

GOVERNANCE COMMITTEE AGENDA

Thursday, 29th June 2017 at 07:15 PM

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

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

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

Membership:-

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

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

N BEACH
Chief Executive

INFORMATION FOR MEMBERS - DECLARATIONS OF INTERESTS

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

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

Question Time

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

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

Health and Safety

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Documents

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PUBLIC SESSION		Page
1	Apologies for Absence	
2	Declarations of Interest To declare the existence and nature of any Disclosable Pecuniary Interest, other Pecuniary Interest or Non-Pecuniary Interest relating to items on the agenda having regard to the Code of Conduct for Members and having taken appropriate advice where necessary before the meeting.	
3	Public Question Time (See paragraph above)	
4	Minutes of the Previous Meeting To approve as a correct record the minutes of the meeting of the Governance Committee held on 22nd March 2017 (copy previously circulated).	
	<u>Monitoring and Finance</u>	
5	Key Financial Indicators – 31st May 2017	5 - 10
	<u>Audit and Governance</u>	
6	Internal Audit – Activity Report for the period to 12th June 2017	11 - 17
7	Internal Audit Annual Report 2016-2017	18 - 24
8	Corporate Operational Risks	25 - 50
9	Treasury Management Annual Report 2016-17	51 - 69
	<u>Committee Operation</u>	
10	Forward Look – Twelve months to June 2018	70 - 75

Standards

11 Monitoring Officer's Annual Report for 2016-17 **76 - 81**

12 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.

13 Exclusion of the Public and Press

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

At the time of compiling this agenda there were none.

PRIVATE SESSION

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14 Urgent Business - Private Session

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

Key Financial Indicators – 31st May 2017		Agenda No:5
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services Delivering better outcomes for residents and businesses and reducing costs to taxpayers	
Report presented by:	Trevor Wilson, Head of Finance	
Report prepared by:	Trevor Wilson, Head of Finance	
Background Papers:	Public Report	
Agenda item 10, Audit Panel 21st September 2006	Key Decision: No	
Executive Summary:		
<p>The attached schedule (Appendix A) of key financial indicators provides details of performance recorded for the financial year to 31st May 2017.</p> <p>Commentary:</p> <p>a) The net General Fund revenue budget for the year is £14.21million. The net expenditure incurred in the year to 31st May was £4.608million. This represents a positive variance of £68,000 compared to the profiled budget of £4.676million. The variance, at this early stage in the year, consists of an underspend on expenditure budgets of £52,000 and an over-achievement of income of £16,000.</p> <p>b) The total budget for Salaries for the year is £15.103million. Expenditure on salaries for the year to the end of May was £2.469million. This compares to a profiled budget of £2.525million. The positive variance of £56,000 is after allowing for £25,000 of the Efficiency Factor (£150,000 for the year).</p> <p>c) Expenditure on capital projects, to the end of May, was £0.765million against the Capital Programme of £7.902million. The main schemes on which expenditure has been incurred are: purchase of the head lease of 15 Springwood Drive (£0.498m), Disabled Facilities Grants (£0.089m); and remedial works at the Braintree Swimming & Fitness Centre (£0.067m).</p> <p>d) The total Council Tax collectable debit for the year is £83.19million. The collection rate as at the end of May is 21.4% (£17.8million collected), is the same as that collected for the same period last year.</p> <p>e) The total Business Rates (National Non-Domestic Rates) collectable debit for the year is £43.56million. The collection rate as at the end of May is 20.16% (£8.783million collected), which compares to a rate of 20.43% for the same period last year, a small reduction of 0.27%.</p>		

- f) A total of 131 write-offs of Council Tax, with a value of £2,208, have been authorised in the year to 31st May: 7 in respect of the current year and 124 in respect of previous financial years.
- g) A total of 23 write-offs of Business Rates, with a net value of £1,626, have been authorised in the year to 31st May: 2 in respect of the current year and 21 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 £3.327million, of which £1.44million was in respect of Housing Benefit overpayments. The target for 2017/18 is to reduce the debt outstanding, excluding Housing Benefit overpayments, Museum Trust debt and invoices raised in March in respect of 2018/19, to £600,000 or less as at 31st March 2018.
- i) The rate of return achieved on investment of the Council's balances and funds in the year to-date is 0.43%. This return was achieved on an average amount invested of £36.85million 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 31st May is £33,744; this is in respect of the investment placed with M & G Global Dividend Fund only. Dividends in respect of the other investments in Threadneedle, M & G (Extra Income Fund) and Schrodgers equity funds and the CCLA property fund are expected shortly for the first quarter. The market values of these pooled funds show an unrealised net increase in the principal sum of £1.822million as at 31st May 2017. These investments have been placed in the knowledge that their capital values will be subject to volatility but overall their trend has been positive over the medium term (i.e. over a minimum of 3 years).
- k) Detail of the Council's investments of surplus monies, totalling £50.43million and in pooled funds, totalling £15million, as at 31st May 2017, is provided at Appendix B.

Recommended Decision:

Members are asked to accept the report of the Key Financial Indicators as at 31st May 2017.

Purpose of Decision:

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

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

Financial:	The first assessment of the anticipated outturn for 2017/18 on the Council's revenue account will be undertaken as at the end of the first quarter, 30 th June 2017. Collection rate variances – Business rates is marginally lower than that achieved at the same period last year.
Legal:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	No direct impact but process of monitoring financial performance provides assurance of this element of the Council's governance arrangements.
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	Regular consideration of a suite of Financial Health Indicators is recommended good practice.
Officer Contact: Trevor Wilson	
Designation: Head of Finance	
Ext. No: 2801	
E-mail: Trevor.wilson@braintree.gov.uk	

Key Financial Indicators at 31st May 2017

APPENDIX A

	Full Year Budget 2017/18	Actual as at 31 May 2017	Promote to 31 May 2017	Variance from Profile	
	£'000	£'000	£'000	£'000	%
General Fund - Revenue (Controllable)	14,210	4,608	4,676	-68	-1.5%
Capital Programme (Excl. capital salaries incl. below)	7,902	765			
General Fund - Salaries	15,103	2,469	2,525	-56	-2.2%

	Full Year Target	Actual as at 31 May 2017	Actual as at 31 May 2016	Variance
Council Tax collection in year - %	98.20%	21.40%	21.40%	0.00%
Council Tax collection - income collected for year - £m	£83.19			£0.00
Write-offs in year (April to May) - £'000		£1	£2	-£1
Write-offs in year - (April to May) - number		7	10	-3
Write-offs all years (April to May) - £'000		£2	£24	-£21
Write-offs all years - (April to May) - number		131	146	-15
Business Rates collection in year - %	98.50%	20.16%	20.43%	-0.27%
Business Rates collected for year - £m	£43.56			£0.00
Write-offs in year (April to May) - £'000		£9	£1	£8
Write-offs in year - (April to May) - number		2	2	0
Write-offs all years (April to May) - £'000		£2	£38	-£36
Write-offs all years - (April to May) - number		23	23	0
Creditors - payment of invoices within 30 days of receipt	98.5%	99.7%	99.2%	0.52%

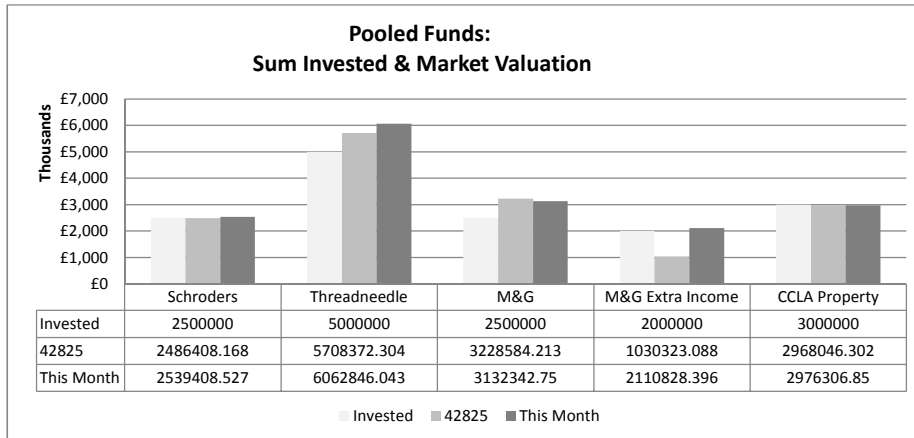
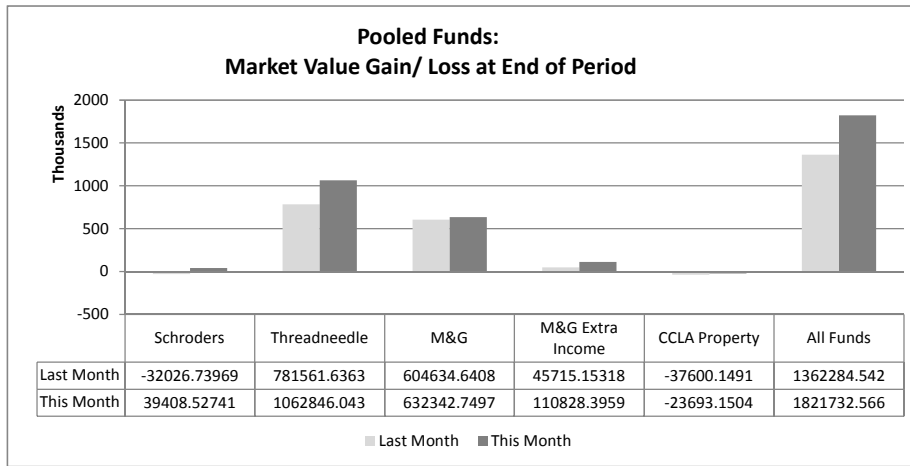
Debtors - Balance Outstanding	31-Mar-14	31-Mar-15	31-Mar-16	31-May-17	Variance Mar to May
	£'000	£'000	£'000	£'000	%
Service Level Agreement charges - principally Tabor Academy and residents of Twin Oaks, Stisted	239	334	319	277	-13.2
Capital Projects - currently - development site, east of High Street, Halstead	4	8	8	3	-62.5
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	24	37	143	43	-69.9
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	156	1	10	60	500.0
Development	24	257	271	149	-45.0
Finance	360	36	61	131	114.8
Leisure	258	234	169	224	32.5
Operations	484	984	288	924	220.8
Housing	113	89	77	76	-1.3
Sub-Total - excluding Hsg. Benefits	1,662	1,980	1,346	1,887	40.2
Housing Benefits	1,188	1,620	1,647	1,440	-12.6
Total	2,850	3,600	2,993	3,327	11.2
Target for 2016/17 is for Debt Outstanding (excluding Housing Benefits, Museum Trust debt, charging orders and large value invoices raised in final days of the month-end) to be £0.6million by 31 March 2017.			505	1,681	
Profile by Recovery Stage:					
Invoice	1,238	2,078	1,377	1,508	
Reminder	291	254	275	719	
Final Notice	348	198	190	-	
Pre-legal	453	424	338	472	
Enforcement Agent	446	406	426	252	
Tracing Agent	33	15	4	20	
Charging Order	41	35	23	32	
Attachment to Benefits		190	360	324	
Total	2,850	3,600	2,993	3,327	
Write-offs in month - value - £'000	-£0.3	£1.8	£1.6	£0.4	
Write-offs in month - number	19	35	23	11	
Write offs in year - value - £000	£8.3	£28.0	£20.0	£0.2	
Write-offs in year - number	386	492	245	23	

Progress on achieving Efficiency Savings Targets

The amount of the Efficiency Savings target included in the budget for 2017/18 is a net amount of £150,000. The underspend on salaries of £56,000, recorded above, is after offsetting £25,000 of the target.

