongoing management of Data Protection legislation.</p>

**Strategic Investment - 10**

Risk rating C2 (C2 March 2018)

Management Board Owner – Corporate Director (JH)

Vulnerability	Trigger	Consequence
<p>The Council has identified capital investment as a key Corporate priority for the District and approved ring-fenced funding of £28m for the District Investment Strategy.</p> <p>Investment intervention is required to support planned housing and population growth in the District.</p> <p>The District Investment Strategy targets capital investments to support infrastructure improvements, with particular emphasis on: improved healthcare facilities, enhanced town centres, increased employment and business opportunities, improved highways infrastructure.</p> <p>Capital investments must make a positive financial return for BDC.</p> <p>Most of the identified investment opportunities require work with partners who may or may not have the same level of commitment to a project as BDC.</p> <p>Funding from other partners or government may not be available to support the action plan priorities.</p> <p>Changes in central government policy could result in BDC being unable to secure prudential borrowing at preferential rates to support investment.</p> <p>Brexit and other macroeconomic uncertainties may adversely affect BDC's ability to deliver financially viable capital investments: for example, increased construction costs, house price deflation, commercial rent deflation.</p> <p>Failure to secure planning consent on development projects.</p>	<p>Lack of investment in infrastructure acts as a barrier to required housing growth and reduces opportunities for businesses to grow.</p> <p>Inability to secure prudential borrowing at preferential interest rates.</p> <p>Prolonged period (&gt;six months) of house price deflation.</p> <p>Prolonged period (&gt;12 months) of commercial rent deflation.</p> <p>Above inflation increase in construction costs.</p> <p>Projects undeliverable due to refusal of planning consent.</p> <p>Failure to sell/lease newly developed properties.</p>	<ul style="list-style-type: none"> <li>• Lack of infrastructure could inhibit delivery of Local Plan housing numbers</li> <li>• Approved schemes already in development may not achieve required financial return</li> <li>• Potential for existing businesses/jobs relocating outside of District</li> <li>• Fewer new businesses/jobs being created</li> <li>• Falling Gross Value Added (GVA) in the District</li> <li>• Loss of revenue growth in Council Tax and Business Rates</li> </ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>£28m District Investment reserve approved and ring-fenced.</p> <p>All investment opportunities rely on cost/value advice provided by expert third party specialists.</p> <p>All investment opportunities appraised via industry-standard development software.</p> <p>Strong working relationship with Essex County Council, Haven Gateway, the South East Local Enterprise Partnership (LEP), Homes England on major projects and key priorities</p> <p>Early engagement with relevant BDC teams (Asset Management, Operations) to ensure early engagement on scheme design to ensure end product is lettable and fit-for-purpose.</p> <p>Procurement of appropriate architects and planning consultants for each scheme.</p> <p>Braintree Education and Skills board has been established and is progressing projects</p>	<p>Continual monitoring of costs and spend.</p> <p>Continued use of expert third parties to provide comprehensive cost estimates and advice of market trends.</p> <p>Consistent modelling to agreed financial parameters.</p> <p>Increased networking and promotion of BDC's investment aspirations with key external stakeholders and potential funders.</p> <p>Continue to source local and national funding sources which could provide grants for key projects.</p> <p>Implementation of timely, high-quality marketing strategies for all development projects.</p> <p>Early engagement with Planning Team and judicious use of the pre-application process.</p> <p>Continue to work with neighbouring authorities and businesses to support tourism</p> <p>Continuous review of business engagement programme to ensure it is meeting the requirements of businesses.</p>	<p>Chief Executive Corporate Director (JH)</p>	<p>Delivery of all projects approved via District Investment Strategy</p> <p>Delivery of all projects to budget and approved financial return</p> <p>Delivery of all projects to budget and approved financial return</p> <p>Leverage of third party funding to support BDC capital projects</p> <p>New Business start-ups</p> <p>Sale/letting of new properties at approved levels and to approved timescales.</p> <p>Achievement of detailed planning consent first time, every time.</p>	<p>Quarterly</p>		<p>Braintree Enterprise Centre Phase 2 projected to complete within approved budget and generate approved level of return.</p> <p>Consistent presentation of detailed costs to all BDC approval bodies. Close joint-working with Finance Team to model financial impact of all opportunities.</p> <p>Acquisition, training and implementation of 'Argus Developer' software.</p> <p>£250k ECC design grant secured on I-Construct and Manor Street projects.</p> <p>£4.95m DoT funding secured on Mill Slips project.</p> <p>Residential site included within Homes England's Accelerated Construction Programme.</p> <p>Procurement of expert commercial and property agents to advise on achievable values, marketing and sales rates.</p> <p>Detailed planning consent secured for Braintree Enterprise Centre Phase 2.</p>

