

GOVERNANCE COMMITTEE AGENDA

Wednesday, 24th October 2018 at 7:15pm

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

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

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

Membership:-

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

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

A WRIGHT
Chief Executive

INFORMATION FOR MEMBERS - DECLARATIONS OF INTERESTS

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

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

Question Time

The Agenda allows for a period of up to 30 minutes when members of the public can speak. Members of the public wishing to speak are requested to register by contacting the Governance and Members Team on 01376 552525 or email governance@braintree.gov.uk no later than 2 clear working days before the day of 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.

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Webcast and Audio Recording

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Documents

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

PUBLIC SESSION		Page
1	Apologies for Absence	
2	Minutes of the Previous Meeting To approve as a correct record the minutes of the meeting of the Governance Committee held on 25 th July 2018 (copy previously circulated).	
3	Public Question Time (See paragraph above)	
4	Declarations of Interest To declare the existence and nature of any Disclosable Pecuniary Interest, other Pecuniary Interest or Non-Pecuniary Interest relating to items on the agenda having regard to the Code of Conduct for Members and having taken appropriate advice where necessary before the meeting.	
Monitoring and Finance		
5	First Quarter Performance Management Report 2018-19	5 - 35
6	Key Financial Indicators – 30th September 2018	36 - 40
Audit and Governance		
7	Internal Audit Update, Including Progress Against Audit Plan 2018-2019	41 - 50
8	Annual Audit Letter for the year ended 31st March 2018	51 - 78
9	Treasury Management Mid-Year Report 2018-19	79 - 97
10	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.	

11 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 no Items for Private Session.

PRIVATE SESSION

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First Quarter Performance Management Report 2018/19		Agenda No: 5
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Tracey Headford, Performance and Improvement Manager	
Report prepared by:	Tracey Headford, Performance and Improvement Manager	
Background Papers:	Public Report	
First Quarter Performance Management Report 2018/19	Key Decision: No	
Executive Summary:		
<p>The purpose of the attached report is to summarise the performance of the Council at the end of the first quarter (April 2018 to June 2018).</p> <p>As at the end of the first quarter, four projects have been completed, a further 57 projects are on track and progressing well and five projects are experiencing delays which will push back the end dates to the projects.</p> <p>Nine performance indicators have achieved or exceeded target, two have missed target by less than 5% and three have missed target by more than 5%.</p> <p>The performance indicators that have missed target by less than 5% relate to the percentage of household waste recycled and the percentage of invoices paid within 30 days.</p> <p>The performance indicators that have missed target by more than 5% are in relation to the tonnage of residual household waste not recycled, the average waiting time for disabled facilities grants and the time taken to process housing benefit claim changes.</p> <p>Full reasons for missing targets are detailed in the report.</p>		
Financial Performance		
<p>This part of the report provides an updated review of the financial position for the year up to the end of June 2018. It examines the latest forecast for spending on day-to-day service provision compared to the budget for the year. Also included is a summary of treasury management activities; projected movements on the General Fund balance; and a summary of spending to date on capital investment projects.</p>		

Summary:

- An overall adverse variance for the year of £87,000 (+0.6%) is projected against the budget
- Across all services staffing budgets are forecast to be overspent by £36,000; and after allowing for the corporate efficiency target of £200,000, results in a projected adverse variance of £236,000.
- Other Expenditure is projected to be overspent by £136,000.
- Income is projected to be overachieved by £285,000.

For a detailed explanation of the financial performance, please refer to page 19 onwards of the full report.

Recommended Decision:

Members are asked to note the report.

Purpose of Decision:

For Members to receive the First Quarter Management Report 2018/19.

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



First Quarter Performance Management Report

1st April 2018 to 30th June 2018

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Section 1: Introduction and Summary






Purpose of the Report

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






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

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

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




Corporate Priorities	Status of projects and actions				
					
Environment and Place	1	9	0	0	0
Strategic Growth and Infrastructure	0	5	4	0	0
Economic Development	1	9	1	0	0
Health and Communities	1	13	0	0	0
Finance and Performance	1	12	0	0	0
Overall Strategy and Direction	0	9	0	0	0
TOTAL	4	57	5	0	0

KEY:




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

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

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

Corporate Priorities	Status of indicators			
				Data Only
Environment and Place	1	1	1	0
Strategic Growth and Infrastructure	2	0	0	0
Health and Communities	1	0	1	0
Finance and Performance	5	1	1	0
TOTAL	9	2	3	0

KEY:

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

Summary Position

We have seen a good start to the first quarter of the year with four projects completed and the majority of the remaining projects progressing well. Five projects have an amber status due to delays occurring which will push back end dates of the projects.





Nine performance indicators have met or exceed target, two performance indicators have missed target by less than 5% and three performance indicators have missed target by more than 5%. There is room for improvement in some key areas of the business which are experiencing an increase in demand on their services.

The council will be facing some tough challenges throughout the year in dealing with the constraints on funding. As services embed new ways of working, it is expected that any downturn in performance will be mitigated as service areas look to improve processes and work smarter to become more efficient to achieve our corporate priorities.







Environment and Place

Project description and comments	Target Date	Status
Continue to support the Essex Waste Management Partnership to reduce waste, increase recycling and participate in countywide campaigns		
<p>The kerbside textile collection pilot which started in November was concluded on 31 May 2018. End of trial results have been analysed and further development is required to understand if this service is financially viable and sustainable if a District wide roll-out was to occur. A report will be written during August/September to look at options of operating 'in-house/partnering with existing contractor and the options will be presented to Members in September/October.</p> <p>Braintree District Council have also led on a county wide framework for street sweeping arisings, generating a reduction of costs per tonne circa £8.00 in the processing of arisings. The contract is in 'infancy' stage, and is closely monitored to ensure we are getting the correct data for recycling credits and we are working closely with partnering authorities and Essex County Council to ensure a beneficial outcome.</p>	<p>March 2019</p>	<p>▶</p>
(E) Work with other Essex Councils and the University of Essex to better understand people's attitudes towards waste and recycling		
<p>Braintree District Council is working with Essex County Council and the University of Essex to pilot initiatives to increase recycling and reduce waste. Three focus groups with residents were held in May to understand people's attitudes towards waste recycling and to discuss initiatives to encourage residents to recycle or reuse more. The feedback from the focus groups will be used to design an intervention which will be launched in September.</p>	<p>March 2019</p>	<p>▶</p>
Offer our commercial customers a more tailored refuse and recycling service that will help them reduce, reuse and recycle their waste		
<p>Commercial customers are now able to receive bespoke quotations broken down into refuse/recycling options for the customer to consider. This includes container sizing and specification to empower the customer to make the choice of containers appropriate to their business need, alongside our expertise.</p>	<p>March 2019</p>	<p>▶</p>
Continue to protect our larger open spaces from illegal encampments by installing perimeter fencing and lockable bollards to prevent disruption and inconvenience to local residents		
<p>All larger open spaces in the district are now protected from illegal encampments following the installation of perimeter fencing and lockable bollards</p>	<p>June 2018</p>	<p>✔</p>
Develop an improved low tariff energy switching scheme for both residents and businesses in the District, improving the customer experience and offering additional benefits and improved rates for residents on pre-paid meters		
<p>A low tariff energy switching scheme has been developed with i-Choosr who will take an active role in engaging with residents. The scheme will also offer discounted solar installations.</p>	<p>September 2018</p>	<p>▶</p>
Increase the electric car charging infrastructure by installing chargers at the three leisure centres across the District		
<p>We are currently working with the Procurement Team to explore supplier options for the installation of electric car charging points.</p>	<p>March 2019</p>	<p>▶</p>

Upgrade the lighting in our car parks with new energy efficient LED lights to reduce costs and benefit the environment		
Braintree District Council are working with Colchester Borough Council's Engineering department to produce a specification for the type of lighting required.	March 2019	
Trial the use of compaction bins in Braintree Town Centre to see if they offer better value for money for the taxpayer		
The project programme is currently being developed and stakeholders identified. A demonstration from a compact bin company is being arranged for August.	March 2019	
Continue to maintain a focus on investigating and enforcing littering, dog fouling and fly tipping to help keep the District looking clean and tidy		
In the first quarter of the year, 22 fixed penalty notices have been served for littering and the Council has successfully taken legal action against 3 people for fly tipping and associated offences	March 2019	
Run a car litter campaign to reduce litter and raise awareness of the increase in fines		
Braintree District Council will be participating in a district wide campaign in partnership with McDonalds and KFC to reduce car litter and raise awareness of the increase in fines. The creatives for the campaign are currently being designed and costs identified.	March 2019	



Strategic Growth and Infrastructure









Project description and comments	Target Date	Status
(E) Complete the examination and adoption of the Local Plan		
The adoption of the Local Plan is reliant on the approval of the plans for Garden Communities which require more work before they can be agreed. This will delay the process of adopting the Local Plan and revised dates will be agreed over the coming months.	December 2018	
(E) Continue to work on the development of Garden Communities to provide housing, employment and supporting infrastructure to address our long term housing and community needs		
The plans for a west of Braintree garden community have been reviewed by the planning inspector. Braintree District Council is currently considering their options to strengthen and improve plans before they can be taken forward. This is likely to impact on timescales for this project and will delay the process of adopting the Local Plan.	November 2018	
The plans for a west of Colchester garden community have been reviewed by the planning inspector. Braintree District Council is currently considering their options to strengthen and improve plans before they can be taken forward. This is likely to impact on timescales for this project and will delay the process of adopting the Local Plan.	November 2018	
(E) Set up a Housing Development Company to deliver new mixed-tenure homes across the District.		
A report will be submitted to Cabinet in July to seek approval for funds to develop up to five Council sites (subject to planning permission) to run alongside the development of the Business Case for the Housing	March 2022	