INVESTMENT PORTFOLIO AS AT 31 MAY 2017

						Maturity Profile £m				
	£m	% rate	Type	Placed	Maturity	Liquid	Aug-17	Sep-17	Oct-17	Longer
UK Banks	7.43									
Santander Group										
Santander UK PLC	0.00	0.40%	Instant	Variable	Instant	0.00				
Santander UK PLC	3.00	0.45%	Fixed	13-Feb-17	14-Aug-17		3.00			
Lloyds TSB Group										
Lloyds Current Account	1.43	0.15%	Instant	Variable	Instant	1.43				
Bank of Scotland PLC	2.00	1.00%	Fixed	21-Sep-16	21-Sep-17			2.00		
Bank of Scotland PLC	1.00	1.00%	Fixed	1-Sep-16	1-Sep-17			1.00		
Barclays Bank PLC										
Barclays Bank PLC	0.00		Fixed							
UK Building Societies	4.00									
Nationwide Building Society	1.00	0.37%	Fixed	20-Feb-17	14-Aug-17		1.00			
Coventry Building Society	3.00	0.45%	Fixed	3-Apr-17	3-Oct-17				3.00	
Other Local Authorities	9.00									
Reading Council	3.00	0.42%	Fixed	15-Mar-17	20-Oct-17				3.00	
West Dunbartonshire Council	3.00	0.42%	Fixed	15-Mar-17	20-Oct-17				3.00	
Leeds City Council	3.00	0.40%	Fixed	3-Apr-17	29-Sep-17			3.00		
UK Debt Management Office	0.00									
Non UK Institutions	3.00									
Australia & New Zealand Banking Corp										
Landesbank Hessen-Thuringen	3.00	0.40%	Fixed	3-Mar-17	4-Sep-17			3.00		
	0.00		Fixed							
Money Market Funds	12.00									
Goldman Sachs	3.00	Variable	Instant	16-Nov-09	Instant	3.00				
Deutsche Sterling	0.00	Variable	Instant	4-Aug-10	Instant	0.00				
Standard Life Liquidity	5.00	Variable	Instant	4-Aug-10	Instant	5.00				
Royal London Cash Plus	4.00	Variable	Instant	15-May-15	Instant	4.00				
Pooled Funds	15.00									
CCLA Property Fund	3.00	Variable	Lterm	30-Oct-14	Lterm					3.00
Threadneedle UK Equity	5.00	Variable	Lterm	3-Nov-14	Lterm					5.00
M & G Global Dividend	2.50	Variable	Lterm	3-Nov-14	Lterm					2.50
M & G Extra Income Fund Sterling	2.00	Variable	Lterm	18-Oct-16	Lterm					2.00
Schroders Income Maximiser	2.50	Variable	Lterm	3-Nov-14	Lterm					2.50
	50.43					13.43	4.00	9.00	9.00	15.00



Internal Audit – Activity Report for the period to 12th June 2017		Agenda No:6
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Lesley Day, Audit Insurance and Fraud Manager	
Report prepared by:	Lesley Day, Audit Insurance and Fraud Manager	
Background Papers:	Public Report	
Internal Audit Assignments	Key Decision: No	
Executive Summary:		
<p>To provide Members with details and outcomes from the audit assignments completed during the period 11th March 2017 to 12th June 2017. This includes for each assignment:</p> <ul style="list-style-type: none"> • the key controls covered • number of recommended action points and their priority • audit opinion • brief details of the high priority recommendations (if applicable) <p>An update on the Reportable recommendations is also attached.</p>		
Recommended Decision:		
To accept the activity report for the period 11 th March 2017 to 12 th June 2017.		
Purpose of Decision:		
To advise Members of the audit assignments completed for the period 11 th March 2017 to 12 th June 2017.		

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

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

**INTERNAL AUDIT
COMPLETED ASSIGNMENTS to 12th JUNE 2017**

Type	Topic	Days Taken	Recommendations			Key Controls Covered	High Priority recommendations	Agreed Implementation date	Audit Opinion
			L	M	H				
2016/2017 Core System	Payroll	6	0			<ol style="list-style-type: none"> 1. All employees on the payroll are valid and are employed by the organisation. 2. Payments are made only for hours worked or allowable expenses. 3. Payroll costs and statutory or material voluntary deductions are properly calculated and in accordance with approved pay rates or staff contracts. 4. Payments to staff and other collecting bodies are correct. 5. Overpayment of salary is recovered. 			We are satisfied that reliance can be placed on the key controls as described.
Core System	Housing Benefits	8	0			<ol style="list-style-type: none"> 1. All benefit claims are captured and recorded in the system for processing 2. Benefit awarded is supported by a valid claim 3. Benefit awarded is correctly calculated 4. Payments are made only in respect of awarded benefits 5. Expenditure and payments are properly recorded 6. Overpaid benefit is properly recorded 7. There is adequate segregation in the assessment and payment process 8. Fraud & Corruption checklist 9. Information security management 10. Operational Risk Register reviewed 			We are satisfied that reliance can be placed on the key controls as described.

Non-core System	Choice Based Lettings	3	0	<ol style="list-style-type: none"> 1. The applicant meets the required criteria for registering on the scheme 2. Compliance with the bidding procedure 3. The criteria for allocating properties is being adhered to 4. Information is entered accurately on to the CBL software 			We are satisfied that reliance can be placed on the key controls as described.
Corporate	Councillor's Community Grant	3	0	<ol style="list-style-type: none"> 1. Applications fully completed 2. Approval of the Grants awarded in accordance with the scheme guidelines 3. The Councillors pages on the BDC website were updated with correct information regarding amount awarded and the relevant details 			We are satisfied that reliance can be placed on the key controls as described.
2017/2018 Non-core System	Dog Warden	4	0	<ol style="list-style-type: none"> 1. Expenditure is related, reasonable and approved 2. Correct fees received upon dog being claimed 3. Animal boarding licences are issued, inspection records completed and correct fees received 			We are satisfied that reliance can be placed on the key controls as described.
Non-core System	Town Hall	5	0	<ol style="list-style-type: none"> 1. Expenditure is related, reasonable and approved 2. All bookings have booking forms completed 3. The fees charges are correct 4. Invoices are raised correctly and promptly 			We are satisfied that reliance can be placed on the key controls as described.
Non-core System	Parks & Open Spaces	5	0	<ol style="list-style-type: none"> 1. Expenditure is related, reasonable and approved 2. The fees charged for Allotments are correct 3. The fees charged for Sports Pitches are correct 4. Application forms, PL certificates, Risk Assessments and payment where relevant are received for Special Events 			We are satisfied that reliance can be placed on the key controls as described.

Non-core System	Travel & Subsistence	3	0	<ol style="list-style-type: none"> 1. Claim forms are completed for all expenditure. 2. Claims made are reasonable and have supporting evidence i.e. receipts. 3. Claims made in accordance with the Travel & Subsistence guidelines. 4. Claims forms are kept securely with restricted access. 			We are satisfied that reliance can be placed on the key controls as described.
Non-core system	Petty Cash	3	0	<ol style="list-style-type: none"> 1. Floats are issued correctly and allocated to a named employee 2. Receipts are submitted for all petty cash claims 3. Expenditure on petty cash items is appropriate and approved by an authorised signatory 4. The end of year float reconciliation has been completed with no discrepancies identified 			We are satisfied that reliance can be placed on the key controls as described.
Non-core system	VAT	4	0	<ol style="list-style-type: none"> 1. Where VAT is payable all invoices/credit notes processed for payment have a valid VAT number 2. Sundry Debtor invoices and credit notes have been raised with the correct VAT element 3. Use of correct VAT indicators 4. VAT returns are completed correctly and within the appropriate time scales and documentation retained to support the return 			We are satisfied that reliance can be placed on the key controls as described.

Non-core system	Commercial Properties	10	1	<ol style="list-style-type: none"> 1. There is an Asset Management Plan in place 2. Acquisitions and disposal are authorised by Council in accordance with Financial Regulations 3. All negotiations in respect of leases are undertaken in accordance with legislations and best practise 4. References and credit checks are required for all new tenants 5. Revenues and Insurance Section are notified of changes to lease agreements 6. Insurance is in place for all council owned properties 7. Property rental values are regularly reconciled to invoices raised 8. Operational risk register reviewed 			We are satisfied that reliance can be placed on the key controls following implementation of the recommendation agreed in the Action Plan
Non-core System	Recycling	6	0	<ol style="list-style-type: none"> 1. Weighbridge tickets are produced for reconciliation purpose 2. Adequate market testing of best prices for the sale of recyclable items 3. Invoices are raised promptly for recycling charges 4. Invoices for recycling credits to ECC are raised promptly 5. Expenditure is related, reasonable and approved 			We are satisfied that reliance can be placed on the key controls as described.

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

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

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

Reportable Recommendations - Update

Area of review	Reported recommendations	Status
NNDR	Investigate and resolve the difference in property numbers between Civica and Valuation Office systems	Partially completed
Council Tax	Review Student exemptions on an annual basis	Implemented

There we no RIPA applications submitted for this period.

Internal Audit Annual Report 2016/2017		Agenda No:7
Portfolio Finance and Performance		
Corporate Outcome:		A high performing organisation that delivers excellent and value for money services
Report presented by:		Lesley Day, Audit, Insurance & Fraud Manager
Report prepared by:		Lesley Day, Audit, Insurance & Fraud Manager
Background Papers:		Public Report
Public Sector Internal Audit Standards		Key Decision: No
Executive Summary:		
<p>The Public Sector Internal Audit Standards requires that the Head of Internal Audit must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The annual audit opinion must conclude on the overall adequacy and effectiveness of the organisation's control environment.</p>		
Recommended Decision:		
To accept the Internal Audit annual report for 2016/2017.		
Purpose of Decision:		
To accept the Internal Audit annual report for 2016/2017 in support of the Annual Governance Statement.		

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

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

INTERNAL AUDIT

ANNUAL REPORT 2016/2017

Purpose

This is the annual report of the Head of Audit as required by the Public Sector Internal Audit Standards (PSIAS) for the period 1st April 2016 to 31st March 2017 and includes:

- the Head of Audit's opinion on the overall adequacy and effectiveness of the organisation's risk management systems, internal control and governance processes
- the delivery of the annual audit plan
- implementation of agreed actions

Background

Under the Local Government Act 1972 (s.151) and the Accounts and Audit (England) Regulations 2015 the Council has a responsibility to maintain an adequate and effective internal audit service. The Public Sector Internal Audit Standards requires that the Head of Internal Audit must deliver an annual internal audit opinion which can be used to inform and support the Council's Annual Governance Statement. The annual audit opinion must conclude on the overall adequacy and effectiveness of the organisation's control environment.

Public Sector Internal Audit Standards (PSIAS) came into effect on 1st April 2013 and replaced the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The PSIAS now form the proper practices for Internal Audit as required by the Accounts and Audit (England) Regulations 2015.

In September 2013, the Governance Committee:

- approved the adoption of the PSIAS
- approved the Internal Audit Charter
- noted that the management of Insurance, Risk, Benefit Fraud, Cashiers, Mail Room and Business Continuity is to remain the responsibility of the Audit Manager
- noted that the Audit Manager does not hold a professional qualification required by the Standards but does possess the knowledge, skills and competence to manage and deliver the service
- approved the Committee's functional reporting responsibilities

ANNUAL REPORT & OPINION

The role of the Internal Audit service

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the Council's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

I, as the Audit, Insurance and Fraud Manager, continue to report functionally to the Governance Committee and maintain organisational independence. There are no constraints placed upon me in respect of determining the overall audit coverage, audit methodology, the delivery of the audit plan or recommending actions for improvement or forming opinions on individual audit reports issued.

Internal Audit

During 2016/2017, there were changes to the staffing resources. The Senior Auditor retired in August 2016 whose post was filled by the Auditor following a recruitment process. Consequently the Auditors post was filled by a Trainee Audit Assistant.

The Audit, Insurance and Fraud Manager's time is also allocated to other responsibilities which accounts for 0.7 fte

An annual Audit Plan is produced in conjunction with a four-year rolling plan which is based on an assessment of the risks associated with each service / function / system and also takes into account the Council's strategic and operational risks.

The Audit Plan was divided into four categories as follows:

- Core systems and Income Streams
- Non-core systems
- Corporate
- Operational

In respect of core systems and non-core systems, a systems based approach is used to assess and evaluate the controls operating within each system and to provide an assurance of the adequacy of those controls. This approach may also apply to some topics within the corporate and operational category.

Upon completion of an assignment, any recommendations are discussed with the Service Unit Manager/Senior Manager and an Action Plan agreed.

Governance Committee

Reporting the work of Internal Audit to Governance Committee Members provides them with an opportunity to review and monitor the outputs of internal audit activity and gain assurance that the Council's internal audit function is fulfilling its statutory obligations. This process is an integral component of corporate governance.

An activity report is presented regularly to the Governance Committee which details:

- each assignment
- the number of recommendations
- key controls covered
- brief details of the high priority recommendations, if applicable
- audit opinion
- date of the follow-up review, if applicable

The Governance Committee is updated on the status of high priority recommendations as part of the activity reports. There were no high priority recommendations outstanding as at the end of the financial year.