<b>Draft Treasury Management Strategy Statement 2019/20</b>		<b>Agenda No: 12</b>
<b>Portfolio</b>	<b>Finance and Performance</b>	
<b>Corporate Priority:</b>	<b>A high performing organisation that delivers excellent and value for money services</b>	
<b>Report presented by:</b>	<b>Phil Myers, Financial Services Manager</b>	
<b>Report prepared by:</b>	<b>Phil Myers, Financial Services Manager</b>	
<b>Background Papers:</b>	<b>Public</b>	
None.	<b>Key Decision: No</b>	
<b>Executive Summary:</b>		
<p>1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's <i>Treasury Management in the Public Services: Code of Practice 2017 Edition</i> (the CIPFA Code) which requires the Council to approve a Treasury Management Strategy before the start of each financial year.</p> <p>2. The CIPFA Code recommends that all public service organisations maintains a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities. The following statements set out the Council's policy:</p> <ul style="list-style-type: none"> <li>• The Council defines its treasury management activities as the management of its investments and cash flows, its banking, money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.</li> <li>• The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.</li> <li>• The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.</li> </ul> <p>3. The manner in which the Council will seek to achieve its policies and objectives for treasury management are set out in a number of Treasury Management Practices (TMPs), along with supporting schedules. <b>Appendix A</b> to the report lists the TMPs</p>		

that are currently maintained by the In-house treasury management team.

4. 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 UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Council's treasury management strategy for 2019/20. Following the increase in Bank Rate to 0.75% in August 2018, the Council's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's Monetary Policy Committee has maintained expectations for slow and steady rate rises over the forecast horizon. The TMSS contains a more detailed economic and interest rate forecast set out in **Appendix B**.
5. Based on the Council's proposed capital programme and the recently announced District Investment Plan, forecasts have been developed which show an increasing requirement over the medium-term to borrow for capital purposes (as measured by the Capital Financing Requirement or CFR). Forecasts have also been made of the projected levels of usable reserves and working capital which provide the underlying resources available for investment. These are set out in Table 1 of the main report.
6. Whilst it is proposed to meet part of the increase in CFR through new prudential borrowing, the strategy also allows for a certain amount of internal borrowing, i.e. using cash held for another purpose to temporarily fund capital cash outflows. The main advantage of this strategy is that it both lowers exposure to external debt, and investment risks. This approach is based on the expectation that capital receipts will be generated from some of the Council's capital projects which will then be used to finance the expenditure incurred. The risk is that should the capital receipts not be realised when required the Council could be forced to borrow at a time which is less favourable. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years. Arlingclose will assist the Council with this 'cost of carry' and break-even analysis, and advise on the appropriate financing strategy.
7. As a comparison, an alternative strategy has been shown in the report adopting a 'liability benchmark' that shows the lowest risk level of future borrowing. This assumes that cash and investment balances are kept to a minimum level of £10million at each year-end to maintain sufficient liquidity. The result would be a lower borrowing in the future, but would require the Council to reduce its strategic investments in pooled funds (currently £18million is invested), which in turn would have an overall negative impact on the revenue account based on current interest rates and fund returns.
8. The Council's primary objectives for investment of cash balances are security, liquidity and then yield. In the continuing low interest rate environment, the Council's approach has been to diversify and lengthen its investment horizon, primarily through investment in a range of pooled funds (equity, property, and more recently diversified funds). Across the 2018/19 financial year it is expected that investment balances will average around £55million. In the medium-term these levels are



expected to reduce as the Council implements its capital investment plans, with the average reducing to around £40million per annum.