Development Company. The Strategic Investment Team and Member Reference Groups will review advice on legal, financial, governance and company advice and the intention is to present the full business case for approval to Cabinet in February 2019.		
(E) Secure planning consent to deliver new homes in Braintree Town Centre as part of the Manor Street Regeneration Project		
A detailed planning application is expected to be submitted by July 2018 and if approved, the building will be completed and handed over in Spring 2021.	March 2019	▶
(E) Continue to work with partner agencies to drive forward improvements to the Braintree and Witham rail link		
Network Rail has been asked to produce a specification and cost for a GRIP 2 study. The District is now waiting for funding from Essex County Council or Central Government to move forward to the next viability stage.	March 2019	▲
(E) Continue to work with Essex County Council to deliver an improvement scheme at Springwood Drive roundabout and Panfield Lane to reduce congestion		
As part of the Braintree Integrated Transport Package, Essex County Council is looking to re-designated lane markings at Springwood Drive to ensure Keep Clears are effective. Essex County Council are also progressing the design for the larger scale improvement schemes which are for capacity improvements including increased entry capacity on all arms as well as increased circulatory, and are looking to secure S106 contribution to fund this.	March 2019	▶
The employment site is dependent on provision of the Spine Road to Panfield Lane. A planning application has been submitted, and indicative costs received. We will work with the developer to bring forward the Spine Road and the developer has submitted a viability appraisal which the Planning Department is responding to.	March 2019	▶
(E) Progress the delivery of new slip roads linking the A120 to Millennium way to alleviate the congestion at Galleys corner		
Design works are currently underway for the A120 slip roads together with Ecology surveys. The next stage is to carry out consultation on the proposals which will begin in August.	March 2021	▶










Economic Development








Project description and comments	Target Date	Status
(E) Complete the acquisition of strategic employment land at Great Notley providing additional sites to support business growth		
Following Council approval in February for the acquisition of the employment land at Great Notley, Heads of Terms have been agreed with both the developer and the vendors of the master-plan land. Draft contracts are expected imminently. Preparatory work, for the business plan, has started with market research being updated and exploratory discussions with companies, expressing interest in re-locating to the site.	March 2019	▶
Complete the construction of four new high quality grow-on units at the Braintree Enterprise Centre		
Construction commenced in January 2018. Completion has been delayed by UK Power Networks and handover is now expected in August 2018	July 2018	▲
Develop our business engagement service, supporting businesses to grow and develop		
A funding drop-in clinic has been organised for July to promote the South East	March 2019	▶

Business Boost fund, with up to £10,000 of funding available for business growth. A business mentoring programme has been launched in partnership with the Consortium with four businesses already signed up. A Braintree District Businesses Facebook group has also been launched to share information, news and opportunities as an additional portal to engage with businesses. This is being promoted widely and content is being updated daily.		
(E) Work in partnership with Essex County Council and the Haven Gateway to secure grant funding to support the delivery of a Construction Innovation Centre		
At Cabinet in May, they approved the investment of £750,000 in the delivery of a Construction Innovation Hub, located at the Braintree Enterprise Centre. This forms part of a wider project to provide business support to businesses undertaking innovation in construction across the South East Local Enterprise Partnership area. The business support will be undertaken by the Haven Gateway Partnership. Approval is conditional upon confirmation of match funding from European Regional Development Fund.	March 2019	
(E) Work with the Braintree Education and Skills board to broker stronger engagement between education providers and businesses to provide a workforce that meets employers' needs		
Members of the Education and Skills Board have approved the production of a sector specific Braintree career video which will initially focus on the advanced manufacturing and engineering sector. Officers are now working on the commissioning of the production.	March 2019	
(E) Commence work on the regeneration of Braintree Town Centre enhancing the appeal of the town to residents and visitors		
A full business case detailing the latest proposals and financial arrangements for the regeneration of Manor Street was approved at Cabinet in May and by Council in June. A planning application will be submitted in July.	March 2020	
(E) Continue to work in partnership with key community partners to deliver the regeneration schemes in Witham and Halstead		
The spatial plans for improvements to Halstead Town Centre have been prepared and are with the Highways Authority for a principle decision.	March 2019	
A series of studies and reports have been completed to look at the impact of the Witham Town Centre improvement proposals on the highway network, market rights and other private rights that relate to the site area. A summary report recommending options to proceed has been prepared for a decision on next steps.	March 2019	
(E) Support businesses and increase tourism by launching the 'Visit Braintree' website to highlight key events and attractions across the District		
The content of the 'Visit Braintree' website will be taken from the Tourism Plan which will be presented to Cabinet in September.	March 2019	
(E) Create an event that celebrates the 90 year anniversary of the opening of the Braintree Town Hall which will enhance the heritage and commercial offer of the Town Hall		
Braintree District residents who share their 90th birthday with Braintree Town Hall were invited to help celebrate the local landmark as part of a special celebration that took place in May. A talk was provided by Julien Courtauld and residents were able to watch a screening of the opening of the town hall with a piece of birthday cake and a cup of tea.	May 2018	
(E) Promote high speed and reliable broadband across the District through the support of phase 4 of the Superfast Essex rollout		
At a Cabinet meeting in May, it was agreed that Braintree District Council will invest £356,000 into the Superfast Essex Phase 4 rollout, run by Essex County Council, to enable an additional 1,668 premises to receive superfast broadband by end of 2020. The £356,000 funding from Braintree District Council will be match-funded by The Department for Digital, Culture, Media and Sport grant. The funding will support the district to reach 99% superfast broadband coverage by end of 2020, which is above the county's average coverage.	June 2018	



Health and Communities

Project description and comments	Target Date	Status
Ensure the football pitches on the Deanery Gardens sports ground and the rugby pitch on King George V playing field are in year round good condition through the installation of a piped drainage system		
Tenders for the provision of the piped drainage system are currently being reviewed and a specification for the works required drawn up.	August 2018	
Continue to invest in our recreational open spaces by enhancing the play equipment at Meadowside and Twelve Acres, Braintree		
Quotations for enhancing the play equipment at Meadowside and Twelve Acres in Braintree have been received and assessed. Delivery timescales for the project are currently being discussed with the successful contractor.	December 2018	
(E) Continue to deliver the Livewell child project, working with families and young children providing support and advice on nutrition and healthy activities		
As Livewell child enters its second year, campaigns will focus on growing your own produce, looking up from a screen, getting together around the table and lunchbox heroes. Livewell schools have been provided with free growing kits courtesy of Innocent Drinks to help schools get gardening clubs started and to encourage children to grow their own produce. Free water bottles, lunch boxes and information leaflets have also been distributed to the children involved in the project.	March 2020	
Introduce a new programme to encourage junior school children to be more healthy, looking at fitness and eating in a fun and informative way		
A Fitbods programme will be introduced into Livewell schools. This is an Essex County Council initiative where children participate in team games to promote fitness, team skills and healthy competition with children receiving a reward and certificate for the number of sessions they take part in. Teachers will receive training at the start of the new academic year to deliver the Fitbods programme.	March 2019	
Provide children and parents with activities which gets them to explore the green areas in our three main towns whilst increasing their activity levels during the school holidays		
Six Xplorer events are planned for the summer holidays across three days in each of the three main towns. Xplorer maps are currently being created.	November 2018	
Improve the outdoor playing experience at Halstead Leisure Centre by installing a new 3G surface		
A consultant has been appointed to put together a capital bid for a contribution towards the costs.	March 2019	
(E) Understand the range of services available to improve mental health and support early interventions for those residents with mental health issues, identifying any areas for improvement		
A mental health workshop has been arranged at the Town Hall for July the aims of which are to bring together a range of partners and organisations across the statutory and voluntary sector to gain an understanding of mental health in the Braintree District. The workshop will be interactive and will help to identify what services are already being delivered, who is delivering them, whether they are meeting the needs of our residents and to identify any gaps in service provision and how we work in collaboration to address them.	March 2019	

(E) Implement a winter warmth campaign providing advice on improving energy efficiency, helping vulnerable residents stay warm during the winter months		
Officers are starting to pull together the content for the winter warmth campaign due to go live in November.	November 2018	
(E) Improve the handyman scheme by expanding the service to help disabled and frail residents lead more independent lives		
The scheme will be launched at the beginning of July for an external handyman to deliver the service on a 6 month trial basis. A new leaflet has been produced providing information on security and dementia support	July 2018	
(E) Raise awareness of child exploitation amongst the business community and licensed trades through the use of the 'Spot-it, Stop-it' campaign		
Meetings have been held with Essex Police Licensing to discuss the possibility of expanding the 'spot-it, stop-it' campaign to include the night time economy which can be implemented through the Pub watch scheme.	March 2019	
(E) Work with Mid Essex Clinical Commissioning Group to see how Braintree District Council can be part of the Home First Programme which ensures residents recuperate in the best environment after receiving hospital treatment		
Officers from Braintree District Council attended a meeting with the Mid Essex Clinical Commissioning Group to scope out how we can be part of the Home First Programme.	March 2019	
(E) Identify and provide opportunities that would benefit those with dementia and their carers through the Braintree District Dementia Alliance and engagement with those living with dementia and their carers		
Dementia Friendly Cinemas have been launched at The Empire in Halstead and the Archer Centre in Braintree and we are working with George Yard shopping Centre to make it a dementia friendly place to shop through the 'slow shopping' scheme	March 2019	
(E) Support community groups to deliver local projects and activities through the Councillors' Community Grant scheme		
Three grants have been made in June totalling £2,250; this included a contribution towards the Community Fund Day organised by the Al Falah Islamic Centre	March 2019	
(E) Work with partners across the community to raise awareness and reduce the impact of social isolation and loneliness		
Essex County Council commissioned the young foundation to work with the community to carry out research into social isolation and loneliness through a number of workshops and events held in Halstead. A 'Taking Action' event took place to discuss ideas to address social isolation and loneliness and the feedback from this and other events will be fed into a report. The young foundation will provide feedback to the community at an event in September to allow the community to identify follow up activities. Further projects will be set up once the next steps have been agreed.	June 2018	