Operational Risk Management

Operational Risks were reviewed by each Head of Service as part of their Business Plans for 2016/2017. There were 69 risks identified with 13 of them above the tolerance line which required an action plan in order to mitigate the risk. The Governance Committee received the report in June 2016.

Strategic Risk Management

The Risk Policy, Strategy and Implementation Plan were introduced in April 2006 which required a register of strategic risks i.e. those risks that may affect the ability of the Council to achieve its objectives, to be established.

The current Strategic Risk Register details the risks which have potential to impact on the delivery of the Corporate Strategy. The Register was reviewed once during 2016/17:

Agreed by Cabinet on 29th November 2016 - 9 risks with 7 above the tolerance line

The risks with a risk rating above the tolerance line have a Management Action Plan which is owned and monitored by a Corporate Director.

Regulation of Investigatory Powers Act (RIPA)

At the Audit Committee held on 8th January 2009 it was agreed that an annual report would be submitted by the RIPA Co-ordinating Officer detailing the use of surveillance for the financial year.

As the RIPA Co-ordinating Officer, I have received no applications for surveillance this year. Taking into account our past surveillance and subscriber information applications, it is doubtful that we will meet the new criteria or need JP approval however, the ability remains for the Authority to do so.

Information Security

An Information Security Policy (supported by 15 Codes of Practice) was adopted in July 2009.

The objectives of this Policy are to ensure that

- All users are aware of their responsibilities in relation to information security
- All property, equipment and information are appropriately protected
- The availability, integrity and confidentiality of information is maintained
- A high level of awareness exists of the need to comply with the measures contained in the policy.

Heads of Service and Corporate Director direct reports have signed a declaration that certain requirements of the Policy have been met and that there have been / have not been any known breaches of information security during 2016/2017. There have been 4 information security incidents:

- 3 malware incidents but no authority data was lost
- A letter was sent to the wrong address due to an error showing on a software system

Whistleblowing

I am responsible for carrying out investigations on behalf of the Head of Finance, the Councils' designated Whistleblowing Officer. During 2016/17 there were no instances of Whistleblowing reported.

Prevention of Money Laundering Procedures

No Suspicious Activity Reports were submitted by the Money Laundering Reporting Officer (Head of Finance) to the Serious Organised Crime Agency during the year.

Audit assignments undertaken during 2016/2017

	Completion of planned assignments	Completion of additional unplanned assignments
Core systems and Income Streams	100%	
Non-core systems	86%	2
Operational	100%	

We also carry out assignments and activities on Corporate subjects which, due to their nature, are impractical to count towards the annual overall target. eg, governance issues, ICT system security, NFI Data Matches etc.

Recommendations contained in Audit Assignments

Number of Audit Assignments	Low Priority	Medium Priority	High Priority
39	3	15	16

Overall Opinion

My opinion is based upon and restricted to the work that we have performed during the year.

In giving the opinion it should be noted that assurance can never be absolute and that the Internal Audit have not reviewed all risks and assurances relating to the Council's key business management, governance or service delivery processes during the year.

I concluded that my audit opinion is one of **adequate assurance** which means that there is a sound system of internal control adequately designed to meet the Council's objectives and, controls are generally being applied.

Lesley Day
Audit, Insurance & Fraud Manager
June 2017

Corporate Operational Risks		Agenda No:8
Portfolio Finance and Performance		
Corporate Outcome: A high performing organisation that delivers excellent and value for money services		
Report presented by: Lesley Day - Audit, Insurance & Fraud Manager		
Report prepared by: Lesley Day - Audit, Insurance & Fraud Manager		
Background Papers:		Public Report
Risk Policy, Strategy and Implementation Plan – Council 19th April 2006		Key Decision: No
Executive Summary:		
<p>Operational Risks are those risks which managers and staff are likely to encounter in the day-to-day work situations.</p> <p>On an annual basis, Heads of Service are requested to update their risk register which is then included in the Annual Business Plan for their service. The individual service's risk register is then amalgamated to form the Corporate Operational Risk Register. (Appendix 1)</p> <p>Prior to this update, there were 69 operational risks of which 13 were above the tolerance line which required an additional action plan to be produced and implemented. The current review has identified 75 operational risks of which 11 are above the tolerance line:</p>		
Operational Risks	No. of Risks	No. above Tolerance Line
Business Solutions	10	0
Operations	13	6
Environment, Leisure & Town Hall	13	2
Chief Executives	3	0
Governance	9	1
Finance	4	1
Community	1	1
HR/ODL	1	0
Sustainability	21	0
Total	75	11

Recommended Decision:

Members are asked to note the updated status of the Council's Corporate Operational Risks.

Purpose of Decision:

To demonstrate that the Council regularly updates the operational risks which may affect the achievement of service objectives and actively manages these as appropriate.

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

Financial:	Any financial implications are detailed within the individual service risks.
Legal:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	A robust Risk Management process is an important element of the Council's governance arrangements.
Officer Contact:	Lesley Day
Designation:	Audit, Insurance & Fraud Manager
Ext. No:	2821
E-mail:	lesley.day@braintree.gov.uk

BUSINESS SOLUTIONS

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Business Solutions	BS1	D2	D2	No	Total failure of IT systems *There is also risk of partial failure of systems, but the impact and likelihood would depend on the failure	Mains power/UPS failure Software / hardware failure Air conditioning failure Viruses Human error	Staff unable to work Reduction in customer service provision across the authority No access to information/loss of data Adverse PR

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Business Solutions	BS2	D3	D3	No	Failure of telephone system	Mains power/UPS failure Human error Loss of telephone line and other external actors Software/ hardware failure	No communications Reduction in customer service provision across the authority Impact on staff working

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Business Solutions	BS3	E3	E3	No	Website failure	Unavailability of hosted website Loss of ability to update website Hacking of website	Reduction in customer service Adverse PR Possible effect on income levels dependent on duration of loss

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Business Solutions	BS4	D2	D2	No	Data (IT) security breach	Loss/theft of data Security breach on laptops or removable media Insecure mail Hacking	Adverse PR and reputation of the Authority Legal proceedings

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Business Solutions	BS5	D2	D2	No	Out of hours lone working	Injury caused by accident, ill health or security breach	No security, possible fatality due to no contact with CSDO No emergency customer service

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Business Solutions	BS6	D2	D2	No	Building Security	Security breach	Confidential data loss due to security breach. Injury to lone worker

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Business Solutions	BS7	D2	D2	No	Resilience of staff resources	Staff sickness/Annual leave Resignations in small teams Resignation of key workers Reliance on Apprentices to provide resilience	Services not adequately resourced to meet deadlines Unable to provide support to key service areas

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Business Solutions	BS8	D3	D3	No	Data accuracy and quality	Inability to provide robust performance information Audit of performance indicator information	Incorrect performance information provided Unreliable management information

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Business Solutions	BS9	D3	D3	No	Relationship Management	Lack of communication between teams on support required throughout the year Lack of consultation	Not enough support provided for key projects Reduced customer satisfaction and performance Conflicting priorities

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Business Solutions	BS10	E2(new)	n/a	No	Availability of laptops in event of business continuity issue	Lack of ability to communicate, work, provide customers with statutory services	Reputational damage Productivity issues Loss of income Potential loss of data

OPERATIONS

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Operations	OP1	D3	C2	No	Loss of external income from trade waste.	Loss of customers i.e. cancellation of contracts.	Reduced income to the Council. Potential increase in cost to customers which may make us less competitive.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Operations	OP2	D2	D2	No	a) Rise in fuel and utility costs in excess of base budget. b) Fuel Drivers Strike or Fuel Blockade preventing delivery of fuel to site.	a) Increase in fuel prices and gas, electricity and water charges. b) Industrial action by trade unions.	a) Increase required in base budget otherwise unable to provide front line services. b) Fuel depletion affecting service delivery – potential non delivery of services.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Operations	OP3	D3	C2	Yes	Fluctuation in income received for glass recycle only.	Global market saturation. PRN's. Changes to legislation.	Gate fee/haulage may increase, resulting in reduction in income against proposed budgets. May have to stockpile glass, which will require additional storage facilities. Glass going to landfill (contrary to national and local targets). Negative customer perception and adverse PR.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Operations	OP4	D2	D2	No	Ability to maintain front-line services.	High levels of recurring or long-term sickness absence.	Increased pressure and stress on staff affects morale and motivation. Additional cost in having to recruit temporary staff. Failure to meet service standards.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Operations	OP5	D3	D2	No	Service continuity and resilience - capacity, skills, knowledge and experience.	Loss of key personnel arising from resignation, early retirement, long-term sick, maternity leave, etc.	Impact on ability to deliver services. Increased pressure on remaining staff. Ability to comply with statutory requirements and fulfil legal obligations.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Operations	OP6	C3	B3	No	Demand for allotments exceeds supply.	Increased demand from residents.	Inability to comply with statutory duty to provide allotments in the District.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Operations	OP7	D3	D2	No	Loss of external income from schools grounds maintenance service.	Market forces. SLA renewal and schools testing competitiveness of our service.	Loss of income. Staff and vehicle resource implications (redundancy).

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Operations	OP8	B2	C2	Yes	Loss of income from Markets.	Reduction in market traders. Current economic downturn. Adverse weather.	Loss of income. Affects prosperity of town centres. Reduction in customer satisfaction.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
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Street Scene & Parks Manager working with Economic Development Team to review and develop service and relationships as part of a wider town centre regeneration project.	Increase market traders and income through additional publicity and incentives to attract new traders onto markets	Street Scene & Parks Manager	Improved vitality and interest in markets. Increased footfall into town centres. Increased income.	Annually	March 2018	Markets under review by Economic Development (Stephen Wenlock).
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Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Operations	OP9	D3	D2	No	Loss of ground maintenance contract with Fusion.	Fusion terminate contract. We are unsuccessful in re-tendering for the contract.	Loss of income. Staff and vehicle resource implications (redundancy).

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Operations	OP10	C2	C2	Yes	Reduction in IAA funding from ECC.	ECC can no longer afford to fund the Agreement.	Significant financial impact on food waste service and ability to deliver this without a significant increase in base budget.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Some reductions built into base budget.	Refute/refuse any further revenue reduction by ECC as this will impact on service delivery.	P Partridge & Waste Operations Manager	Maintain same levels of funding from ECC.	Annually	March 2018	

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Operations	OP11	C2	D2	Yes	Continuation of vehicle maintenance service by RTR. Provision of narrow track & food waste vehicles 7888.	Default in performance of the contractor for whatever reason. Breakdown of existing 'specialist' vehicles, with no replacement vehicles available.	Major disruption to the refuse and recycling service. Failure to meet obligations in relation to Operator's licence. Potential for increased costs. Loss of service to some households.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Contract performance monitored at formal contract meetings (monthly & quarterly). Areas of poor performance discussed with RTR Directors.	Options study to be commissioned to assess how the fleet service should be procured after current contract expires in March 2019.	Commercial & Business Support Manager	Provision of well-maintained vehicles to deliver operational services.	Annually	March 2018	Developing performance action plan by end of March 2017 to address current service deficiencies.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Operations	OP12	C2	A2	Yes	New variable shared risk contract with Contractor. Market value of dry recycling will affect the gate fee being charged to BDC.	Market value of recyclable material during three year extension period of contract.	Increase/decrease in gate fees to BDC. Affect costs of the service to householders. Requirement to increase /decrease base budget.

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>Formal legal agreement issued to extend the existing Contract for further period of three years (from 1 April 2017 to 31 March 2020) with a break clause of 6 months on either side.</p> <p>Spread the risk by reducing the income due in 2016-2017 by 50% which will be repaid over the next two years.</p>	<p>Basket of indicators included in the Contract extension, to be reviewed every 3 months.</p> <p>Shared risk with Contractor.</p>	Commercial & Business Support Manager.	Minimised revenue cost for disposing of dry recyclable waste.	Annually	March 2018	Base budget adjusted to allow for agreed gate fee.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Operations	OP13	B2	N/A	Yes	New handling charges for taking co-mingled recycling to Contractor operated ECC Waste Transfer Station.	ECC imposes handling charges from April 2017.	Unbudgeted costs of £56k to be funded from revenue if we continue tipping at Contractors ECC Braintree Waste Transfer Station.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Various options for handling co-mingled recyclable waste including transferring this to BDC's part of the Cordons Farm site to manage and operate ourselves.	Options to mitigate impact to BDC to be reviewed in March 2016. Possible framework agreements for handling to be put in place with private waste management companies.	Waste Operations Manager/ Contract Development Manager	Minimise the impact of the proposed charge of £5.68 per tonne from ECC. (10000 tonnes annually.)	Annually	March 2018	Various meetings have taken place with ECC to review options of tonnage and waste handled at Cordons farm (including financial modelling of the options.)