9. It is the Council's revenue reserves which must absorb any financial loss that might be incurred through a default on an investment. Over the medium term these reserves are forecast to be around £26million. The TMSS provides for a maximum limit of £5 million being lent to any individual financial institution or fund. In addition, aggregate limits for any group of funds under the same management organisation, along with an overall limit on pooled funds (the Council's long-term strategic investments) are included.
10. The TMSS also sets out a number of indicators or proposals to be used to manage the Council's exposure to treasury management risks, including security, interest rate exposure, the maturity structure of future borrowing, and the principal sums that can be invested for periods longer than a year.
11. Under the European Markets in Financial Instruments Directive (MiFID) the Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Corporate Director (Finance) believes this to be the most appropriate status.
12. The budget for investment income in 2019/20 is £0.996million, based on an average investment portfolio of £40.75million, which equates to an overall return of circa 2.4%. This comprises £825,000 of estimated dividend income from the Council's pooled funds (a return of 4.6%), and £171,000 of estimated interest from short-term investments (equivalent to a return of 0.75%). Interest on debt to be paid in 2019/20 and charged to the General Fund revenue account is estimated at £282,000, based on an average debt portfolio of £6million and average interest rate of 4.7%. A number of major projects are also expected to incur additional financing cost during 2019/20 of £387,000, which the Council is proposing to capitalise as development interest and which will form part of the overall project cost to be financed from either capital receipts and/ or long-term borrowing. The latter will be repaid from future commercial rental income. Estimated interest of £111,000 is also payable on assets acquired through lease type arrangements, the cost of which is budgeted within the relevant service.

### **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.**

<b>Financial:</b>	<p>The financial implications of the treasury management activities are set out in the tables and indicators contained in the TMSS. These show an increasing need for prudential borrowing in the future based on the Council's current investment plans, albeit this is reduced by using some internal borrowing on projects which are expected to generate future capital receipts.</p> <p>Investment income in 2019/20 is estimated to be £0.996million. This comprises £825,000 of estimated dividend income from the Council's pooled funds and £171,000 of estimated interest from short-term investments.</p> <p>Interest on debt charged to the General Fund revenue account in 2019/20 is estimated at £282,000. A number of major projects are also expected to incur additional financing cost during 2019/20 of £387,000, which the Council is proposing to capitalise as development interest and which will form part of the overall project cost to be financed from either capital receipts and/ or long-term borrowing. The latter will be repaid from future commercial rental income. Estimated interest of £111,000 is also payable on assets acquired through lease type arrangements, the cost of which is budgeted within the relevant service.</p>
<b>Legal:</b>	<p>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.</p>
<b>Safeguarding</b>	None
<b>Equalities/Diversity</b>	None
<b>Customer Impact:</b>	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
<b>Environment and Climate Change:</b>	None
<b>Consultation/Community Engagement:</b>	Consultation on the TMSS is via the Governance Committee prior to its consideration by Cabinet and Full Council.
<b>Risks:</b>	<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"> <li>* Security – ensuring investments are repaid and minimising the potential for loss through diversification.</li> <li>* 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.</li> <li>* Interest rate – limiting the negative impacts from variable interest rates, and refinancing risks of both debt and maturing investments.</li> </ul>
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## **Treasury Management Strategy Statement 2019/20**

### **1. Introduction**

- 1.1. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has invested substantial sums of money, and holds some legacy borrowing and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 1.2. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 1.3. Investments held for service purposes or for commercial profit are considered in the Council's Investment Strategy (which will form part of the Council's overall budget report for 2019/20).

### **2. Treasury Management Policy and Practices**

- 2.1. The CIPFA Code recommends that all public service organisations maintains a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities. The following statements set out the Council's policy:
  - The Council defines its treasury management activities as the management of its investments and cash flows, its banking, money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
  - The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
  - The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive

performance measurement techniques, within the context of effective risk management.

- 2.2. The manner in which the Council will seek to achieve its policies and objectives for treasury management are set out in a number of Treasury Management Practices (TMPs), along with supporting schedules – see **Appendix A** for a list of TMPs that are currently maintained by the In-house treasury management team.