Finance and Performance








Project description and comments	Target Date	Status
Review our waste service, identifying ways to manage the impact of District growth on the future cost of the service		
<p>There are a number of projects and actions being carried out already reported on under 'Environment and Place' in this report. Additional areas of work include a presentation to strategy workshop in June providing information on garden waste and the number of local authorities charging for this service. A business case on vehicle maintenance will be presented to management board in July. The specification for replacing food waste vehicles is being drawn up for discussion and a Task and Finish group has been set up to look at waste minimisation and recycling and the work streams will be agreed in July.</p>	<p>March 2019</p>	<p>▶</p>
Review options to secure a sustainable future for our Community Transport service		
<p>An initial scoping meeting has been held with the Commercial Manager who will be looking at alternative delivery models for the service. As part of this activity meetings will be held with private and social enterprise organisations.</p>	<p>December 2018</p>	<p>▶</p>
Ensure that our Housing service is resilient to respond to the new demands placed on it through the Homelessness Reduction Act		
<p>The Commercial Manager has been working with the Housing service to identify improvements and address resilience following the introduction of the Homelessness Reduction Act. A business case will be considered by Management Board in July to consider any recommendations.</p>	<p>March 2019</p>	<p>▶</p>
Develop our commercial programme to generate income that can be reinvested in front line services		
<p>An expanded Commercial programme with four elements has been developed. These are increasing income, getting maximum value against third party spend, generating service efficiencies and contract and supplier management. Activities against all four areas are underway and have been communicated to all levels of the organisation, with savings from activities being tracked.</p>	<p>March 2019</p>	<p>▶</p>
Identify and progress investment opportunities that support us to deliver our corporate strategy whilst providing a return on investment to strengthen our financial independence		
<p>The Council have taken back possession of the Braintree Enterprise Centre and has been issuing new leases, letting vacant units and collecting rent and service charge payments. This will provide a significant unbudgeted income for the Council.</p>	<p>March 2019</p>	<p>▶</p>
Ensure the 2017/18 accounts are produced, audited and published by the 31st July 2018		
<p>The 2017/17 accounts were signed by the Corporate Director on the 29th May and external auditors commenced their audit on the 4th June. The external auditors audit results report for the year will be presented at Governance Committee in July and published accordingly.</p>	<p>July 2018</p>	<p>▶</p>
Improve customer focused services by delivering a programme of continuous improvement to achieve the Customer Service Excellence Standard		
<p>The Customer Service Excellence Standard assessment will take place in November 2018. Evidence base is currently being collated.</p>	<p>December 2018</p>	<p>▶</p>

Prepare the organisation for the changes in data protection legislation due to commence 25th May 2018		
A number of areas of work are now completed to ensure the Council is in a good position following the implementation of the General Data Protection regulations and the Data Protect Act 2018. Privacy notices have been added to our website and forms that collate personal data amended accordingly. All staff received data protection training to ensure they are fully aware of the requirements placed on them regarding processing personal data.	May 2018	✔
Develop our online booking and payment systems enabling residents to book and pay for more services through our website		
We are currently working with our website providers to develop an on line booking system. The processes have been mapped out and customer 'my account' design agreed.	March 2019	▶
An order has been raised to purchase a payment system to integrate with the new booking system and our on line forms	March 2019	▶
Improve our mobile working technology to allow our staff to be more flexible and customer focused		
A working group has been formed to work with our ICT team to identify different technical opportunities that can be used more effectively to assist staff in their day to day activities. Areas being looked at will include remote working, tele-working and home working.	March 2019	▶
Continue to respond to emerging cyber security threats, protecting our network and information by regularly reviewing our approach and training		
A metacompliance exercise has been carried out in June identifying issues that are currently being looked into. All ICT security and usage procedures are under review and updates will be completed by the summer. A new cyber security training module is being developed and will be rolled out to all staff.	March 2019	▶
Introduce in-cab technology into our street scene vehicles to improve the efficiency of the service		
A specification is currently being drawn up to implement in-cab technology into our street scene vehicles. Officers from Braintree District Council visited an organisation already using in-cab technology for street scene to see how this is being utilised and how this will be applied at Braintree.	March 2019	▶









Overall Strategy and Direction









Project description and comments	Target Date	Status
Work effectively with our partners to deliver the Essex Vision to give communities, groups and businesses in Essex a way to collaborate in planning their future, recognising the collective power of Essex as a whole		
Throughout this report, the actions that reference how we are supporting the Essex Vision are marked with (E) . They provide an update to show how we are dedicated to improving the county by working with partners to deliver the Essex Vision.	March 2019	▶
Ensure that Braintree District Council is financially sustainable and fit for the future by delivering a balanced budget and becoming financially independent by 2020, whilst ensuring we remain a resilient organisation providing effective frontline services through smarter working		
Staff briefings have taken place throughout the first quarter at which the budget pressures were outlined to encourage staff to be involved and identify areas where possible savings can be made whilst ensuring residents continue to receive the service they need.	March 2019	▶

<p>(E) Deliver projects under the District Investment Strategy to achieve better outcomes for the District and a return for the taxpayers purse by:</p> <ul style="list-style-type: none"> • Working in partnership to improve health provision across the District • Facilitating the need for housing by providing homes and supporting infrastructure • Improving our most congested roads and journeys across the District • Planning for growth by providing 9000 jobs by 2026 by delivering increased opportunities for new businesses and employment • Delivering investment opportunities that support growth and provide a return for the District Council 		
<p>Following close partnership working with the Mid-Essex Clinical Commissioning Group and NHS England, the regeneration of Manor Street has been designed to include a Live Well Hub and was approved by Cabinet in May 2018 and Council in June. The Council is also working with two local GP practices, Mid Essex Clinical Commissioning Group and NHS England to develop proposals to deliver a rural healthcare hub on Council-owned land in Sible Hedingham. A paper requesting funding to undertake initial due diligence and design work will be presented at Cabinet in July 2018.</p>	<p>March 2019</p>	
<p>The Manor street regeneration project includes the provision of 35 new homes and the business case has been approved by Cabinet and Full Council. A planning application will be submitted in the summer.</p>	<p>March 2019</p>	
<p>Work continues on a number of projects reported under the Strategic Growth and Infrastructure section such as the A120 Millennium Slip roads and improvements to Springwood roundabout and Panfield Lane</p>	<p>March 2019</p>	
<p>A number of projects and actions are underway to ensure delivery of the Braintree Plan for Growth to provide jobs such as working with developers to bring forward strategic employment land at Great Notley, completing the construction of four grow on units at the Braintree Enterprise Centre and securing funding for the delivery of a Construction Innovation Centre.</p>	<p>March 2019</p>	
<p>There are a number of projects reported under the Strategic Growth and Infrastructure section that provide an update on current investment opportunities under the District Investment Strategy. As and when new opportunities arise, projects will be set up accordingly.</p>	<p>March 2019</p>	
<p>Work with partner authorities (Tendring District Council, Colchester Borough Council and Essex County Council) and other public and private sector organisations to plan for and enable sustainable growth in homes and jobs in the north Essex area</p>		
<p>Braintree District Council continues to work with Tendring District Council, Colchester Borough Council and Essex County Council on the shared part one of the proposed Local Plan. Strategic planning meetings are now taking place with Chelmsford City Council to co-ordinate growth and infrastructure in the region.</p>	<p>March 2019</p>	
<p>Support Essex County Council in the management and operation of the Country Park to enhance the visitor experience, making full use of the leisure, recreational and natural facilities the park has to offer</p>		
<p>A Joint Governance Partnership Board meeting was held in May, at which the Annual Review of the Artificial Grass Pitch and Multi-Use Games was reviewed by Members.</p>	<p>March 2019</p>	

Section 3: Managing the Business

Our Performance Indicators in Detail

Performance Indicator	2018/19						Comments
	Q1 Outturn	Q2 Outturn	Q3 Outturn	Q4 Outturn	Target for the Quarter	Status at the end of the Quarter	
Environment and Place							
Percentage of land that falls below cleanliness standards for litter	n/a				n/a	n/a	Recorded three times a year – July, November and March
Percentage of household waste sent for reuse, recycling and composting	54.47%				54.78%		We are awaiting reconciliation of the figures by Essex County Council and may change if the data for residual waste changes (see below). Target has been missed by less than 0.5% and the service continues to work on projects to encourage recycling which are detailed earlier in this report.
Tonnage of residual household waste not recycled	122kgs				108kgs		We are awaiting reconciliation of the figures by Essex County Council. They have been asked to verify the residual waste data as the tonnage appears incorrect. This will be updated in the next report.
Number and percentage of non-hazardous fly tips on public land cleared within 24 hours of being reported	100% (170)				100%		
Number of fuel poverty and domestic energy reduction installations carried out	Annually reported indicator					n/a	
Strategic Growth and Infrastructure							
Number of affordable homes delivered	63				32		
Number of homes granted planning permission	667				250		
Health and Communities							
Average waiting time for applicants on the Disabled Facilities Grant	105 days				75 days		In the last quarter there have been delays in 4 specific cases where the client was uncontactable/ access issues or planning consent required. One case was a discretionary grant on appeal which has since been cancelled. The waiting list has now been substantially reduced and some legacy issues have now been cleared which will have a positive impact on the average waiting time.