ENVIRONMENT, LEISURE & THE TOWN HALL

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence	
Leisure Services	E1	A2	A2	Yes	The closure of Braintree swim centre for any prolonged period due to latent defects	Pool having to be shut for more than 5 days	Loss of service and credibility and financial consequences if unable to claim against the warrantees.	
Action/controls already in place		Required management action/control		Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Full repair scheduled to start on 27/02/17 for a 9 week closure period		Robust and transparent communication plan to inform customers of the closure period		Joby Humm Lee Crabb	All latent defects resolved by the end of this year	Monthly	Ongoing	Awaiting contract start date

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence	
Leisure	E2	B2	C3	Yes	Financial risk with the JUA negotiations breaking down with Ramsey and Tabor Academy	School failing to make further payments to BDC for JUA costs	BDC left with loss of income	
Action/controls already in place		Required management action/control		Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Meetings are underway with both the academies at Tabor and Ramsey to resolve the outstanding issues. At Ramsey we are looking to replace the JUA with a hirers agreement and with Tabor we are involving ECC to arbitrate		To maintain a dialogue with the two academies to ensure a successful outcome		Joby Humm Lee Crabb	Both JUA issues will be resolved by the start of the new academic year	Monthly	September 2017	Meetings organised with both academies this month

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Leisure Services	E3	E2	D2	No	The loss of the Leisure Contracts Manager for any significant period will place the service at risk with the loss of knowledge expertise.	The Leisure Contracts Manager being off for more than 4 weeks.	Possible service failure

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Housing and Pollution	E4	E2	E2	No	The possibility that we come across a large unknown contaminated land site that either belongs to BDC or is an "orphan Site".	Discovered whilst undertaking inspection regime	Bad reputation for organisation Unplanned expenditure of unknown value

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Pest Control	E5	C3	n/a	No	Demand for the service increases beyond the capability of the service. One pest officer unable to cope with demand or is off sick long term and adequate temporary arrangement is unable to be secured especially for commercial contracts.	Pest Officer sick leave	Loss of income Staff and vehicle resource implications Implication on fixed service costs and overheads Loss of business credibility

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Licensing	E6	E2	D3	No	Part of the legislation requires councils to advertise any increase in Hackney Carriage fees above £25. This Council has failed to do this in the past (but started doing so in 2012/13) and therefore the trade could ask for the repayment of old fees back as they have done in Colchester and Chelmsford. They can only go back 7 years.	The local trade becomes aware of what is happening elsewhere and decide to research if we advertised the increase in the fees.	Repayment of fees of £100,000

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Leisure	E7	F1	F1	No	Loss of life/severe disablement of a member of the public using BDC's leisure facilities	Death Disablement/severe injury Health & Safety procedures and assessments not completed and actioned upon	Investigation by HSE. Corporate Manslaughter Act may apply. Legal action / Public Liability Insurance claim. Possible uninsured fine. Adverse PR. Increased insurance premiums. Impact on business

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Sustainability	E8	C3	n/a	No	Financial risk with Uttlesford DC pulling out of the SLA which pays towards the salaries of members of the sustainability team	Uttlesford DC approach BDC wanting to terminate the SLA	BDC left with loss of income

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Housing and Pollution	E9	D2	n/a	No	Not meeting the requirement to inspect all HMO's in the district which have been flagged to exist and there is a fatality / serious incident	Serious incident in a HMO	Legal action Insurance claim Possible fine Adverse PR Impact on business

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Braintree Town Hall	BTH1 (new)	D2	N/A	No	High income dependency upon small number of customers.	One or more of significant customers leaves.	Immediate income deficit and delay whilst new customers are secured.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Braintree Town Hall	BTH2 (new)	E2	N/A	No	Safety of staff & customers, public and contents from fire, storm or flooding damage to the building but mitigated by maintenance, health, safety & security of the building.	Fire, storm, arson and theft	Threat to life. Insurance claim.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Braintree Town Hall	BTH3 (new)	D3	N/A	No	Staff lone working	Verbal or physical abuse of Town Hall staff lone working.	Physical or emotional harm.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Braintree Town Hall	BTH4 (new)	D3	N/A	No	Theft or Criminal damage – furniture/trust collection	Break in from targeted organised crime	Criminal Damage, loss of valuable assets

CHIEF EXECUTIVES

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Chief Executives	CE1	E2	E2	No	Staff absence due to long-term sickness & leaving organisation	Long-term sickness and staff leaving	Delivery of service would need to be-assessed. Should any of the 'wider' team be absent for any period of time, this would have a similar impact as CE team would have to pick up Directors' work.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Chief Executives	CE2	E2	E2	No	Loss of outside venue for civic event.	Bankruptcy, damage e.g. flood/fire, severe weather rendering venue inaccessible.	Event may need to be cancelled at the last minute. Loss of money, need to pay outside contractors

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Chief Executives	CE3	C3	C3	No	Instruction from central government to host and organise events e.g. Land Army presentation, Armed Forces Day, death of a senior national figure.	Contact from central government	Impact on staffing and financial resources

GOVERNANCE

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Governance	G1	D2	D2	No	Insufficient persons to resource elections, specifically Presiding Officers, Poll Clerks and Counters	Low level of expressions of interest	Failure to deliver an election with subsequent issue of an Election Petition Judicial intervention Adverse PR for authority Loss of public confidence in Democracy

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Governance	G2	E1	E1	No	Failure of printing of ballot papers and associated documentation	Failure of print suppliers	Failure to deliver an election with subsequent issue of an Election Petition Judicial intervention Adverse PR for authority Loss of public confidence in Democracy

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Governance	G3	D2	D2	No	Unable to achieve minimum statutory/legal requirements due to lack of skilled resources	Staff turnover levels Lack of skilled staff	Failure to deliver an election with subsequent issue of an Election Petition Judicial intervention Financial impact of obtaining short term cover and replacement staff Adverse PR

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Governance	G4	C3	C3	No	Printing of major committee reports such as Council and Cabinet leading to the non-delivery of the printed papers	Failures within print room or printing resources	Failure to deliver paper copies in a timely fashion Potential for additional cost from using local printers

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Governance	G5	E2	E2	No	Loss of meeting rooms in relation to a pre-booked meeting	Loss of room	Need to find alternative venue

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Governance	G6	D2	D2	No	Loss of IT resources – Election system Legal case management system Committee system	Loss of IT resources Loss of internet for Committee system	Reduced ability to function as a service Potential for missed deadlines and penalties resulting from this Key resources may be unavailable Where practical, paper alternatives are in existence however this is a risk we must manage and live with

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Governance	G7	D3	D2	No	Economic downturn – effect on number of house sales	Reduction in the number of land charge searches	Impact on base budget and MTFS Staffing impact

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Governance	G8	D2 (new)	n/a	No	Limited number of staff able to carry out the full Land Charges service which can impact on the service able to be delivered	Staff loss due to sickness, absence or leaving the authority	Impact on the property market in the District Impact on the Land Charges budget Impact on the staff remaining in the team

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence	
Governance	G9	C2	D2	Yes	Government proposals for HM Land Registry to be responsible for Land Charges register.	Although the Infrastructure Act is now in law this has yet to be implemented; implementation will trigger this risk.	Divide searches between HM Land Registry and local authorities.	
Action/controls already in place			Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Liaison established with Land Registry to maintain flow of information. Staff involved fully briefed with any information we receive.			Study proposed secondary legislation when released to assess opportunities and constraints. Opportunities fully investigated through better at business agenda.	Ian Hunt	Consideration of requirements in transition plan.	As appropriate when updates from government .	Transition plan to be produced by Land Registry; not available at this time.	Meeting held with Land Registry and email communication established. Regular staff briefings including with HR where appropriate.

FINANCE

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Financial Services	F1	D2	D2	No	The Council invests its surplus monies with financial institution and in pooled funds. The impact of the current economic climate on financial institutions makes the selection of a strong counterparty, with which to invest, crucial.	Failure of a counter party. Repayment from pooled fund required which would incur a loss.	Loss of the principal sum and/or interest due. Unplanned service cuts and/or use of balances. Decline in Council reputation.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Financial Services	F2	D2	D2	No	Payroll/HR system is shared with Colchester Borough and Epping Forest District Councils. The system is hosted therefore reliant on internet for access. The Council has 1 full-time officer responsible for running the payroll.	One of the other authorities inadvertently corrupts the system. Failure of the internet connection making the system unavailable for an extended period. Payroll officer resigns or is off sick for an extended period.	Staff and members not paid on time; Compensation claims if bank charges incurred by staff and members;

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
All services in Finance Department	F3	C2	C2	Yes	Maintaining the service and performance levels with reducing staff numbers	Staff leaving- including in advance of potential change e.g. implementation of Universal Credit.	All services in Finance Department

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Health and Wellbeing programme available to staff. Business Planning process and performance reviews. Sickness management policy. Endeavour to ensure resilience with cover arrangements - training	Review the management arrangements of the services currently managed by the Audit, Insurance & Risk Manager who intends to retire in March 2018 – confirmation in writing	Service Managers and Head of Finance	Service standards and performance maintained	Ongoing	October 2017 (budget process commences)	Information updates from DWP regarding the roll-out of Universal Credit shared in timely manner with staff.

available for staff. Staff kept informed - meetings and other communications with staff	awaited. Assess Housing Benefit staffing requirements during the phased introduction of Universal Credit and for the benefits service that the Council will continue to provide. Review delivery model of Payroll service Review the financial system administration cover required when current person is on 1 year sabbatical.					
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Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Procurement	F4 (new)	D2	N/a	No	Rebate income from the use of the Council's framework agreement is demand-led by UK local authorities	Local authorities do not use the framework agreements due for example to competition from other providers or reduction in spend. Reduced rebate income to cover in-year cost of the service will be met from reserve in first instance.	Once reserve exhausted members of the procurement hub will be asked to make up the shortfall. The financial pressures experienced by local authorities may mean the Hub members are unwilling to pay for the service and the Hub becomes unsustainable. The council has to make savings to meet the cost of retaining a procurement service.

COMMUNITY

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence		
Community Transport	CT1	C2	D2	Yes	Funding reductions in 2017/18 and 2018/19	Annual SLA with ECC a key funder. Significant funding reduction would threaten viability of current service.	<ul style="list-style-type: none"> Possible reduction in service. Review of options to generate income 		
Action/controls already in place			Required management action/control		Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Completion of Service review in 2016			Discussions with Essex County Council Reassessment of number of minibuses required Review of internal processes		J Albini	Report to Cabinet	On-going	Autumn 2017	

HR/ODL

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
HR & ODL	HR1	C3	C3	No	Corporate talent management and succession planning	Loss of skilled and experienced staff through ageing workforce. Increasing market competition	Deterioration in service standards and failures to deliver statutory duties and key services