### **3. External Context**

- 3.1. **Economic background:** The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Council's treasury management strategy for 2019/20.
- 3.2. UK Consumer Price Inflation (CPI) for October was up 2.4% year/year, slightly below the consensus forecast and broadly in line with the Bank of England's (BoE) November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little effect on consumer spending.
- 3.3. The rise in quarterly Gross Domestic Product (GDP) growth to 0.6% in Q3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in Q1. At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the BoE, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.
- 3.4. Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.
- 3.5. While US growth has slowed over 2018, the economy continues to perform robustly. The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the current 2.25%-2.50% in December. The Fed stated the strength of the US economy, expected to grow 3% in 2018, justified the

increase and that any future increases would come at a slower pace given concerns over slowing global growth.

- 3.6. **Credit outlook:** The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.
- 3.7. The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.
- 3.8. European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.
- 3.9. The European Commission announced in December a series of temporary measures it has started to implement in case the UK leaves the EU without a plan. The measures are aimed at limiting disruption in some key areas, such as finance, with some financial services regulations being recognised as equivalent to the EU's for one to two years.
- 3.10. **Interest rate forecast:** Following the increase in Bank Rate to 0.75% in August 2018, the Council's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.
- 3.11. The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. The possibility of a "no deal" Brexit still hangs over economic activity

and as such, the risks to the interest rate forecast are considered firmly to the downside.

3.12. Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose's interest rate projections, due to the strength of the US economy and the ECB's forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.7% and 2.2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.

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

3.14. For the purpose of setting the budget, it has been assumed that new short-term investments will be made at an average rate of 0.75%. The Council is currently using a project rate of 2.9% where new long-term borrowing may be implied.

#### 4. Local Context

4.1. The following table shows the actual and forecast balances derived from the Council's Balance Sheet that relate to its treasury management activities:

Table 1: Balance sheet summary and forecast

	31.3.18 Actual £m	31.3.19 Estimate £m	31.3.20 Forecast £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m
<b>Capital Financing Requirement (CFR)</b>	<b>8.79</b>	<b>12.37</b>	<b>30.36</b>	<b>26.97</b>	<b>21.56</b>	<b>18.53</b>
Less: Other debt liabilities	-3.86	-2.51	-2.20	-1.98	-1.92	-1.91
<b>Loan CFR</b>	<b>4.93</b>	<b>9.86</b>	<b>28.17</b>	<b>24.99</b>	<b>19.64</b>	<b>16.62</b>
Less: External borrowing	-6.00	-6.00	-18.16	-18.49	-18.21	-17.92
<b>Internal (-Over) Borrowing</b>	<b>-1.07</b>	<b>3.86</b>	<b>10.01</b>	<b>6.50</b>	<b>1.43</b>	<b>-1.30</b>
Less: Usable reserves	-38.16	-39.58	-37.97	-34.06	-34.25	-34.73
Less: Working capital	-2.11	1.31	2.01	1.69	1.37	1.03
<b>Investments</b>	<b>41.34</b>	<b>34.42</b>	<b>25.95</b>	<b>25.87</b>	<b>31.44</b>	<b>35.00</b>

4.2. 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. The Council has an increasing CFR due to its capital programme, which it is currently expecting to meet in part by increased external borrowing over the forecast period. However, this strategy is supplemented by keeping external borrowing and investments below their underlying levels, by also using what is referred to as 'internal borrowing'. The main advantage of this strategy is that it lowers exposure to external debt, and at the same time, lowers investment risks, including counterparty risk, supporting the principle that security is the primary objective. However, no strategy is risk free, and internal borrowing can only be a temporary arrangement as at some time in the future the cash being

used will be required. This approach is based on the expectation that capital receipts will be generated from a number of major projects which will then be used to finance the expenditure incurred. The risk is that should the capital receipts not be realised, the Council could be forced to borrow at a time which is less favourable to current conditions.

4.3. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 confirms that the Council expects to comply with this recommendation.

4.4. **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a 'liability benchmark' has been calculated showing the lowest risk level of future borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £10million at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

	31.3.20 Forecast £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m
<b>Loan CFR</b>	<b>28.17</b>	<b>24.99</b>	<b>19.64</b>	<b>16.62</b>
Less: Usable reserves	-37.97	-34.06	-34.25	-34.73
Less: Working capital	2.01	1.69	1.37	1.03
Plus: minimum investments	10.00	10.00	10.00	10.00
<b>Liability Benchmark</b>	<b>2.21</b>	<b>2.63</b>	<b>-3.23</b>	<b>-7.08</b>

4.5. This approach would minimise the level of external borrowing required over the medium-term, but would require the Council to reduce its strategic investments in pooled funds (currently £18million is invested), which in turn would have a negative impact on the revenue account.