Performance Indicator	2018/19						Comments
	Q1 Outturn	Q2 Outturn	Q3 Outturn	Q4 Outturn	Target for the Quarter	Status at the end of the Quarter	
Achieve a 2% increase on the contract baseline in participation levels across all our sports centres	238,928				233,756		
Achieve at least a 1% increase in adults being active for 150 minutes per week	Annually reported indicator					n/a	
Finance and Performance							
Average call answer time in the Customer Service Centre	13 seconds				15 seconds		
Time taken to process housing benefit/council tax benefit new claims	19.92 days				22 days		
Time taken to process housing benefit claim changes	7.7 days				6 days		<i>Following the introduction of Universal Credit, there are a higher number of claim changes where information is required from the DWP and the time it takes to receive this has increased adversely affecting the overall timescales. This will be monitored over the next few months to fully understand the impact on targets.</i>
Percentage of Stage 1 complaints responded to within target	94.7%				90%		
Collection rate for Council Tax	31.06%				30.82%		
Collection rate for Business Rates	31.40%				30.84%		
Percentage of invoices paid within 30 days of receipt	99.19%				99.25%		<i>Performance is slightly below target due to delays in processing five invoices in June. The target is expected to be achieved during the remainder of the year.</i>

Complaints

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

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

Comments

The number of complaints received in the first quarter of 2018/19 has increased. This is mainly due to missed waste collections.

A number of missed waste collections are due to the waste vehicles being unable to access smaller roads due to parked cars or where road closures have taken place. The crews will endeavour to return to collect the waste as soon as possible and the service continues to monitor issues with missed collections.

Some of the routes across the district have also been re-routed to improve service delivery. This has resulted in changes to times of collections and some customers who are used to their collection happening later in the day found that their collection had been missed as they had not presented their waste by 7am. A promotion to remind customers that bins must be put out by 7am has been carried out to address this issue.

In the first quarter of 2018/19, of the 210 complaints received:

- 207 are stage one complaints
- 2 are stage two complaints
- 1 is a stage three complaint

A summary of Local Government Ombudsman (LGO) cases:

In the first quarter of 2018/19, the LGO has received five initial enquiries. Two of the enquiries, the LGO have declined to investigate and the Council are assisting the LGO on two other enquiries. At the time of writing, the LGO are deciding how to proceed on one enquiry.

The LGO have completed a draft decision in the first quarter but have not issued any final decisions. The draft decision relates to planning enforcement and initial findings have found fault with the recommended remedies.

Our Organisation

The following is a selection of our people performance measures:

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

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

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

Health & Safety

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

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

Health & Safety: Indicators of Performance	Q1	Q2	Q3	Q4	
	(2017/18 figure in brackets)				
Total number of reported accidents/ incidents, calculated from:	10 (10)	(10)	(26)	(13)	
<i>Accidents/ incidents to employees</i>	6 (8)	(8)	(20)	(12)	
<i>Accidents/ incidents to contractors</i>	0 (1)	(2)	(5)	(0)	
<i>Accidents/ incidents to non-employees</i>	1 (1)	(0)	(1)	(1)	
Time lost in days due to employee accidents/ incidents	85 (0)	(20)	(8)	(28)	<i>One accident resulted in 75 days being lost and involved a member of the waste team catching their arm in part of the bin lift machinery</i>
Number of reported verbal/ physical incidents to employees	2 (0)	(2)	(1)	(0)	
Number of near miss incidents	1 (0)	(0)	(0)	(0)	
Number of Accidents/ incidents registered resulting in insurance/ compensation claim	1 (0)	(0)	(0)	(0)	
Number of claims settled	0 (0)	(0)	(0)	(0)	

Financial Performance

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

Background

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

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

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

Summary Financial Position at the First Quarter (Q1)

- An overall adverse variance for the year of £87,000 (+0.6%) is projected against the budget.
- Across all services staffing budgets are forecast to be overspent by £36,000; and after allowing for the corporate efficiency target of £200,000, this results in a projected adverse variance of £236,000.
- Other Expenditure is projected to be overspent by £136,000.
- Income is projected to be overachieved by £285,000.

Revenue Spending

Service	Budget £'000	Projected Spend £'000	Adverse (Positive) variance against budget				RAG Status
			Staffing £'000	Other Expenditure £'000	Gross Income £'000	Total £'000	
Asset Management	(2,131)	(2,268)	(3)	4	(138)	(137)	G
Business Solutions	1,985	1,985	(12)	13	(1)	-	G
Community Services	350	361	6	(10)	15	11	A
Corporate Management	1,254	1,214	(37)	(3)	-	(40)	G
Economic Development	199	199	5	(5)	-	-	G
Environment & Leisure	843	832	(12)	(2)	3	(11)	G
Finance	1,172	879	(134)	(67)	(92)	(293)	G
Governance	922	1,068	81	(13)	78	146	R
Housing Services	799	805	8	(1)	(1)	6	A
Human Resources	342	341	-	(1)	-	(1)	G
Marketing and Communications	544	542	(11)	(2)	11	(2)	G
Operations	5,136	5,328	(42)	175	59	192	R
Strategic Investment	12	12	-	-	-	-	G
Sustainable Development	717	759	187	56	(201)	42	A
Service Total	12,144	12,057	36	144	(267)	(87)	G
Corporate Financing	2,840	2,814	-	(8)	(18)	(26)	G
Efficiency target	(200)	-	200	-	-	200	
Total	14,784	14,871	236	136	(285)	87	A

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

Budget = controllable expenditure budget net of direct service income

Staffing

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

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

Service – Staffing Budgets	Budget	Projected Spend	Adverse/ (Positive) variance	RAG Status
	£'000	£'000	£'000	
Asset Management	237	234	(3)	G
Business Solutions	1,196	1,184	(12)	G
Community Services	369	375	6	A
Corporate Management	1,232	1,195	(37)	G
Economic Development	226	231	5	A
Environment & Leisure	1,553	1,541	(12)	G
Finance	2,385	2,251	(134)	G
Governance	565	646	81	R
Housing Services	823	831	8	A
Human Resources	310	310	-	G
Marketing & Communications	371	360	(11)	G
Operations	5,297	5,255	(42)	G
Strategic Investment	490	490	-	G
Sustainable Development	1,574	1,761	187	R
Service Total	16,628	16,664	36	A
Corporate Financing	-	-	-	
Efficiency	(200)	-	200	
Total	16,428	16,664	236	A

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

Commentary on staffing variations:

Based on information known at the end of Q1, a number of service areas are projecting underspends on staffing budgets totalling £251,000, the largest being **Finance** (-£134,000). These are expected to be achieved from a combination of vacant posts, reductions in contracted hours, and appointments being made at a lower grade/ scale point. In addition, underspends have arisen in the **Operations** service where external funding, previously received, has been applied in 2018/19.

A number of service areas are currently projecting overspends on staffing which totals £287,000, with the two services mainly contributing to this position being:

- **Governance** (+£80,000) – Projected costs associated with the need for additional capacity for legal work in relation to the Council’s strategic growth agenda and projects. Whilst the assumption is that temporary additional resources will be required for the remainder of the year, this is subject to approval of a longer term proposed staffing structure for the team and, therefore, the position may change at Q2.
- **Sustainable Development** (+£187,000) - within this service area there is a projected overspend (£181,500) on staffing related to the Development Management team. The volume of current pre-applications and planning applications, particularly in relation to major development proposals and planning appeals has created a need for additional experienced staff. This is being/to be met by bought-in staff. In addition, a number of vacancies exist leading to a projected underspend against in-house staffing budgets however difficulties experienced in recruiting to these posts has meant that they have had to be filled on a temporary basis by bought-in staff. These

additional costs are notionally being offset by expected overachievement of income in the year – see comments under the section on Income. In order to address this situation, a request for a virement between staffing and income budgets is included in the Medium-Term Financial Strategy report which is included as a separate item on this Cabinet agenda.

The approved budget provided for a **corporate efficiency target** which in previous years has been achieved from in-year staffing variances. The amount included in the budget for 2018/19 was £200,000, which based on this quarter's review will not be achieved and results in an overall projected staffing variance for the year of £236,000. The virement requested, if approved, will reduce this variance to £49,000.