SUSTAINABILITY

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
District Growth Projects	DGP1	D2	n/a	No	Tender prices for Braintree Enterprise Centre Phase 2 are unaffordable.	Return of tenders.	Scheme does not proceed or additional investment required.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
District Growth Projects	DGP2	D2	n/a	No	Failure to secure necessary funding to progress Millennium Way Slip Roads project.	Formal announcement of LGF3 outcomes.	Progress delivery through developing alternative investment options in close cooperation with Essex CC and Highways England.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
District Growth Projects	DGP3	D2	n/a	No	Successful rail franchisee doesn't include increased frequency/reliability on Braintree/Witham branch.	Completion of GRIP study.	Progress delivery through developing alternative investment options in close cooperation with franchisee, Network Rail and Essex CC.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
District Growth Projects	DGP4	D2	n/a	No	Failure to secure necessary land for Witham Enterprise Centre at Maltings Lane.	Lodge Farm Section 106 trigger date.	Inability to deliver planned Enterprise Centre on appropriate site.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
District Growth Projects	DGP5	D2	n/a	No	Manor Street Regeneration: <ul style="list-style-type: none"> Failure to secure viable end users. Increased scheme costs in excess of approved budget. 	Submission of planning application.	Financial viability affected. Approval for further investment required.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
District Growth Projects	DGP6	D3	n/a	No	Failure to secure approval to implement Housing Development Company business plan.	Cabinet (Q2 2017/18)	Aborted costs up to £130,000. Reduction in housing supply. Will need to undertake options appraisal for identified land.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
District Growth Projects	DGP7	D2	n/a	No	Failure to acquire Eastlink 120 employment site.	Sale to others.	Loss of significant investment opportunity. Loss of control over strategic employment site.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Asset Management	AM1	D3	C3	No	Decline in economic conditions	Higher voids, reduction in rental values and values realised in the disposal of surplus assets.	Reduction in revenue income, capital receipts and increase in costs.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Asset Management	AM2	D3	D3	No	Land East of High Street Site in Halstead not being sold.	Purchaser not proceeding or achieving a satisfactory planning consent.	If purchaser does not proceed then site re-marketed for residential development, leading to additional costs.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Asset Management	AM3	D2	n/a	No	Failure to release covenant attached to land off Springwood Drive where new business units under construction.	Beneficiaries of covenant do not agree terms for its release.	Construction could be forced to stop whilst matter resolved, resulting in significant financial claims from the contractor.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Asset Management	AM4	E2	n/a	No	Large investment properties being damaged or destroyed by an uninsured risk and BDC do not, in this situation, have insurance cover to reinstate the building or cover loss of rent.	Large investment properties damaged or destroyed by an uninsured risk e.g., terrorism	BDC would not receive the rental income from the property which would leave a large shortfall in its revenue budgets and BDC may not be in a position to fund the reinstatement of the asset which would mean the rental income is no longer available.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Asset Management	AM5	D2	n/a	No	Chapel Hill Site – failure to complete access agreement with landowner on acceptable terms.	Landowner does not agree agreement with acceptable terms.	Delay in ability to bring forward site for development. Significant abortive costs.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Asset Management	AM6	D2	n/a	No	Chapel Hill Site – failure to secure alternative site for Braintree Tennis Club.	Panfield Lane development does not proceed to required programme.	Delay in ability to bring forward site for development. Requirement to source a suitable alternative relocation option.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Asset Management	AM7	D3	n/a	No	Causeway House – failure to secure tenant(s) for surplus second floor accommodation.	No interest from market following professional marketing exercise.	Loss of income.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Economic Development	ED1	B3	D2	No	Ignite Business Enterprise doesn't deliver business start-up and job targets	Underperformance and/or failure to monitor adequately	Business start-up and job creation targets not achieved

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Economic Development	ED2	D2	N/A	No	Participants cannot be found for the business and skills board	Failure to secure the necessary quality and quantity of volunteers	Skills development in the District does not progress as planned.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Economic Development	ED3	D2	N/A	No	Superfast Essex fails to deliver anticipated superfast broadband coverage levels	<p>Technical solutions fail to deliver speeds that meet the Superfast threshold.</p> <p>Failure to appoint suitable contractor</p> <p>Failure to reach agreement with BDC for additional funding</p>	Braintree District is below government target and coverage levels elsewhere in Essex.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Housing Research & Development	HRD1	C3	C3	No	<p>Although the number of new homes is likely to be significant over the next Local Plan period, there are no large-scale developments with affordable homes currently on site. Delivery of over 100 homes for 2017/18 relies on the Crossman House site (purchased by Colne with funding from BDC) and Greenfields' developments (mainly in Kelvedon and Hatfield Peverel) Developers are becoming more and more likely to challenge the provision of affordable housing on the basis of viability. The implementation of the Housing and Planning Act is</p>	<ul style="list-style-type: none"> • General economic market conditions. • Government intervention (aimed at increasing housing numbers and increasing home ownership rates) reduces affordable housing numbers on development sites in the future. 	<ul style="list-style-type: none"> • Lower proportion of rented housing through s106 agreements on mainstream developments • Unable to meet homelessness need • Additional funding needed to secure temporary and/or permanent rented accommodation

					unpredictable but is likely to require starter homes in place of affordable rented housing.		
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Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Development Management and Planning Policy	DM2	D3	C3	No	Lowering in S.106 contributions & developers seeking to re-negotiate.	Change in government policies Reduction in number of applications. Continuing economic depression.	Reduction in number of affordable housing units provided. Reduction in finance for infrastructure.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Planning Policy	PP3	D2	D2	No	Government Policy changes as proposed in the White Paper and other documents	Changes in Government regulations mean changes to processes and policies internally.	Staffing impact. Time and resourcing impact of restructuring or redoing work to take account of the latest government position.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Development Management and Planning Policy	DM4	C3	N/a	No	Staff recruitment and retention is problematic due to the competition for experienced planners from the private sector and from other local planning authorities who can offer enhanced terms.	No single trigger, but job opportunities becoming available at other LPAs and in the private sector locally.	Loss of experienced planners means that the services have to find cover at short notice, via agency, which adds to short term costs

Treasury Management Annual Report 2016/17		Agenda No: 9
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Phil Myers, Financial Services Manager	
Report prepared by:	Phil Myers, Financial Services Manager	
Background Papers:	Public Report	
Treasury Management Strategy Statement 2016/17 Treasury Management Mid-Year Report 2016/17	Key Decision: No	
Executive Summary:		
<p>The Council's treasury management activities are regulated by statutory requirements and by a Code of Practice ("the Code") issued by the Chartered Institute of Public Finance (CIPFA).</p> <p>One of the key requirements of the Code is that, along with an annual strategy to be approved prior to the commencement of the financial year, and at least one mid-year report, the Council should also receive an annual report after the financial year-end.</p> <p>The Treasury Management Strategy Statement (TMSS) is approved annually by the Council in February as part of the overall Budget and Council Tax setting for the forthcoming financial year. The TMSS approved in February 2016, reflected the following circumstances:</p> <ul style="list-style-type: none"> • A fully funded capital programme, financed largely from capital receipts including those generated from arrangements with Greenfields Community Housing. • The availability of cash balances for investment – the forecast was that these would remain significant (circa average £46 million) and fairly stable over the medium term. • No new borrowing would be required other than via lease type arrangements for vehicles and plant. • Diversification and maintaining a longer-term view on investments to counter the risks associated with banking regulatory changes and other credit conditions. <p>The annual report includes an economic and market commentary of the year, highlighting those key issues which influenced treasury management activities, including the prolonged period of low interest rates. (See Section 3 of the report)</p>		

At the 31 March 2017, the Council had net investments of £38.920 million, consisting of mainly cash-backed revenue and capital reserves, an increase on that at 31 March 2016 of £2.754 million. Also reflected in this net amount is £8.147 million of balances and provisions for the Collection Fund i.e. monies collected as council tax and business rates, of which around 70% is held on behalf of the Government and the Major Precepting Bodies.

The Council's Capital Financing Requirement (or CFR) – a balance sheet measure of the Council's need to borrow for capital purposes – increased in the year by a net £701,000. This was comprised of an increase of £1.187 million as part of the capital spending for 2016/17, which was unfinanced and effectively met from internal borrowing, partially offset by a reduction of £486,000 as sums were set aside as repayment of past investment on "invest to save" projects and annual repayments of finance lease obligations. At 31 March 2017, the CFR was £9.130 million, compared to actual debt of £10.201 million. Excluding finance lease obligations and the liability relating to the match funding provided by Essex County Council for the Braintree Local Authority Mortgage Scheme, the underlying difference between borrowing and the CFR is £1.071 million – this historical over borrowing is reflected in the cash balances.

Total capital expenditure was higher than originally anticipated in the TMSS approved before the start of the year. In addition the mix of financing was also different with the main source being revenue and reserves. Both these factors are due to the addition of projects approved in-year as part of the District Investment Strategy (approved by Cabinet in May 2016) for which a key source of the funding is New Homes Bonus (held in reserves) and a portion of the unallocated General Fund balance.

The unfinanced capital expenditure related to the purchase of operational vehicles which in the past would have been leased. By utilising the Council's own cash, this results in an annual saving of around £50,000 in interest costs.

The Council approved borrowing limits within the TMSS, including an Operational limit of £11 million and an overall Authorised Limit of £25 million. Actual debt during 2016/17 was contained within these limits. In the coming months borrowing limits will be subject to review and potential increase as the Council considers reports on the setting up of a Housing Development Company and on the progress of the North Essex Garden Communities.

The TMSS contains the Council's Annual Investment Strategy (AIS) which is based on the key priorities of:

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

Only when these two priorities are met does the Council consider highest yield.

Cash balances managed during the year increased from that originally forecast – peaking at over £60 million before reducing back down, and averaging £51.75 million over the year. This was a result of re-profiling of capital programme spending, a revenue underspend (and overachievement of income) against budget, and a general increase in reserves, particularly those relating to capital which included £2.718 million being the Council's share of the growth element of the Community Housing and Investment Partnership (CHIP) Fund.

Funds have typically been placed with UK and Non-UK banks and building societies meeting the Council's definition of "highly credit rated", along with Pooled Funds and other Money Market Funds (MMFs), other local authorities, and the Debt Management Office (UK Government).

With the higher level of cash balances and following a review of performance, opportunity was taken to increase further the amount invested for the long-term in Pooled Funds with £2 million divided equally between the Threadneedle UK Equity Fund and a new M&G fund, the UK Income Distribution Fund, taking the overall amount invested in Pooled Funds to £14 million out of a total limit of £15 million.

Interest and dividend income of £785,000 was earned representing an overall return of 1.52% and £200,000 better than the original budget. This total includes dividends from the Pooled Funds amounting to £602,000, a return equivalent to 4.71%. The market value of the Pooled Funds, particularly where invested in equities, experienced significant gains over the year ending at 31 March 2017 with an overall market valuation of £15.422 million, a net unrealised gain of £1.422 million. This gain has no immediate impact on the Council's finances as changes in market valuations (+ or -) are only realised at the time investments are sold.

The Corporate Director for Finance is pleased to report that all treasury management activities undertaken during 2016/17 complied fully with the CIPFA Code of Practice and the Council's approved TMSS.

Recommended Decision:

To recommend to Cabinet acceptance of the Treasury Management Annual Report 2016/17 prior to its submission to Full Council.

Purpose of Decision:

The Council has adopted the CIPFA Code of Practice for Treasury Management in Public Services which requires that the Council receives an annual report on the treasury management function. This report is to be considered first by the Governance Committee in order to exercise its responsibility for scrutiny over treasury management activities. The report will then be considered by Cabinet before submission to Full Council with the benefit of any proposed changes or comments of the Governance Committee.

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

Financial:	No new financial implications – the report is a summary of activity during the year the outcome of which is reflected in the 2016/17 Outturn Financial position.
Legal:	The Council’s treasury management activities are subject to regulation by a number of professional codes, statutes, and related guidance. There are no new legal implications from this report.
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	No new risks introduced. The objective of the treasury management strategy and related activity is the management of risk.
Officer Contact: Phil Myers	
Designation: Financial Services Manager	
Ext. No: 2810	
E-mail: phimy@braintree.gov.uk	

Treasury Management Annual Report 2016/17

1. Background

- 1.1. The Council's treasury management activities are regulated by statutory requirements and by a Code of Practice ("the Code") issued by the Chartered Institute of Public Finance (CIPFA).
- 1.2. One of the key elements of the Code is that, along with an annual strategy to be approved prior to commencement of the financial year, the Council should receive at least one mid-year report and an annual report after the financial year-end.
- 1.3. The Council invests substantial sums of money and continues to hold legacy borrowing and is therefore exposed to a range of financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy.

2. Treasury Management Strategy Statement (TMSS)

2.1. The Treasury Management Strategy Statement (TMSS) is approved annually by the Council in February as part of the Budget and Council Tax Setting for the forthcoming financial year.

2.2. The TMSS approved in February 2016, reflected the following circumstances:

- A fully funded capital programme, financed largely from capital receipts including those generated from arrangements with Greenfields Community Housing (GCH).
- The availability of cash balances for investment – the forecast was that these would remain significant (circa average £46 million) and fairly stable over the medium-term.
- No new borrowing would be required other than via lease type arrangements for vehicles and plant.
- Diversification and maintaining a longer-term view on investments to counter credit risks and the continuing low interest rate environment.

3. External Context to the 2016/17 Financial Year

3.1. **Appendix A** provides an economic and market commentary covering the 2016/17 financial year written by Arlingclose, the Council's treasury management advisors.

3.2. In summary:

- An extraordinary twelve month period which defied expectations by the outcomes from the UK vote on continued membership of the European Union and the US presidential election. The financial markets have displayed significant volatility in a period of continued uncertainty.
- UK inflation increased spurred on by sharp falls in the Sterling exchange rate, and household, business and investor sentiment declined. The potential repercussions on economic growth were sufficiently severe to prompt the

Monetary Policy Committee (MPC) to cut the UK Bank Rate to 0.25% in August.