4.6. The Corporate Director (Finance) will, within the limits approved by Council, have flexibility to adjust the balance between borrowing and investments to respond to changing circumstances.

## 5. **Borrowing Strategy**

5.1. The Council currently holds £6million of legacy debt incurred in March 2002, with a maturity date of March 2042, subject to lender options (see below). The balance sheet forecast in table 1 shows that the Council expects to increase its borrowing in 2019/20 and over the medium-term as it undertakes major capital investment. The Council may also borrow additional sums in any year to pre-fund future years' financing requirements, providing this does not exceed the authorised limit for borrowing.



- 5.2. **Objectives:** The Council's chief objective will be 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 a secondary objective.
- 5.3. **Strategy:** The Council's future borrowing strategy will 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.
- 5.4. By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term. This approach will be taken in the context that for the Council's investment programme a finance project rate of 2.9% has been assumed.
- 5.5. Alternatively, the Council may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 5.6. **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
- Public Works Loan Board (PWLB) and any successor body
  - any institution approved for investments (see below)
  - any other bank or building society authorised to operate in the UK
  - any other UK public sector body
- 5.7. **Other sources of debt finance:** In addition, capital finance may be raised by the leasing (or other similar financing) which is not classed as borrowing but treated as other debt liabilities.

- 5.8. **LOBOs:** The Council's current external borrowing is in the form of two loans of £3million each on LOBO (Lender's Option, Borrower's Option) terms, where the lender has six-monthly options to propose an increase in the interest rate, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. Whilst the Council understands that the lender is unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Currently it is not anticipated that any future borrowing will be on LOBO terms.
- 5.9. **Short-term and variable rate loans:** Whilst these may be used as part of any future borrowing, these loans leave the Council exposed to the risk of short-term interest rate rises and will therefore be subject to exposure limits reflected in a future financing strategy.
- 5.10. **Debt rescheduling:** The lender of the LOBOs may be prepared to negotiate premature redemption terms. The Council may take advantage of this where this is expected to lead to an overall cost saving and/ or a reduction in risk.

## 6. Investment Strategy

- 6.1. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the current year, the Council's investment balances are expected to average around £55million. In the medium-term these levels are expected to reduce as the Council implements its capital investment plans, with the annual average reducing to around £40million.
- 6.2. **Objectives:** The CIPFA Code requires 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.
- 6.3. **Negative interest rates:** If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

6.4. **Strategy:** Given the risk and very low returns from short-term unsecured bank investments, the Council will maintain its diversification towards higher yielding asset classes through longer-term investments. A portion of the Council's surplus cash will continue to be invested in short-term unsecured bank deposits, money market funds (MMFs), loans to other local authorities, and the UK Government via the Debt Management Office.

6.5. **IFRS9 Business model:** Under the new International Financial Reporting Standard (IFRS) 9, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, these investments will continue to be accounted for at amortised cost.

6.6. IFRS9 also requires the Council to account for changes in the fair value of its pooled fund investments, the result of which could have been to introduce significant volatility into the Council's budget setting. However, in November 2018, the Government issued regulations which will provide a statutory override mitigating the impact on the General Fund revenue account. These regulations will apply for a period of five years commencing from 1 April 2018.

6.7. **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Approved investment counterparties and limits

Counterparty or Credit Rating	Financial Institutions: Unsecured	Financial Institutions: Secured	Government	Registered Providers (Housing)
UK Government			£ unlimited 50 years	
UK Local Authorities			£5m per authority 5 years	
Supranational bodies with rating of at least AA+			£5m per body 25 years	
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, and Real	£5m per fund			

<b>Counterparty or Credit Rating</b>	<b>Financial Institutions: Unsecured</b>	<b>Financial Institutions: Secured</b>	<b>Government</b>	<b>Registered Providers (Housing)</b>
Estate Investment Funds				

This table must be read in conjunction with the notes below.