Other Service Expenditure

In total there is a projected overspend against non-staffing expenditure budgets of £136,000. The main service areas contributing to this position are:

- **Operations: Waste Management (+£199,000)** - increased costs are forecast on gate fees payable to the Council's material recovery facility (MRF) operator, the price of which is linked to market indices and subject to quarterly review. The budget was set based on an assumed fee of £24.36 per tonne (based on Q3 17/18), whereas the price increased at Quarter 1 and Quarter 2 to £58.14 and £40.36 per tonne, respectively. The cumulative effect of these price changes has resulted in a projected overspend of £220,000 for the year. In addition, vehicle fuel costs have shown an increase over the Q1 period, with the average price per litre over 10% higher than assumed in the budget. The forecast for the year is therefore an additional cost of £41,000 above budget. However, partially offsetting these two issues are savings on the cost of recycling and residual waste sacks (a mix of usage and lower cost); lower operating costs of the clinical waste service; and lower operating costs of the Cordons Farm waste transfer site.
- **Sustainable Development: Development Management (+£46,000)** – As reported under staffing, the service is currently experiencing an increased number of planning applications of a type which has meant additional specialist support is required from external providers to carry out work on matters such as viability assessments, urban design advice, landscape impact assessments, etc.
- **Finance: Housing Benefits (-£70,000)** – The budget for the net cost of Housing Benefits to the Council is £389,000, which is calculated from an estimate of payments to individuals of around £39million, and an assumed 99% cost recovery rate through subsidy from the Department for Works and Pensions. The recovery rate is now estimated to be higher at 99.12% based on the outturn for 2017/18, coupled with a revised estimate of payments to individuals of circa £34million, which is 12% lower than budgeted (10% less than the actual payments for 2017/18). The combined effect of these two factors have resulted in a forecast underspend for the year of £70,000.

External Income

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

The amount of business rates ultimately retained by the Council depends on the actual amounts collectable (taking into account changes in the Valuation List, exemptions and reliefs granted,

and provisions for non-collection and rating appeals). Variances are accounted for via the Collection Fund and taken into account when determining future budgets and council tax setting. Fluctuations from those elements which have a direct impact on the General Fund revenue account, e.g. the levy payable on growth or grants received from Government to fund certain discretionary reliefs, are managed via the Business Rate Retention reserve.

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

Other external income for which the Council has budgeted £15.119 million comes from a variety of sources that are subject to external demands and other influences, meaning these are more susceptible to variations against budget. It is currently forecast that services will over achieve against their income budgets by a net £285,000, as shown in the table below:

Service	Updated Budget £000	Joint Financing	Sales, Fees & Charges	Rents	Other Income	Total	RAG Status
		5,286	5,375	2,835	1,623	15,119	
Asset Management	2,873	-	11	(149)	-	(138)	G
Business Solutions	23	(1)	-	-	-	(1)	G
Community Services	209	-	18	-	(3)	15	A
Corporate Management Plan	-	-	-	-	-	-	G
Economic Development	-	-	-	-	-	-	G
Environment & Leisure	1,312	1	14	-	(12)	3	A
Finance	2,457	(21)	-	-	(71)	(92)	G
Governance	306	-	78	-	-	78	G
Housing Services	46	(1)	-	-	-	(1)	G
Human Resources	-	-	-	-	-	-	G
Marketing & Communications	118	25	14	-	(28)	11	A
Operations	5,169	4	56	15	(16)	59	A
Strategic Investment	107	-	-	-	-	-	G
Sustainable Development	1,253	-	(201)	-	-	(201)	G
Service Total	13,873	7	(10)	(134)	(130)	(267)	G
Corporate Financing	1,246	(18)	-	-	-	(18)	G
Total	15,119	(11)	(10)	(134)	(130)	(285)	G

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

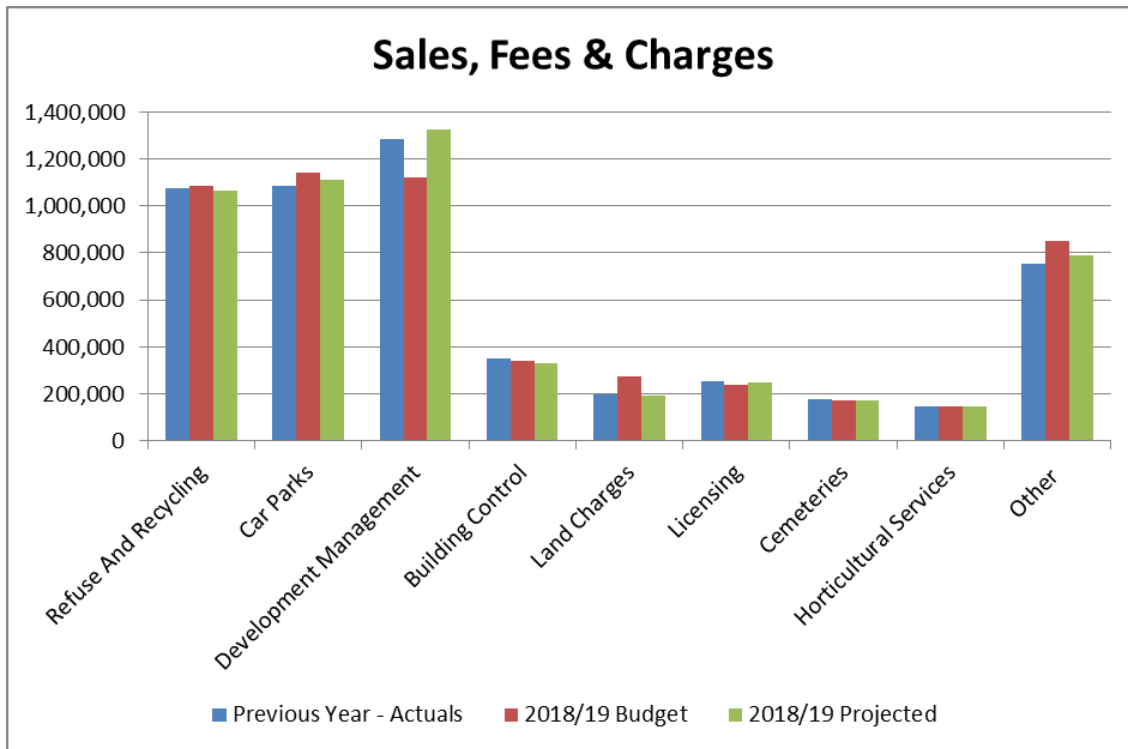
Joint Financing & Other Reimbursements

The total budget for income from joint financing and other reimbursements is £5.286 million, the main sources of which are: Essex County Council contributions towards service costs (£2.345 million); estimated benefit from the Essex Business Rate Pool (£560,000); Council Tax sharing and investment agreement with the major precepting bodies (£625,000); housing benefit overpayment recoveries and local tax costs recovered (£803,000); and subscriptions to the Procurement Hub (£359,000).

At Q1 a small variance for the year is predicted of £11,000 across all services.

Sales, Fees & Charges

The budget for income from sales, fees & charges is £5.375 million which is projected to be over achieved by a net £10,000. The following chart shows the main income streams:



Commentary on Fees and Charges:

- Car Parks:** New tariff charges were introduced with effect from April 2018. Initial figures show an increase in income but not to the extent originally envisaged, leading to a projected shortfall of £32,000 against the higher budget approved. As there could be some initial adverse reaction it is possibly too soon to gauge the long-term impact of the new charges. The position will continue to be monitored over the coming months.
- Development Management:** Planning application income received up to the end of June was £315,000, a similar level to last year. Based on historical trends, the projection for the whole of 2018/19 is £1.3 million (last year actual was £1.267 million). The budget for fee income is £1.112million, which includes an allowance for the estimated impact of a 20% increase in fees introduced in January 2018, as part of an agreement with Government to reinvest any additional income into the planning service. The current position is, therefore, a projected over achievement of income for the year of £188,000. The higher number and complexity of applications received has also meant there is an increased cost projected for staffing and other external support.
- Local Land Charges:** Income from search fees at the end of June was £48,000 which is around 17% lower than last year for the same period. The number of full searches are down by 18%, and free of charge viewings, mainly by personal search companies, have increased by 9%. The overall downturn in the number of searches appears to be in line with reduced activity in the housing market. The combined effect is a projection of income of £194,000 compared to the budget of £272,000, a potential shortfall of £78,000. The approved budget included an increase of £50,000 to reflect a price increase introduced to recoup the additional costs faced by the Council for digital enhancement of land search information in preparation for data migration to Land Registry. Whilst there is no set date for this transfer the digital enhancement work is still required, albeit it is progressing at a slower pace and utilising some internal resources, thereby leading to a potential underspend on this work of £10,000 in 2018/19.
- Other Income - Marketing and Communications:** The total budget for sponsorship and advertising income is £93,000. Currently the post of Sponsorship Officer is vacant and not expected to be filled until November at the earliest. Consequently, a shortfall is currently projected of £51,000 (-£26,000 from sponsorship; and -£25,000 from the sale of

advertising). Income generation across a number of the Council's services is one of the work streams currently being reviewed by the Commercial Manager.

Rental Income

The budget for rental income from land & property is £2.835million – comprising the investment & commercial property portfolio, markets, housing properties, and other let properties. The current projected outturn for the year is a net over achievement of £134,000.

Commentary on Rental Income:

- **Asset Management:** Following the closure of Ignite Business in May 2018, the Council has taken back responsibility for the management and letting of the former Ignite House at the Springwood Industrial Estate, as well as the Corner House in Braintree town. With the addition of the grow-on units being developed by the Council at Springwood, along with the anticipated transfer to the Council of Osier House in Sible Hedingham, there is a projected increase in net rental income of £90,000 (after allowing for some additional staffing costs). In addition, following the completion of tenancy agreement during last year, Causeway House is currently fully let leading to higher rental income than was originally budgeted of £37,000. Other additional income is expected from existing commercial and non-commercial properties totalling £22,000.
- **Operations – Markets:** A promotion of reduced rates to market traders has been introduced in an attempt to increase the number of stalls; however, as yet demand does not appear to have increased sufficiently to generate the budgeted level of income (£80,000) leading to a shortfall of income of £15,000 being predicted for the year.