- In the end, economic activity remained fairly buoyant and Gross Domestic Product (GDP) grew in the latter three calendar quarters of 2016. Labour markets also proved resilient with unemployment dropping to its lowest level in 11 years.
- Following the referendum result, UK Government Gilt yields fell sharply across the maturity spectrum on the view that the Bank Rate would remain extremely low for the foreseeable future. Later in the year longer-dated yields moved higher back to almost pre-referendum levels.
- After an initial sharp drop in Quarter 2, followed by periods of significant volatility, by the year end equity markets had rallied with the FTSE-100 and FTSE All Share indices closing over 18% higher over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March.
- Money market rates remained low, particularly following the cut in the Bank Rate.

3.3. The table below summarises market interest rates during the financial year:

	Bank Rate	Overnight LIBID	7-day LIBID	1-MTH LIBID	3-MTH LIBID	6-MTH LIBID	12-MTH LIBID
Average	0.34	0.18	0.30	0.36	0.47	0.60	0.79
Maximum	0.50	0.43	0.55	0.80	0.72	0.83	1.04
Minimum	0.25	0.00	0.15	0.12	0.28	0.42	0.61
Spread	0.25	0.43	0.40	0.68	0.44	0.41	0.43

LIBID = London Interbank Bid Rate

4. Local Context

4.1. At the 31 March 2017, the Council had net investments of £38.920 million consisting of mainly cash-backed revenue and capital reserves, an increase on that at 31 March 2016 of £2.754 million. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves (revenue and capital) are the underlying resources available for investment. These factors and the year-on-year change are summarised in the following table:

Balance Sheet Summary

	31-Mar-16 Actual £m	2016/17 Movement £m	31-Mar-17 Actual £m
CFR	8.429	0.701	9.130
Less: Other Long-Term Liabilities	-4.527	0.326	-4.201
Borrowing CFR	3.902	1.027	4.929
External Borrowing	-6.000	0.000	-6.000
Borrowing in excess of CFR	-2.098	1.027	-1.071
Usable Reserves	-30.782	-6.499	-37.281
Collection Fund balances & provisions	-7.182	-0.965	-8.147
Working Capital	3.896	3.683	7.579
Investments	36.166	2.754	38.920

- 4.2. Whilst the CFR increased by a net £701,000 and no new borrowing was undertaken, the overall balance of investments still increased year-on-year mainly due to a higher level of capital reserves, including £2.718 million received in the year from GCH as the Council's share of the Community Housing and Investment Partnership (CHIP) Fund.
- 4.3. Over 20% of the cash available for investment relates to balances and provisions relating to the Collection Fund – i.e. monies collected as council tax and business rates of which around 70% is held on behalf of the Government and Major Precepting Bodies (Essex County Council, Essex Fire Authority, and the Police and Crime Commissioner).
- 4.4. Working capital comprises short-term debtors and creditors, as well as funds received in advance (e.g. capital contributions such as Section 106 Funds which have conditions attached). The net position is a reduction in cash available for investment as overall money is owed to the Council. The main reason for the increase in amounts owed to the Council relates to capital receipts generated via GCH which although higher than was originally expected, are not settled until after the year-end date of 31 March.

5. Capital Financing Requirement

5.1. The Capital Financing Requirement (CFR) is a balance sheet derived amount which measures the extent to which the Council has invested in capital but has not resourced it from internal resources (e.g. capital receipts from asset sales, grants etc.). It is therefore a measure of the amount of borrowing the authority could potentially justify as being required to meet its capital expenditure requirements. Actual borrowing may differ from the CFR, the circumstances of which should be understood.

5.2. The change in CFR is shown in the table below:

Movement in the Capital Financing Requirement

	2016/17 Actual £m
CFR at start of the year	8.429
Capital expenditure in the year	6.830
Resourced by:	
Capital receipts	(1.000)
Capital grants and contributions	(0.771)
Revenue and reserves	(3.872)
Sub-total resources applied	(5.643)
Unfinanced Capital Expenditure	1.187
Minimum Revenue Provision (MRP)	(0.486)
Net increase in CFR in the year	0.701
CFR at end of the year	9.130

5.3. The overall amount of capital expenditure was higher than that originally anticipated in the TMSS approved in February 2016 of £5.733 million. In addition, the mix of financing was also different with the main source being revenue and reserves reflecting the addition of projects approved under the Council’s District Investment Strategy (approved by Cabinet in May 2016) for which a key source of funding is New Homes Bonus (held in reserves) and a portion of the unallocated General Fund balances.

5.4. The net increase in CFR of £701,000 is a combination of mainly a reduction of £486,000 due to MRP (sums set aside from revenue to meet lease payments and to recover funds used on previous “invest to save” projects), increased by the unfinanced portion of capital expenditure incurred in the year amounting to £1.187 million (i.e. the difference between capital expenditure and resources applied). This unfinanced element of capital spending has effectively been funded by temporary internal borrowing utilising the Council’s own cash balances. This relates to the purchase of vehicles, which in the past would have been financed by using leasing from a third party. The approach adopted, approved by the Corporate Director for Finance, represents a change from the original TMSS and will result in annual interest savings to the Council of around £50,000 per annum over the life of the vehicles compared to that which would have been incurred by leasing.

5.5. The comparison of the CFR with actual debt is shown below:

CFR v Actual Borrowing and Other Long-Term Liabilities

	2016/17 Actual £m
Closing CFR	9.130
Actual Borrowing and Other Long Term Liabilities	10.201
Difference between actual debt and CFR	1.071

5.6. Whilst actual debt is greater than the CFR, over the last few years this gap has been reducing in line with the Council’s policy of utilising its cash balances for invest to save projects, rather than investing in banks and financial institutions. This approach has reduced exposure to the risks associated with invested funds and improved the overall rate of return on cash balances to the Council as projects have generated income and/ or reduced costs.

5.7. Taking account of the balance of investments at 31 March 2017, the Council’s net investment position is £31.132million meaning that the Council complies with the requirement that net borrowing should not exceed the CFR.

6. Borrowing and Finance Lease Liabilities

6.1. The following table shows the change in actual borrowing and other liabilities in the 2016/17 financial.

Changes in Borrowing and Other Long-Term Liabilities

	Borrowing	Finance Leases	Other Long-Term Liability	Total
	£m	£m	£m	£m
Balance 1 April 2016	6.000	3.526	1.000	10.526
Additions	-	-	-	0.000
Repayments	-	(0.325)	-	(0.325)
Balance 31 March 2017	6.000	3.201	1.000	10.201

- 6.2. Borrowing comprises two Lender's Option, Borrower's Option (LOBO) type market loans of £3 million each, which give the lender the option to vary the interest rate at six month intervals, subject to the Council then having the option to repay the loans without penalty. To date the lender has not sought to exercise this option – the loans currently run at an average interest rate of 4.7% and have 25 years remaining until maturity. The opportunity to redeem earlier (at a negotiated penalty) is kept under review.
- 6.3. Finance Lease Liabilities relate to the outstanding principal element of leases used to acquire property, vehicles, and plant. Annual payments are made to repay these liabilities over the lease term. Finance lease liabilities will be repaid over the lease terms giving the following repayment profile at 31 March 2017:

<u>Finance Lease Repayment Profile</u>	<u>31-Mar-17</u>
	<u>£m</u>
Not later than one year	0.340
Over one year but not later than five years	0.945
Later than five years	1.916
Total	3.201

- 6.4. Other Long-Term Liability relates to a loan from Essex County Council's as match funding towards the Braintree Local Authority Mortgage Scheme (LAMS). A deposit of £2 million was made to the LAMS provider (Lloyds Bank).
- 6.5. The Council approved borrowing limits within the TMSS, including an Operational limit to cover potential borrowing and other liabilities – the limit for 2016/17 was set at £11million. Actual debt could fluctuate around this limit. An Authorised limit was also set which could not be breached without prior Council approval. This limit was set at £25million for 2016/17. Actual debt was contained within these limits.
- 6.6. Borrowing limits will be subject to review and potential increase in the coming months as the Council considers reports on the setting up of a Housing Development Company and on the progress of the North Essex Garden Communities.

7. Investments

- 7.1. The TMSS includes the Annual Investment Strategy (AIS), approved by Council in accordance with statutory guidance issued by the Department for Communities and Local Government. The AIS sets out the parameters used by the Council when

selecting suitable counterparties for investment along with any limits on duration and amounts.

7.2. The AIS is based on investment priorities being:

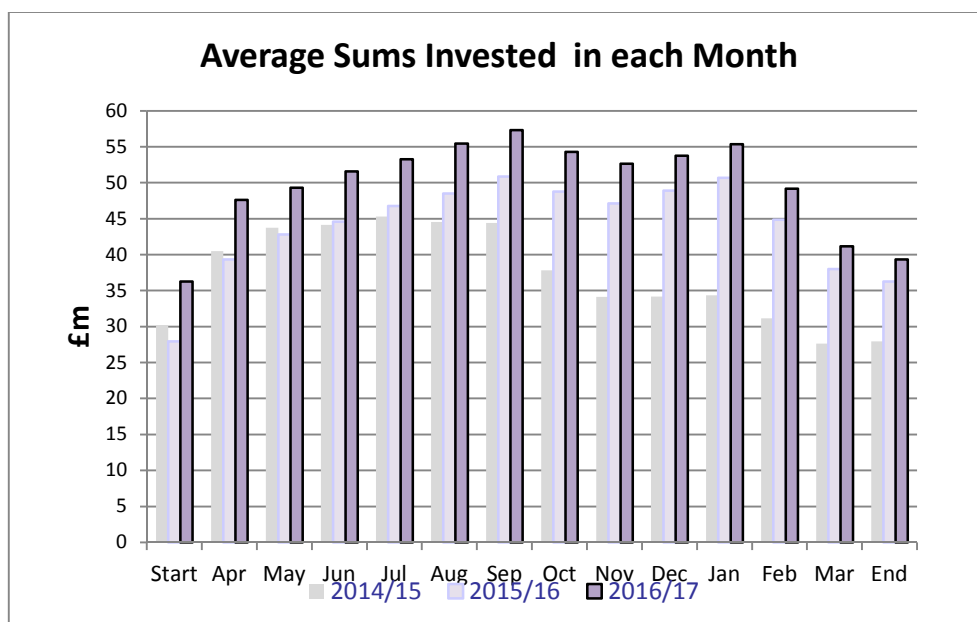
- Security – minimising the risk of cash not being repaid
- Liquidity - having cash available when it is required

7.3. Only when having ensured these two priorities are met is highest yield considered.

Cash Balances for Investment

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

7.5. Over the 2016/17 year, cash balances for investment averaged £51.75million (an increase on the previous year of £5.76million), and operated within a range of daily totals of between £36.27million and £60.23million:



7.6. Cash balances reflected a similar pattern as in previous years, with in-year cash flows boosting the overall amount available to invest short-term. At the 31 March cash balances were higher than at the start of the year by over £2.754 million.

Investment Policy

7.7. The investment policy sets the parameters over what types of investments will be used by the Council, what criteria potential counterparties must meet, and what limits (amounts/ duration) will be applied.

7.8. The policy was approved at Full Council in February 2016.

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

- Fixed term deposits with the major UK and non-UK banks and building societies, which met the Council’s criteria of “high credit quality”.
- Deposits on call or instant access accounts with major UK banks
- AAA rated Constant Net Asset Value (CNAV) Money Market Funds, where the value of principal invested is expected to remain constant – funds used are: Standard Life Liquidity, Deutsche Managed Sterling, and Goldman Sachs Asset Management.
- A Variable Net Asset Value (VNAV) Money Market Fund, where small fluctuations in the principal invested can occur – the fund used is with Royal London Asset Management
- Pooled Funds – equity and property funds (see paragraphs 7.15 to 7.18 below)
- Lending to other local authorities
- Direct with the UK Government via the Debt Management Office for short-term deposits to accommodate timing differences between receipt and payment of monies
- Lloyds Bank held in current accounts as the main banking services provider.