- 6.8. **Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. 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.
- 6.9. **Banks unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 6.10. **Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
- 6.11. **Government:** Loans, bonds and bills issued or guaranteed by the UK Government and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years. Also includes lending to other UK local authorities.
- 6.12. **Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated and as providers of public services, they retain the likelihood of receiving government support if needed.
- 6.13. **Money Market Funds/ Pooled funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus for some funds, 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 Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

- 6.14. **Bond, equity and property funds** offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
- 6.15. **Real estate investment trusts (REITs):** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- 6.16. **Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore normally be kept at/ around £1 million (net); although for specific cash flow purposes higher balances maybe held for short periods. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.
- 6.17. **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.
- 6.18. 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.

- 6.19. **Other information on the security of investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 6.20. In the event of deteriorating financial market conditions which is affecting the creditworthiness of all organisations that is not reflected in 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 invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.
- 6.21. **Investment limits:** The Council's revenue reserves available to cover investment losses are forecast to be circa £26 million on 31<sup>st</sup> March 2019. To protect the impact on these reserves in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of banks under the same ownership will be treated as a single organisation. Limits will also be placed on fund managers, foreign countries and industry sectors as shown in the table below.

Table 4: Investment limits

	<b>Cash limit</b>
Any single organisation/ fund, except the UK Central Government	£5m each
UK Central Government	unlimited
Any group of pooled funds under the same management organisation	£10m per manager
Pooled funds (held for the long-term)	£20m in total
Foreign countries (if not via pooled/ money market fund)	£5m per country
Registered providers and registered social landlords	£5m in total
Unsecured investments with building societies	£5m in total
Money market funds	£25m in total
Real estate investment trusts	£5m in total

6.22. **Liquidity management:** The Council prepares a medium-term cash flow forecast to determine the maximum period for which funds may 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 the Council's medium-term financial plan and cash flow forecast. A detailed in-year cash flow statement is maintained to manage short-term liquidity.

## **7. Treasury Management Indicators**

- 7.1. Exposure to treasury management risks is measured and managed using the following indicators.
- 7.2. **Security:** Exposure to credit risk is measured by monitoring the value-weighted average credit rating of the investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk. The target average credit rating adopted is to aim to maintain the Council's portfolio at an overall rating of at least A.
- 7.3. **Interest rate exposures:** This indicator is set to control the Council's exposure to interest rate risk. Whilst the Council has an anticipated increase in borrowing requirement, it still has a significant investment portfolio meaning that at present a 1% increase in rates would have a net beneficial impact on the Council.
- 7.4. Conversely, a 1% reduction in interest rates would have an overall negative impact due to a reduction in investment income. Therefore, the upper limit on the one-year revenue impact of a 1% fall in interest rates is £750,000.

- 7.5. The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates +/-1%.
- 7.6. **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. At present the only borrowing the Council has is its LOBO debt which means the earliest date of repayment could be within 12 months if the lender exercised their options at the first available date. The Council's medium-term plans imply new borrowing in future and at which point any future refinancing risks will be addressed.
- 7.7. **Principal sums invested for periods longer than a year:** 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 (excluding pooled funds which although being held for the long-term can still be accessed at relatively short notice). The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£10m	£8m	£5m

## 8. Related Matters

- 8.1. The CIPFA Code requires the Council to include the following in its treasury management strategy.
- 8.2. **Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits).
- 8.3. 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 the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 8.4. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
- 8.5. **Markets in Financial Instruments Directive (MiFID):** The Council has opted up to professional client status with its providers of financial services,



including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Corporate Director (Finance) believes this to be the most appropriate status.

## **9. Financial Implications**

9.1. The budget for investment income in 2019/20 is £0.996million, based on an average investment portfolio of £40.75million, which equates to an overall return of circa 2.4%. This comprises £825,000 of estimated dividend income from the Council's pooled funds (a return of 4.6%), and £171,000 of estimated interest from short-term investments (equivalent to a return of 0.75%). Interest on debt to be paid in 2019/20 and charged to the General Fund revenue account is estimated at £282,000, based on an average debt portfolio of £6million and average interest rate of 4.7%. A number of major projects are also expected to incur additional financing cost during 2019/20 of £387,000, which the Council is proposing to capitalise as development interest and which will form part of the overall project cost to be financed from either capital receipts and/ or long-term borrowing. The latter will be repaid from future commercial rental income. Estimated interest of £111,000 is also payable on assets acquired through lease type arrangements, the cost of which is budgeted within the relevant service. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