Other Service & Corporate Income

Total budgeted Other Income is £1.623million of which £618,000 is internal recharges including staffing costs that are expected to be charged against capital projects (£314,000). Other external income includes the following streams:

- **Investment & Other Interest Income:** The budgeted amount is £843,000, which is expected to be achieved, principally through the Council's treasury management investments, including in long-term equity and property funds.
- **Solar Panel Feed-in-Tariffs:** the budget provides for an expected £93,000 of income from investment in solar panels at various Council facilities.

The overall projection is for Other Income to be over achieved by £130,000, mainly due to a number of unbudgeted government grants (£61,000) and increased work undertaken by the graphics and reprographics team (£40,000).

Treasury Management

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

Amount Invested at start of the year	Activity to the end June		Amount Invested at end of the quarter
	New Investments	Investments Sold or Matured	
£42.26m	£34.27m	£18.00m	£58.53m
Average amount invested for the period			£56.81m
Highest amount invested			£61.46m

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

Interest and dividends earned to the end of the quarter total £275,000, which is equivalent to an annualised rate of return of 1.94%:

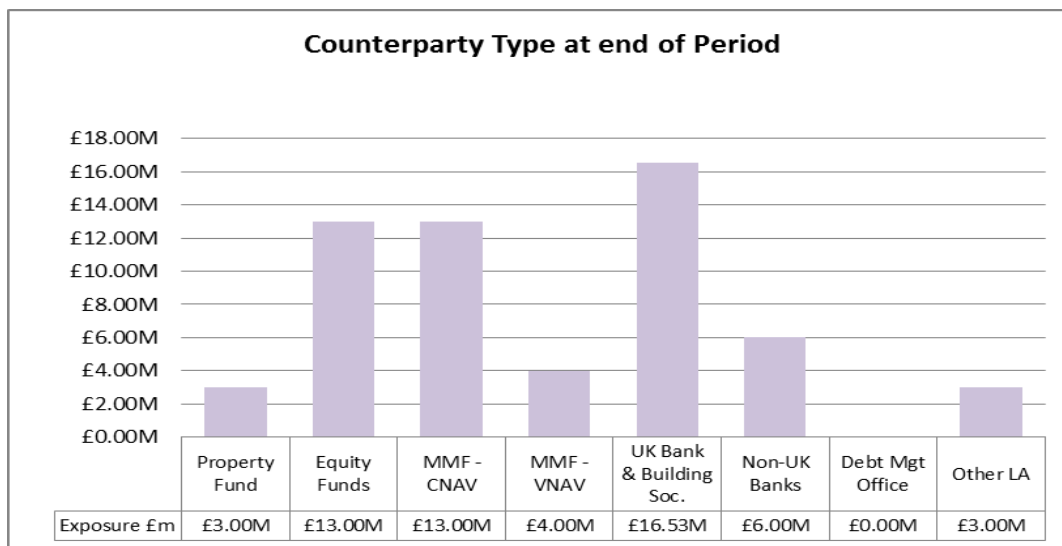
Investments	Average Amount Invested	Interest & Dividends Earned	Annualised Return %
Long-Term Pooled Funds	£16.00m	£217,000	5.43%
Short-Term	£40.81m	£58,000	0.57%
Total	£56.81m	£275,000	1.94%

Investment returns have been increased by the dividend income earned from long-term investments. In addition, being exposed to equities and property, the value of these funds fluctuate based on prevailing market conditions. At the end of the quarter the market valuation for all the long-term pooled funds was £17.974 million, representing an unrealised gain of £1.974 million on the original amounts invested.

Market Commentary

The Financial Times Stock Exchange (FTSE) 100 index bounced back after plummeting below 7000 during the first quarter of the 2018 calendar year, finishing Q1 of the financial year 2018/19 at 7610. Money market rates remained low: 1-month, 3-month, and 12 month London Inter-Bank Bid (LIBID) rates averaged 0.38%, 0.55% and 0.84% in the quarter respectively.

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



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

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

General Fund Balances

General Fund balances are held for the following reasons:

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

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

	£'000
Balance at 1 April 2018	2,860
Add:	
Budgeted addition	228
Pension Fund triennial payment	1,411
Less:	
Projected in-year variance	(87)
Supplementary budget	(219)
Estimated Balance at 31 March 2019	4,193

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

- The budget approved by Council for 2018/19 included an anticipated addition to balances of £228,072, reflecting savings anticipated being made in advance of future years' budget shortfalls.
- The budget for 2017/18 included a one-off payment to the Pension Fund covering the period April 2017 to March 2020, which was in part funded from General Fund balances. A repayment back into balances was expected in 2018/19 and 2019/20.
- The projected outturn variance for the year would mean £87,000 less being added to balances.
- An allocation from General Fund balances was approved by Full Council in July 2018 to meet a supplementary budget request for the transitional costs of the Strategic Investment Team.

At the time the Budget was approved it was estimated that the unallocated General Fund balances would be £3.861 million at 31 March 2019. The above table indicates that the latest estimate is higher by £332,000, mainly due to the balance brought forward at April 2018 being higher as a result of the 2017/18 financial outturn.

Risks and Assumptions

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

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

The projected costs of planning appeals for the year is currently £270,000 which can be funded from the earmarked reserve brought forward at the start of the year (Balance £287,000). On this basis the reserve will almost be depleted by the end of 2018/19, and with the level of appeals and public inquiries currently being experienced, it is likely that further money will need to be set aside.

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

The budget assumes that £314,000 of staffing costs can be recharged to capital projects – this was reduced as part of the 2018/19 budget setting based on in-year monitoring of the position for 2017/18. The actual amount recharged will depend on the extent to which projects progress and staff are working on activities that can properly be treated as capital under accounting rules. The current assumption is that the budgeted level of recharges will be achieved in 2018/19.

Capital Investment

Taking into account projects which were in progress and carried forward from earlier years, new projects approved as part of the Budget agreed in February 2018, and the subsequent decisions taken by Council on some major growth and infrastructure projects, the overall capital programme currently totals in excess of £38 million. Delivery of significant projects will span a number of years, therefore, the amount expected to be spent in the current year is £12.688 million. The following table shows how much has been spent to the end of Q1.

	Profiled Spend 2018/19 £000	Actual Spend in Quarter 1 £000	Actual Spend in Quarter 1 % of 18/19 Profile
Commercial and investment property	7,436	-	0%
Manor Steet regeneration	430	43	10%
Springwood Drive business units and parking	663	161	24%
Planned maintenance to Council premises	533	37	7%
Replacement vehicles and plant	582	5	1%
Information technology systems	573	27	5%
Play areas, parks and open spaces	311	5	2%
Spa Road environmental improvements	282	4	1%
John Ray Park improvement	42	-	0%
Industrial estate improvements	116	-	0%
Museum replacement heating system	100	-	0%
Operational equipment	83	45	54%
Sports and leisure facilities improvements	40	-	0%
Cordons Farm waste transfer station	39	-	0%
Grants to registered social landlords	531	-	0%
Grants to private home owners – disabled facilities grants	613	174	28%
Capital salaries	314	79	25%
Total	12,688	580	5%

The percentage actual spend to the end of Q1 is relatively low; however, this is impacted by the inclusion in the programme of a number of commercial and investment property acquisitions which are not expected to complete until later in the year. Adjusting for these items the spend to Q1 is around 11% which is broadly in line with previous years where the rate of capital spending tends to increase in later quarters.

Capital resources

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

Greenfields has reported that 9 RTB sales have been completed up to the end of Q1 generating approximately £1.238 million for the Council. This compares to 5 sales completed last year for the same period, and also suggests that this year's total is likely to exceed last year's 20 sales which generated £2.122 million for the Council. Greenfields have also reported two repayments of RTB discounts which adds £72,000 to the Q1 amount.

VAT shelter monies due to the Council at the end of Q1 were £64,000, which is broadly in line with what could be expected based on the full year estimate; however, Greenfields are reviewing their major works programme so this position could change at subsequent quarters.

The Council has received £862,000 grant from the Better Care Fund, which is used to fund the Council's disabled facilities grant scheme. This is an increase of £162,000 over that originally anticipated for the year.