Investment Activity & Returns

7.10. The change in investment balances during 2016/17 is shown in the table below.

	Investments:			Balance 31/03/17 £m
	Balance 01/04/16 £m	Made £m	Matured/ Sold £m	
Long-Term Investments - Equity and Property Funds	12.000	2.000	-	14.000
Short-Term Investments				
UK Banks & Building Societies	12.000	6.000	(11.000)	7.000
Non UK Banks	-	6.000	(3.000)	3.000
Other Local Authorities	-	6.000	-	6.000
Debt Management Office	-	56.000	(56.000)	0.000
Money Market Funds – CNAV	7.500	22.000	(24.500)	5.000
Money Market Funds – VNAV	4.000	-	-	4.000
Sub-Total	23.500	96.000	(94.500)	25.000
Long and Short-Term Investments	35.500	98.000	(94.500)	39.000
Lloyds Bank current account	0.648			(0.095)
Impaired Deposit	0.018			0.015
Total Investment Balances	36.166			38.920

7.11. Interest and dividends earned on investments was £785,000 equating to an overall average rate of return of 1.52%. The return comprised the following:

	Average Invested during the year £m	Interest & Dividends £000	Annualised Return %
Long-Term Pooled Funds	12.792	602	4.71%
UK Banks & Building Societies	13.278	79	0.59%
Non-UK Banks	5.762	28	0.49%
Debt Management Office	1.752	3	0.19%
Other Local Authorities	0.279	1	0.42%
Money Market Funds – CNAV	12.440	43	0.34%
Money Market Funds – VNAV	4.000	25	0.64%
Lloyds Current Account	1.449	4	0.26%
Sub-Total Short-Term Investments	38.960	183	0.47%
Total	51.752	785	1.52%

7.12. Investment income was higher than the budget of £585,000 by £200,000 due to both cash balances being higher than originally anticipated and additional amounts being invested long-term. From the over achieved investment income £118,000 was added to the Treasury Management reserve, previously set-up to manage investment income risk.

7.13. The Council's best performing investments were its externally managed Pooled Funds. Returns on short-term investments continued to reflect the prevailing low interest rate environment.

7.14. The Council continues to recover funds from the insolvent Icelandic bank, Kaupthing, Singer and Friedlander, shown in investment balances as an impaired deposit. In 2016/17 the Council received a 14th dividend of £5,144 with a further dividend was expected in May 2017 of £9,260, taking the overall total recovered so far to 85.15p in the £.

Pooled Funds

7.15. The Council started the year with £12 million invested into four Pooled Funds achieving a greater diversified portfolio of underlying securities than the Council could individually manage at a reasonable price. These investments had been made on the basis that, if held for the medium-long term, they would offer the potential for enhanced returns whilst recognising there could be short-term volatility in their market pricing. The distributing share class was selected for each of the funds in order to receive regular income.

7.16. A further £2 million was added to these Pooled Funds during 2016/17 including opening a new fund with M&G, taking the total invested to £14 million, within an overall limit agreed by Council of £15 million. The position for each fund is shown in the table below:

Fund	Amount added in the year (date) £m	Total Invested 31/3/17 £m	Market Value 31/3/17 £m	Dividend Income £	Income Yield %
Schroder UK Income Maximiser: Seeks to provide income and capital growth with target income of 7% p.a. by investing in mainly UK equities	-	2.500	2.487	£165,564	6.62%
Threadneedle UK Equity Income: Steady growth in income and acceptable capital growth. Aims for a yield greater than 110% of the FTSE All Share	1.000 (1/12/16)	5.000	5.708	£195,044	3.80%
M&G Global Dividend Fund: Aims to: <ul style="list-style-type: none"> • Deliver an income stream that increases every year • Deliver a yield above that available from the MSCI All Countries World Index over any 5 year period • Deliver a higher total return over the MSCI All Countries World Index over any 5 year period 	-	2.500	3.229	£87,449	3.50%
M&G UK Income Distribution Fund: Aims to increase income distributions over time and targets a yield greater than the FTSE All-Share Index. The investment manager will also aim for capital growth.	1.000 0.500 (12/10/16) 0.500 (23/11/16)	1.000	1.030	£15,919	1.59%
CCLA Local Authorities Property Fund: Aims to provide long-term capital and income return. The fund must pay out the income it generates.	-	3.000	2.968	£137,945	3.47%
All Funds	2.000	14.000	15.422	£601,921	4.71%*

* Total Income yield on an annualised basis

7.17. At the end of the year the Pooled Funds had an overall market valuation of £15.422 million which represents a net unrealised gain of £1.422 million. This comprised three funds with a total positive market valuation of +£1.467 million and two with a total negative market valuation of -£45,000. Market valuations will fluctuate in response to changing market conditions and may vary between funds as each fund operates to its own stated objectives.

7.18. Following a recovery after initial sharp falls in Quarter 2, equity markets rallied. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31 March 2017, both up 18% over the year. Commercial property values fell by around 5% after the EU referendum but have mostly recovered by the end of March.

8. Credit Developments and Credit Risk Management

8.1 Counterparty credit quality was assessed and monitored with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP and share price. The minimum long-term counterparty credit rating set by the Council has been A- based on the three leading rating agencies: Fitch, Standard & Poor's (S&P), and Moody's. This is supplemented by other market intelligence.

8.2 Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's all have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.

8.3 None of the banks on the Council's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests.

8.4 The Council's counterparty credit quality has remained fairly consistent as demonstrated by the Credit Score Analysis¹ summarised below.

Quarter Ending	Value Weighted Average Credit Rating	Time Weighted Average Credit Rating	Average life of portfolio (days)
31/03/2016	A+	A	80
30/06/2016	A+	A	39
30/09/2016	A+	A+	54
31/12/2016	A+	A+	48
31/03/2017	AA-	AA-	129

8.5 The value and time weighted credit ratings are based on the following range of investment ratings:

AAA*	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
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* Highest credit rating achievable

¹ Excludes Pooled Funds which are not credit rated.

9. **Compliance Report**

9.1 The Corporate Director for Finance is pleased to report that all treasury management activities undertaken during 2016/17 complied fully with the CIPFA Code of Practice and the Council's approved TMSS.

10. **Treasury Management Advisors**

10.1 The Council has continued to employ Arlingclose as treasury management advisors. Regular communications and updates on related matters have been received by officers during the year and a strategy meeting held involving Members.

Appendix A – Economic and Market Commentary

Economic background: Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29th March 2017.

UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.

In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.

Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the International Labour Organisation (ILO) unemployment rate dropping to 4.7% in February, its lowest level in 11 years.

Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December 2016 and March 2017, taking the target range for official interest rates to between 0.75% and 1.00%.

Financial markets: Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, almost back at pre-referendum levels of 1.37% on 23rd June. 20- and 50-year gilt yields also rose in Q3 2017 to 1.76% and 1.70% respectively, however in Q4 yields remained flat at around 1.62% and 1.58% respectively.

After recovering from an initial sharp drop in Q2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996

respectively on 31st March, both up 18% over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March.

Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. 1- and 3-month LIBID rates averaged 0.36% and 0.47% respectively during 2016-17. Rates for 6- and 12-months increased between August and November, only to gradually fall back to August levels in March, they averaged 0.6% and 0.79% respectively during 2016-17.

Credit background: Various indicators of credit risk reacted negatively to the result of the referendum on the UK’s membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.

Fitch and Standard & Poor’s downgraded the UK’s sovereign rating to AA. Fitch, S&P and Moody’s have a negative outlook on the UK. Moody’s has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the ‘leave’ outcome.

None of the banks on the Council’s lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on banks’ financials as at 31st December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Authority’s treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local authority unsecured investments, in a stressed scenario.

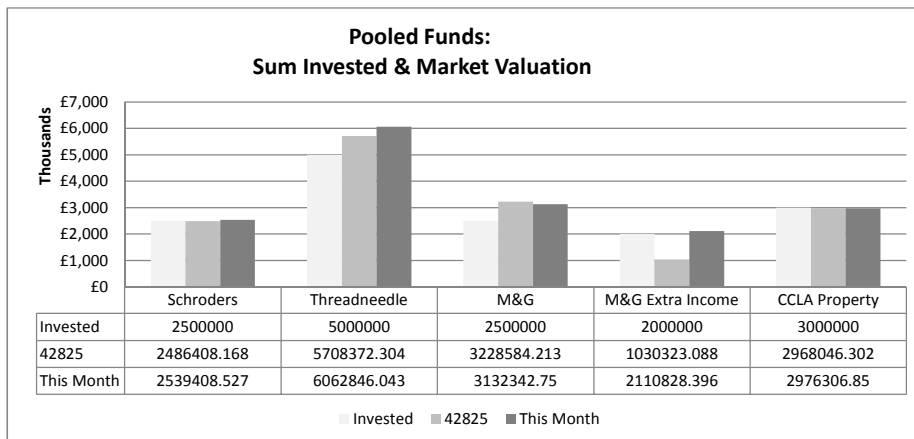
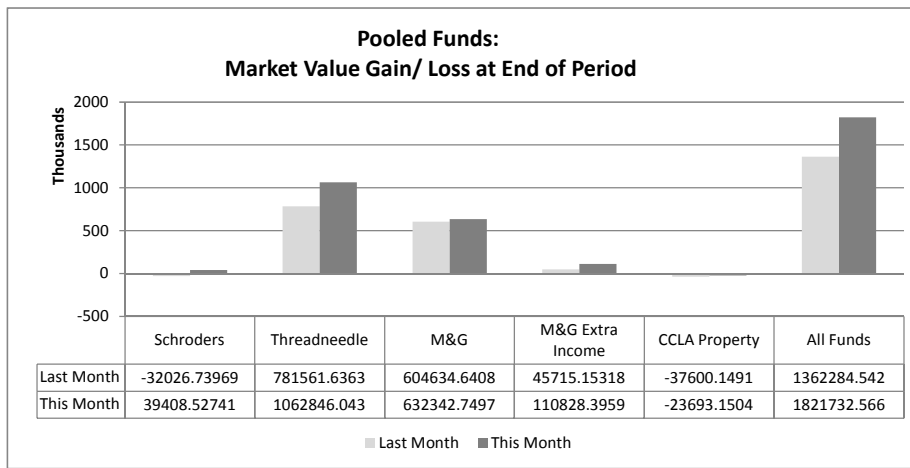
Money Market Data

Table: Bank Rate, Money Market Rates

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID
31/3/2017	0.25	0.10	0.24	0.26	0.38	0.47	0.65
Average	0.34	0.18	0.30	0.36	0.47	0.60	0.79
Maximum	0.50	0.43	0.55	0.80	0.72	0.83	1.04
Minimum	0.25	0.00	0.15	0.12	0.28	0.42	0.61
Spread	0.25	0.43	0.40	0.68	0.44	0.41	0.43

INVESTMENT PORTFOLIO AS AT 31 MAY 2017

						Maturity Profile £m				
	£m	% rate	Type	Placed	Maturity	Liquid	Aug-17	Sep-17	Oct-17	Longer
UK Banks	7.43									
Santander Group										
Santander UK PLC	0.00	0.40%	Instant	Variable	Instant	0.00				
Santander UK PLC	3.00	0.45%	Fixed	13-Feb-17	14-Aug-17		3.00			
Lloyds TSB Group										
Lloyds Current Account	1.43	0.15%	Instant	Variable	Instant	1.43				
Bank of Scotland PLC	2.00	1.00%	Fixed	21-Sep-16	21-Sep-17			2.00		
Bank of Scotland PLC	1.00	1.00%	Fixed	1-Sep-16	1-Sep-17			1.00		
Barclays Bank PLC										
Barclays Bank PLC	0.00		Fixed							
UK Building Societies	4.00									
Nationwide Building Society	1.00	0.37%	Fixed	20-Feb-17	14-Aug-17		1.00			
Coventry Building Society	3.00	0.45%	Fixed	3-Apr-17	3-Oct-17				3.00	
Other Local Authorities	9.00									
Reading Council	3.00	0.42%	Fixed	15-Mar-17	20-Oct-17				3.00	
West Dunbartonshire Council	3.00	0.42%	Fixed	15-Mar-17	20-Oct-17				3.00	
Leeds City Council	3.00	0.40%	Fixed	3-Apr-17	29-Sep-17			3.00		
UK Debt Management Office	0.00									
Non UK Institutions	3.00									
Australia & New Zealand Banking Corp										
Landesbank Hessen-Thuringen	3.00	0.40%	Fixed	3-Mar-17	4-Sep-17			3.00		
	0.00		Fixed							
Money Market Funds	12.00									
Goldman Sachs	3.00	Variable	Instant	16-Nov-09	Instant	3.00				
Deutsche Sterling	0.00	Variable	Instant	4-Aug-10	Instant	0.00				
Standard Life Liquidity	5.00	Variable	Instant	4-Aug-10	Instant	5.00				
Royal London Cash Plus	4.00	Variable	Instant	15-May-15	Instant	4.00				
Pooled Funds	15.00									
CCLA Property Fund	3.00	Variable	Lterm	30-Oct-14	Lterm					3.00
Threadneedle UK Equity	5.00	Variable	Lterm	3-Nov-14	Lterm					5.00
M & G Global Dividend	2.50	Variable	Lterm	3-Nov-14	Lterm					2.50
M & G Extra Income Fund Sterling	2.00	Variable	Lterm	18-Oct-16	Lterm					2.00
Schroders Income Maximiser	2.50	Variable	Lterm	3-Nov-14	Lterm					2.50
	50.43					13.43	4.00	9.00	9.00	15.00



Forward Look – Twelve months to June 2018		Agenda No:10
Portfolio:	Finance and Performance	
Corporate Outcome:	A high-performing organisation that delivers excellent and value-for-money services Delivering better outcomes for residents and businesses and reducing costs to taxpayers	
Report presented by:	Trevor Wilson, Head of Finance	
Report prepared by:	Trevor Wilson, Head of Finance	
Background Papers:	Public Report	
	Key Decision: No	
Executive Summary:		
<p>To present to Governance Committee the report schedule for the year with a brief summary of each report so that Members can see the routine audit and accounts business that will come before the Committee in each cycle together with the annual cycle of governance reports.</p> <p>There may be ad-hoc reports added, either at the request of Members, the external auditor or from officers, during the year.</p>		
Recommended Decision:		
Members are asked to note the report schedule for the next twelve-month period.		
Purpose of Decision:		
To agree the work and reports which will be undertaken and presented to the Governance Committee over the coming 12 months.		