## **10. Other Options Considered**

10.1. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Corporate Director (Finance), having consulted the Cabinet Member for Finance and Performance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default;

		however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of new borrowing by increasing internal borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

## **Appendix A – Treasury Management Practices (TMPs)**

TMP1	Risk management
TMP2	Performance measurement
TMP3	Decision making and analysis
TMP4	Approved instruments, methods and techniques
TMP5	Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP6	Reporting requirements and management information arrangements
TMP7	Budgeting, accounting and audit arrangements
TMP8	Cash and cash flow management
TMP9	Money laundering
TMP10	Training and qualifications
TMP11	Use of external service providers
TMP12	Corporate governance

## Appendix B – Arlingclose Economic & Interest Rate Forecast December 2018

### Underlying assumptions:

- Our central interest rate forecasts are predicated on there being a transitional period following the UK's official exit from the EU.
- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider that: 1) tight labour markets will prompt inflationary pressure in the future, 2) ultra-low interest rates result in other economic problems, and 3) higher Bank Rate will be a more effective policy weapon if downside risks to growth crystallise.
- Both our projected outlook and the increase in the magnitude of political and economic risks facing the UK economy means we maintain the significant downside risks to our forecasts, despite the potential for slightly stronger growth next year as business investment rebounds should the EU Withdrawal Agreement be approved. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. We expect the Bank of England to hold at or reduce interest rates from current levels if Brexit risks materialise.
- The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in the middle quarters of 2018, but more recent data suggests the economy slowed markedly in Q4. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.
- Cost pressures are easing but inflation is forecast to remain above the Bank's 2% target through most of the forecast period. Lower oil prices have reduced inflationary pressure, but the tight labour market and decline in the value of sterling means inflation may remain above target for longer than expected.
- Global economic growth is slowing. Despite slower growth, the European Central Bank is conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. More recent US data has placed pressure on the Federal Reserve to reduce the pace of monetary tightening – previous hikes and heightened expectations will, however, slow economic growth.
- Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

## Forecast:

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon, but recent events around Brexit have dampened interest rate expectations. Our central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. The risks are weighted to the downside.
- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our central case that the UK will enter a transitional period following its EU exit in March 2019. However, our projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.17
<b>Arlingclose Central Case</b>	<b>0.75</b>	<b>0.75</b>	<b>1.00</b>	<b>1.00</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.13</b>
Downside risk	0.00	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-0.85
<b>3-mth money market rate</b>														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.17
<b>Arlingclose Central Case</b>	<b>0.90</b>	<b>0.95</b>	<b>1.10</b>	<b>1.30</b>	<b>1.40</b>	<b>1.40</b>	<b>1.40</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.27</b>
Downside risk	-0.20	-0.45	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.76
<b>1-yr money market rate</b>														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.33
<b>Arlingclose Central Case</b>	<b>1.15</b>	<b>1.25</b>	<b>1.35</b>	<b>1.50</b>	<b>1.70</b>	<b>1.60</b>	<b>1.50</b>	<b>1.40</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.40</b>
Downside risk	-0.35	-0.50	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.77
<b>5-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
<b>Arlingclose Central Case</b>	<b>1.15</b>	<b>1.25</b>	<b>1.35</b>	<b>1.50</b>	<b>1.50</b>	<b>1.40</b>	<b>1.35</b>	<b>1.35</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.33</b>
Downside risk	-0.50	-0.60	-0.65	-0.80	-0.80	-0.70	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.66
<b>10-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
<b>Arlingclose Central Case</b>	<b>1.50</b>	<b>1.65</b>	<b>1.70</b>	<b>1.80</b>	<b>1.80</b>	<b>1.75</b>	<b>1.75</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>
Downside risk	-0.55	-0.70	-0.70	-0.80	-0.80	-0.75	-0.75	-0.70	-0.70	-0.70	-0.70	-0.70	-0.70	-0.71
<b>20-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
<b>Arlingclose Central Case</b>	<b>2.00</b>	<b>2.10</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.18</b>
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
<b>50-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
<b>Arlingclose Central Case</b>	<b>1.90</b>	<b>1.95</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>1.99</b>
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%