Key Financial Indicators – 30th September 2018		Agenda No: 6
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services Delivering better outcomes for residents and businesses and reducing costs to taxpayers	
Report presented by:	Trevor Wilson, Head of Finance	
Report prepared by:	Trevor Wilson, Head of Finance	
Background Papers:	Public Report	
	Key Decision: No	
Executive Summary:		
<p>The attached schedule (Appendix A) of key financial indicators provides details of performance recorded for the financial year to 30th September 2018.</p> <p>Commentary:</p> <p>a) The net General Fund revenue budget for the year is £14.784million. The net expenditure incurred in the year to 30th September was £3.244million. This represents a positive variance of £504,000 compared to the profiled budget of £3.748million. Accountants are currently working with service managers on this second quarter information to predict the outturn for the year. The outcome of this will be included in the Performance report which will be received by the Cabinet at the meeting scheduled for 26th November 2018.</p> <p>b) The total budget for Salaries for the year is £16.46million. Expenditure on salaries for the year to the end of September was £7.916million. This compares to a profiled budget of £7.997million. The positive variance of £81,000 is after allowing for £100,000 of the Efficiency Factor (£200,000 for the year).</p> <p>c) Expenditure on capital projects, to the end of September, was £2.01million against the Capital Programme of £13.214million. The main schemes on which expenditure has been incurred are: Disabled Facility Grants (£0.35m), Springwood Grow-on units (£0.538m), Silver End Doctors Surgery (£0.403m), Manor Street Development (£0.224m), Refuse freighter (£0.16m) and contribution for a new boiler at the Braintree Museum (£0.085m).</p> <p>d) The total Council Tax collectable debit for the year is £88.11million. The collection rate as at the end of September is 58.8% (£51.97million collected), which compares to a rate of 59.25% for the same period last year, a small reduction of 0.45%.</p>		

- e) The total Business Rates (National Non-Domestic Rates) collectable debit for the year is £43.87million. The collection rate as at the end of September is 57.76% (£25.13million collected), which compares to a rate of 58.07% for the same period last year, a reduction of 0.31%.
- f) A total of 337 write-offs of Council Tax, with a value of £51,828 have been authorised in the year to 30th September: 76 in respect of the current year and 261 in respect of previous financial years.
- g) A total of 28 write-offs of Business Rates, with a net value of £69,092, have been authorised in the year to 30th September: 12 in respect of the current year and 16 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 £4.168million, of which £1.728million was in respect of Housing Benefit overpayments. The target for 2018/19 is to reduce the debt outstanding, excluding Housing Benefit overpayments and invoices raised in March in respect of 2019/20, to £600,000 or less as at 31st March 2019.
- i) The rate of return achieved on investment of the Council's balances and funds in the year to-date is 0.62%. This return was achieved on an average amount invested of £43.36million and relates solely to monies placed with banks, building societies, the Debt Management Office and in Money Market Funds.
- j) Dividend received/declared in the year to 30th September is £467,285. The market values of these pooled funds show an unrealised net increase in the principal sum of £1.978million as at 30th September 2018. The total invested in pooled equity and property funds is £16million. 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 £45.33million and in pooled funds, totalling £16million, as at 30th September 2018, is provided at Appendix B.

Recommended Decision:

Members are asked to accept the report of the Key Financial Indicators as at 30th September 2018.

Purpose of Decision:

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

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

Financial:	<p>The net General Fund revenue budget for the year is £14.784million. The net expenditure incurred in the year to 30th September was £3.244million. This represents a positive variance of £504,000.</p> <p>Collection rates for both business rates and council tax are expected to be on course to achieve the targets by the year-end.</p>
Legal:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	Regular consideration of a suite of Financial Health Indicators is recommended good practice
Officer Contact: Trevor Wilson	
Designation: Head of Finance	
Ext. No: 2801	
E-mail: Trevor.wilson@braintree.gov.uk	

Key Financial Indicators at 30th September 2018
APPENDIX A

	Full Year Budget 2018/19	Actual as at 30 Sept 2018	Promise to 30 Sept 2018	Variance from Profile	
	£'000	£'000	£'000	£'000	%
General Fund - Revenue (Controllable)	14,784	3,244	3,748	-504	-13.4%
Capital Programme (Excl. capital salaries incl. below)	13,214	2,010			
General Fund - Salaries	16,460	7,916	7,997	-81	-1.0%

	Full Year Target	Actual as at 30 Sept 2018	Actual as at 30 Sept 2017	Variance
Council Tax collection in year - %	98.30%	58.80%	59.25%	-0.45%
Council Tax collection - income collected for year - £m	£88.11	£51.97	£49.43	£2.54
Write-offs in year - £'000		£17	£17	£0
Write-offs in year - number		76	86	-10
Write-offs all years £'000		£52	£55	-£3
Write-offs all years - number		337	425	-88
Business Rates collection in year - %	98.60%	57.76%	58.07%	-0.31%
Business Rates collected for year - £m	£43.87	£25.13	£25.17	-£0.04
Write-offs in year - £'000		£23	£33	-£10
Write-offs in year - number		12	13	-1
Write-offs all years - £'000		£69	£30	£39
Write-offs all years - number		28	66	-38
Creditors - payment of invoices within 30 days of receipt	99.25%	99.20%	99.57%	-0.37%

Debtors - Balance Outstanding	31-Mar-16	31-Mar-17	31-Mar-18	30-Sep-18
	£'000	£'000	£'000	£'000
Service Level Agreement charges - principally Tabor Academy and residents of Twin Oaks, Stisted	319	303	197	187
Capital Projects	8	3	0	0
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	143	8	7	24
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	10	103	80	184
Development & Environment	271	619	538	746
Finance	61	108	111	268
Leisure	169	208	65	66
Operations	288	936	1219	912
Housing	77	83	47	53
Sub-Total - excluding Hsg. Benefits	1,346	2,371	2,264	2,440
Housing Benefits	1,647	1,436	1,745	1,728
Total	2,993	3,807	4,009	4,168
Target is for Debt Outstanding (excluding Housing Benefits, charging orders and large value invoices raised in final days of the month-end) to be £0.6million by 31 March 2018.				2,399
Profile by Recovery Stage:				
Invoice	1,377	2,561	2,542	2,507
Reminder	275	281	329	348
Final Notice	190	-	-	-
Pre-legal	338	212	567	645
Enforcement Agent	426	387	310	289
Tracing Agent	4	11	2	20
Charging Order	23	32	31	31
Attachment to Benefits/Earnings	360	322	228	328
Summons		1	-	-
Total	2,993	3,807	4,009	4,168
Write offs in year - value - £000	£20.0	£25.5	£161.4	£4.0
Write-offs in year - number	245	371	392	79

Progress on achieving Efficiency Savings Targets

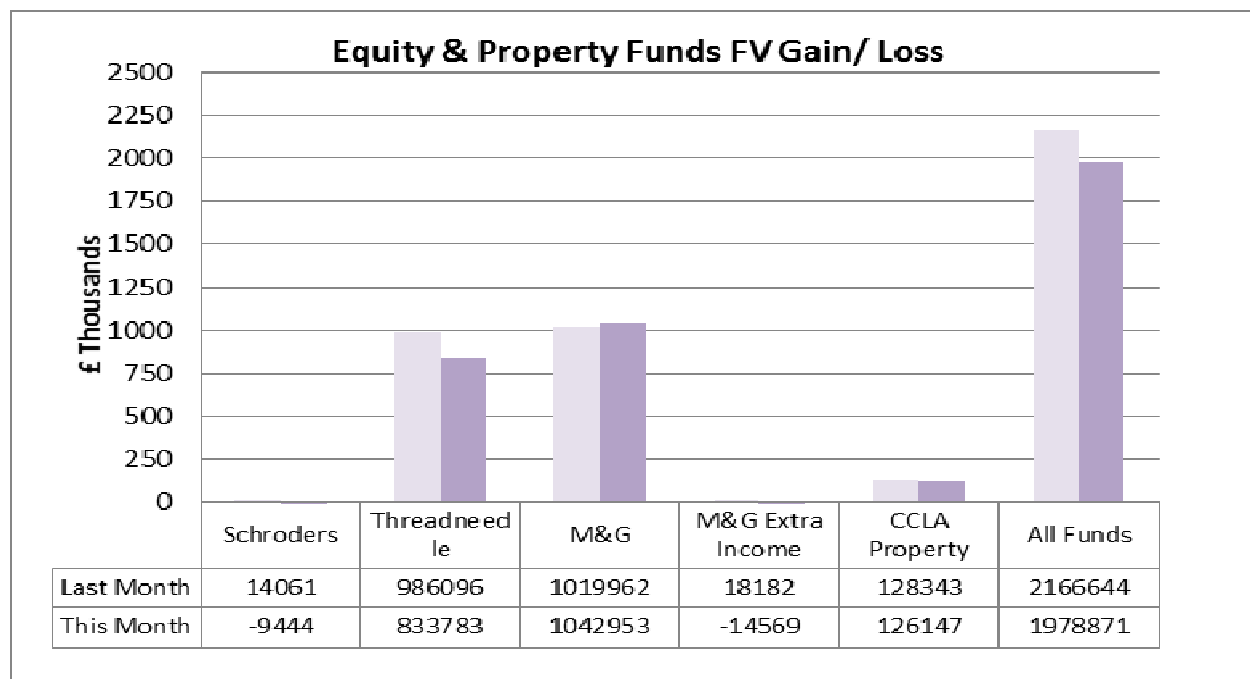
The amount of the Efficiency Savings target included in the budget for 2018/19 is a net amount of £200,000. The underspend on salaries of £81,000, recorded above, is after offsetting £100,000 of the target.