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

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

Report Schedule

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

	Grant Claim Certification for year ended 31 st March 2017	To receive external auditors report.
	Draft Treasury Management Strategy 2018/19	To present the draft Treasury Management Strategy for 2017/18. The Governance Committee to review and make observations on the draft to the Cabinet, which will then present the Strategy to Full Council for approval in February 2017.
	Internal Audit Activity report	To present details of the completed audit assignments.
	Financial Indicators report	To present details of key financial indicators for the year to end of November 2017.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report advising of progress on projects, performance indicators and the forecast position on revenue spending and the capital programme.
	Risk Management – Strategic Risks Report	To provide a copy for information of the Cabinet Report on the Council's Strategic Risk Register which details significant business risks being monitored and managed by Management Board in line with the Council's Risk Management Strategy.
	Standards Annual Monitoring Officers Report on the Standards Framework	Report from the Head of Governance on the activity of the Standards Sub-Committee for 2017.
	External Auditor appointment for 2018/19 onwards	Results of Procurement exercise to appoint a new External Auditor for the 2018/19 audit onwards.
21st March 2018	Internal Audit Plan 2018/19	To present the Internal Audit Plan for the 2018/19.
	External Audit Work Plan	To receive the audit work plan from the Council's external auditor.
	Internal Audit Activity report	To present details of the completed audit assignments.

	Internal Audit Annual Report	To present the Annual Report on Internal Audit for 2017/18.
	Governance Committee Annual Report	To consider and approve the Committee's Annual report for 2017/18 to be presented to full Council.
	Governance Committee self-assessment	For members to undertake an evaluation of the Committee's effectiveness and identify any training needs.
	Effectiveness of the Internal Audit function report	Outcome of the external quality assessment on the effectiveness of the Council's Internal Audit function.
	Financial Indicators report	To present details of key financial indicators for the year to end of February 2018.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report advising of progress on projects, performance indicators and the forecast position on revenue spending and the capital programme.
	Annual Governance Statement 2017/18	To present for approval the Annual Governance Statement for incorporation in the Statement of Accounts. Regulation 6 (1) of the Accounts and Audit Regulations 2015 requires "The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk".
25th July 2018	Receipt of the Statement of Accounts for 2017/18 together with the External Auditor's Final report to Governance Committee	To consider and approve the Statement of Accounts for 2017/18, which will have been subject to external audit. The draft Statement of Accounts is due to be certified by Corporate Director, by 31 st May 2018. The external auditor's report provides a summary of the work the external auditor has carried out during their audit of accounts. The conclusions they have reached and the recommendations they have made to discharge their statutory audit

		responsibilities are reported to those charged with governance at the time they are considering the financial statements. In preparing their report, the Code of Audit Practice requires them to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 ‘Communication of Audit Matters to Those Charged With Governance’.
	Financial Indicators report	To present details of key financial indicators for the year to end of June 2018.
	Risk Management – Operational Risks & Information Asset Risks	Details of the annual review of the Council’s Operational Risks and Information Asset Risks.
	Risk Management – Strategic Risks Report	To provide a copy for information of the Cabinet Report on the Council’s Strategic Risk Register which details significant business risks being monitored and managed by Management Board in line with the Council’s Risk Management Strategy.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report advising of progress on projects, performance indicators and the forecast position on revenue spending and the capital programme.
	Treasury Management Strategy	To present a year-end report on the delivery and performance of the Treasury Management Strategy for 2017/18.
	Standards Annual Monitoring Officers Report on the Standards Framework	Report from the Head of Governance on the activity of the Standards Sub-Committee for 2017/18.

Monitoring Officer's Annual Report for 2016/17		Agenda No:11
Portfolio	Corporate Services and Asset Management	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Ian Hunt, Monitoring Officer	
Report prepared by:	Emma Wisbey, Deputy Monitoring Officer	
Background Papers:	Public Report	
Chapter 1 of the Constitution – Article 10 (paragraph 4.4.2)	Key Decision: No	
Executive Summary:		
<p>This report provides Members with an update on the functioning of the Member Standards Framework for the period 2016/17.</p> <p>The Monitoring Officer is the proper officer for the discharge of the Council's functions under the Localism Act 2011, including the assessment and determination of complaints made in respect of the Code of Conduct as adopted by Braintree District Council and the Code of Conducts as adopted by all Parish and Town Councils in the Braintree District.</p>		
Recommended Decision:		
Members are requested to note the Annual Report for 2016/17.		
Purpose of Decision:		
To comply with provisions Article 10, Chapter 1 of the Council's Constitution.		

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

Financial:	None arising out of this report.
Legal:	None arising out of this report.
Safeguarding:	None arising out of this report.
Equalities/Diversity:	None arising out of this report.
Customer Impact:	None arising out of this report.
Environment and Climate Change:	None arising out of this report.
Consultation/Community Engagement:	None arising out of this report.
Risks:	None arising out of this report.
Officer Contact: Emma Wisbey	
Designation: Deputy Monitoring Officer	
Ext. No: 2610	
E-mail: emma.wisbey@braintree.gov.uk	

1. Introduction

This is the Annual Report of Braintree District Council's Monitoring Officer and covers the period from 1st April 2016 to 31st March 2017. This report reviews the functioning of the Standards Framework in 2016/17.

This Annual Report is produced in compliance with Article 10 of Chapter 1 of the Council's Constitution.

The Monitoring Officer is Ian Hunt, Head of Governance. Ian Hunt appointed Emma Wisbey, Governance and Member Manager, as his Deputy Monitoring Officer.

2. Complaints received by the Monitoring Officer.

The Monitoring Officer is the Proper Officer for receiving complaints in respect of Member conduct. This includes the conduct of District, Parish and Town Councillors.

From 1 July 2012 the Council was required by the Localism Act 2011 to have in place "Arrangements" for dealing with allegations that Councillors had failed to comply with the Code of Conduct and also to investigate and determine those allegations. Those arrangements are published on the [Council's website](#).

Complaints which relate to the failure to declare a Disclosable Pecuniary Interest, or a breach of a Councillor's requirement to register interests are referred to Essex Police. These matters are criminal offences under the Localism Act 2011 and the Monitoring Officer and the Council has no jurisdiction to consider these.

The main theme in respect of the contact not resulting in complaints has remained in relation to supporting Members to make appropriate declarations under the Code of Conduct in a prospective way, with a number of queries (principally by Parishes) following meetings where concerns were raised as to the appropriateness of declarations. The majority of contacts were advice sought about complaints related to decisions of the Parish where individuals were unhappy; this is not a "Code" matter as it is not about individual behaviours. Another theme relates to concerns relating to the private actions of Councillors; this includes neighbour disputes and private property matters.

2.1 Complaints received by the Monitoring Officer

During the year 2016/17, the Monitoring Officer received 4 formal complaints. The complaints and the outcomes are summarised below.

The assessment of complaints is treated confidentially by the Monitoring Officer and therefore it is not appropriate to publish details of the complaints. However, to give an understanding of the matters received by the Monitoring Officer anonymised data has been provided below.

Complaint 1 (May 2016)

Complaint by a member of the public against a Parish Council.

Outcome: No action by the Monitoring Officer – Out of Jurisdiction. The complaint was in respect of the decision making of the Parish Council and not the conduct of an individual Parish Councillor.

Complaint 2 (August 2016)

Complaint by a member of the public against two Parish Councillors.

Outcome: No action was taken by the Monitoring Officer in respect of one Parish Councillor as they had resigned from the Parish Council during the Monitoring Officer's consideration of the complaint and therefore no longer subject to the Code of Conduct and the jurisdiction of the Localism Act 2011 and the Monitoring Officer.

No action was taken by the Monitoring Officer in respect of the second Parish Councillor. Initial assessment of the complaint determined that there was no evidence of potential breach of the Code of Conduct.

Complaint 3 (February 2017)

Complaint by a member of the public against a Parish Councillor.

Outcome: No action was taken by the Monitoring Officer - Parish Councillor resigned from the Parish Council during the Monitoring Officer's consideration of the complaint and therefore no longer subject to the Code of Conduct and the jurisdiction of the Localism Act 2011 and the Monitoring Officer.

Complaint 4 (February 2017)

Complaint by a member of the public against a District Councillor.

Outcome: No action was taken by the Monitoring Officer. Initial assessment of the complaint determined that there was no evidence of potential breach of the Code of Conduct.

2.2 Referrals to the Standards Sub-Committee

The Monitoring Officer may refer any complaint to the Standards Sub-Committee for them to make the initial decision on whether or not to investigate the matter. For the year 2016/17 there has been no matters which required referral to the Standards Sub-Committee.

2.3 Referral to Essex Police

For the year 2016/17 there has been no referrals to Essex Police by the Monitoring Officer.

3. Applications for Dispensation against Member Interest

Section 33 of the Localism Act 2011 enables a Councillor (District and Parish/Town Councillor) to make a written request to the Proper Officer of the Authority to seek a dispensation relieving them from the restrictions as set out in Section 31(4) of the Act, namely the participation in discussion and the vote of matter in which they have declared a Disclosable Pecuniary Interest or in the case of a District Councillor a substantive Non-Pecuniary Interest

3.1 Applications by District Councillors

No applications for dispensation by District Councillors were made to the Monitoring Officer. All Member Interests have been managed by District Councillors by taking advice from the Monitoring Officer.

3.2 Applications by Parish Councillors.

Ridgewell Parish Council has delegated to the District Council's Monitoring Officer the function of the Proper Officer for the purpose of dispensations.

Applications were made and granted to the following Parish Councillors. The Dispensations granted are published with the respective Members' Register of Interests.

Councillor J Arthur

As Trustees of the Village Hall Trust, Councillor Arthur sought and was granted dispensation. The Dispensation is subject to limitations namely that the dispensation will last for the period the Parish Council is the Trustee of the Village Hall and in any event to last no more than 4 years from the date of the dispensation.

Councillor Ms J Lighthart

As Trustees of the Village Hall Trust, Councillor Ms Lighthart sought and was granted dispensation. The Dispensation is subject to limitations namely that the dispensation will last for the period the Parish Council is the Trustee of the Village Hall and in any event to last no more than 4 years from the date of the dispensation.

4 Registers of Interest

In accordance with the provisions of the Localism Act 2011, the Monitoring Officer is required to establish and maintain a Register of Interests for all

District Councillors. In addition to this, the Monitoring Officer is required to obtain and publish copies of all Registers of Interests for Parish/Town Councillors.

The Monitoring Officer discharges this function by publishing the Registers of Interests on the Council's website. Hard copies of the Registers are held by the Deputy Monitoring Officer.

Each District Councillor has their [own webpage page](#) which includes a tab for the Register of Interests and the Registers of Interests for Parish/Town Councillors are published as a single document on the [webpage for each of the Parish/Town Councils](#). The difference in approach in the publishing of the Registers is due to the number of Parish Councillors.

It is the responsibility of Councillors to ensure that their Registers of Interests remains up to date. To assist Councillors with this duty, periodic reminders were sent in 2016/17 to all District Councillors and the Parish Clerks to ensure compliance.

During 2016/17, there were no issues arising out of Councillors' Registers of Interests.