Investment Holdings at end of September 2018

COUNTERPARTY	Type	Principal	Start	Maturity	Return
Santander	FIXED	3,000,000	14/08/2018	01/02/2019	0.86%
Barclays	FIXED	3,000,000	13/07/2018	18/10/2018	0.63%
Nationwide	FIXED	3,000,000	03/04/2018	03/10/2018	0.71%
Eastleigh Borough Council	Deposit - LA	3,000,000	18/04/2018	18/10/2018	0.80%
Dundee City Council	Deposit - LA	3,000,000	17/09/2018	23/04/2019	0.91%
Australia and New Zealand Banking	FIXED	3,000,000	05/06/2018	05/12/2018	0.77%
Landesbank Hessen-Thuringen (Helaba)	FIXED	3,000,000	03/04/2018	03/10/2018	0.77%
Coventry BS	FIXED	3,000,000	01/05/2018	18/10/2018	0.71%
Bank of Scotland	FIXED	3,000,000	14/05/2018	14/11/2018	0.75%
Lloyds Bank	Call A/C	1,329,000	30/09/2018	01/10/2018	0.65%
Deutsche	MMF	3,000,000	30/09/2018	01/10/2018	Variable
Goldman Sachs	MMF	5,000,000	30/09/2018	01/10/2018	Variable
Standard Life	MMF	5,000,000	30/09/2018	01/10/2018	Variable
EXTERNAL FUND INVESTMENTS					
Schroders Income Maximiser	Equity	2,500,000			Variable
Threadneedle UK Equity	Equity	5,000,000			Variable
M&G Global Dividend	Equity	2,500,000			Variable
M&G Extra Income	Equity	3,000,000			Variable
CCLA – LAMIT Property	Property	3,000,000			Variable
Royal London Cash Plus	MMF-VNAV	4,000,000			Variable
Total		61,329,000			

Key: MMF - Money Market Fund

VNAV - Variable Net Asset Value



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

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

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:	Angela Mitchell
Designation:	Audit, Insurance and Fraud Manager
Ext. No:	2821
E-mail:	Angie.mitchell@braintree.gov.uk

1. INTRODUCTION

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

2. PROGRESS AGAINST THE INTERNAL AUDIT PLAN 2018/19

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

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

- Community Grants – **Significant Assurance**
- Leased Cars – **Significant Assurance**
- Consultants – **Significant Assurance**

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

- Work was commenced in line with the Provisional Audit Plan on some audits which were not reflected in the revised plan
- The Internal Audit function has developed new processes, and has made changes to the reporting format to ensure work and outputs accord with the requirements of the PSIAS, and in accordance with the outcomes of the External Quality Assessment. These changes have required staff to learn and adjust to new practices. There is further narrative on the new processes below
- The Audit Manager has focussed much attention on the Insurance renewal process, including reviewing the scope of cover in line with recommended practice
- The summer months are peak times for staff leave.

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

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

3. NEW PROCESSES

The following key changes have been introduced:

- **Terms of Reference** – Audit Terms of Reference are prepared for each audit which identify the scope of work and key timescales
- **Report format** – a full report now documents all outcomes of audits, this includes a statement of the assurance level assigned to the audit (being the extent to which the function can give assurance from the work performed that the controls in place enable key objectives to be met), documented findings and recommendations, and an executive summary
- **Audit Manual** – work has been commenced on development of an Internal Audit Manual, this is ongoing
- **Review Process** – the review of audit work performed has been formalised and a review form now documents key elements of the review. The scope of work performed is subject to detailed challenge to ensure it meets audit objectives and outputs are justified
- **Non-Audit Processes** – the team have been supporting other services as part of arrangements to hand over some non-audit functions which were being undertaken by audit staff
- **Training** – staff training and development is ongoing

4. PROGRESS AGAINST THE EXTERNAL QUALITY ASSESSMENT ACTION PLAN

The outcome of the External Quality Assessment of the Audit function against the Public Sector Internal Audit Standards (PSIAS) was reported to the Governance Committee on 12 April 2018. This assessment concluded the Council '*Partially Conforms*' to the PSIAS, and 22 recommendations, 10 suggestions and 4 observations were made by the assessor to support the Council in its journey to '*Generally Conforms*'

Of the 22 recommendations:

- **13 have been completed** – relating to the Audit Charter (2), reporting to the Corporate Management Team, Annual Report, the Audit Insurance & Fraud Manager post, alignment of the Internal Audit Plan to Council risks and strategies (2), engagement of Senior Management in the Audit Planning process, reporting results of self-assessments against the PSIAS, scope of financial systems work included in the Audit Plan, Terms of Reference for audit assignments, Reports for audit assignments, and scope of routine audits.
- **8 are in progress** – relating to development of an Audit Manual; staff training and development; performance measures; further reporting to Corporate Management Team; audits of risk management, governance, and culture and ethics (these are scheduled but have not yet been completed); scope and duration of assignments, and scope of the opinion in the annual report (this

was addressed in the 2017/18 opinion and will be updated for the 2018/19 opinion)

- **2 are not yet scheduled** – statement of compliance with PSIAS within Audit reports, and staff declarations of compliance with principles, code of ethics, standards and Nolan principles, are scheduled for completion during 2019.

Of the 10 suggestions:

- **4 have been completed** – relating to the Audit Insurance & Fraud Manager meeting with the Chair of the Governance Committee, reallocation of non-audit responsibilities, inclusion of reference to the annual Public Sector Networks compliance audit in the annual opinion, and classification of audits within the Audit Plan
- **2 are in progress** – relating to inclusion of a statement of conformance to the PSIAS in the annual report (a statement of partial conformance was included in the 2017/18 report, this is to be updated for the 2018/19 report which is not yet due), and review of the document retention policy
- **1 is not being taken forward** – the Senior Auditor is not seeking to obtain the CIA qualification, but will be supported with relevant training
- **3 are not started or not yet scheduled** – Governance Committee Terms of Reference (will be reviewed when the Constitution is next updated), declaration of compliance with principles, code of ethics, standards and Nolan principles (as recommendations above), and Internal Audit Strategy (to be reviewed)

And of the 4 Observations:

- **2 are in progress** – relating to adopting proactive approach to change and audit team involvement in change projects, and obtaining a suitable audit management system (the team are reviewing an option which links to existing systems and which is in use by other Local Authorities)
- **2 are not started or not scheduled** – relating to the use of Computer Assisted Audit Techniques, and buying in specialist IT Audit Services (although a neighbouring Authority has been identified as a potential supplier of IT Audit services)

A full self-assessment of compliance with the PSIAS will be provided annually to the Governance Committee.

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

The Governance Committee will receive an update at each meeting on progress against the Plan. The progress as at 4 October 2018 reflects audits in the provisional internal audit plan for which work was commenced prior to the new Audit Insurance and Fraud Manager commencing in post and prior to the revised Plan being prepared, and the revised Internal Audit Plan as approved by the Governance Committee in July 2018

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

23	Strategic Investment Projects – Advisory	1	Ongoing	
24	Major Project Stakeholder Engagement	1		
25	Annual Governance Statement	1		
26	Corporate Governance	1		
27	Animal Welfare	3		
28	Taxi Licensing	3		
29	Land Charges	3		
30	Risk Management	1		
31	Culture & Ethics	2		
32	Safeguarding	3		
33	Follow Up Reviews	2		
34	Fraud Risks	2		

ADDITIONAL WORK COMPLETED

The following additional work has also been performed by the Internal Audit Function:

Consultancy

The function has provided ad hoc advice and guidance in a number of areas, including relating to

- Disposal of Assets and Equipment
- Scope and content of Corporate Policies
- Retention of records
- Timesheet input process
- Credit Note process

Scope of Role of Internal Audit Function

Internal Audit staff have been performing a number of functions which were recognised to be outside the scope of normal audit activity, and have been working with other teams across the Authority to reassign activities to appropriate teams and thus improve efficiency and internal audit independence.

APPENDIX 2 - OUTCOME OF AUDITS COMPLETED SINCE THE PREVIOUS REPORT TO GOVERNANCE COMMITTEE (25 July 2018)

The following audits have been completed since the preparation of the report for the Governance Committee meeting held 25 July 2018:

Audit	Overview of Scope	Summary of Findings	Recommendation(s)	Priority	Agreed / Responsible Officer / Action Date
Community Grants Significant Assurance	The audit was a review of the grants process from application through to payment, and included declarations of interest, compliance with scheme guidelines and budgetary control	The review confirmed applications were appropriately completed, there was a robust process for application review and grant monitoring, and there was generally transparency in publication of grant information.	Application forms to be batch uploaded monthly to the website to ensure all grants are published Declarations of Interest to be scrutinised to ensure fair and transparent award of grants	Low Low	Agreed: Yes – Community Services Officer / Governance & Member Manager Action date: 31/10/18 Agreed: Yes – Head of Governance Action date: 31/10/18
Leased Cars Significant Assurance	The audit was a review of the leased car scheme documentation and applications to assess compliance with scheme criteria, to ensure scheme costs were appropriately recharged.	The review confirmed documentation was well maintained, calculations were correct, recharges were applied, and general processes were followed. There is opportunity to clarify elements of the scheme criteria including relating to eligibility, additional drivers, excess mileage and early termination charges.	Scheme documentation to be reviewed to clarify eligibility, excess mileage, and early termination, and revised criteria to be enforced Protocol for any exceptions to be	Medium Low	Agreed: Yes Scheme documentation review by Accountant Action date: 31/12/18 Implementation by Strategy and Policy

			documented	Medium	Manager (or Transport Manager when appointed) Action date: 30/04/19
			Criteria for business mileage to be enforced	Medium	
			Procedure relating to recharge of early termination to be documented	Medium	
			Identify protocols for ensuring charges for excess mileage criteria are recharged		
Consultants Significant Assurance	The audit was a review of the processes for the appointment of consultants including determination of fees, compliance with Contract Procedure Rules (CPR) and approval of consultant recommendations.	The review confirmed there was appropriate use of the E-Procurement system for consultants, and appropriate scrutiny of Consultant recommendations before implementation. Incidents of non-compliance with Contract Procedure Rules included were identified in 7 cases (from a sample of 25), these included <ul style="list-style-type: none"> - Inadequate number of quotes obtained and exemption forms not completed - Extension of some arrangements which would require alternative procurement 	Promotion of requirements for compliance with CPR including relating to number of quotes, exemptions and contract extensions	Medium	
			Completion of quotations register (or Exemption form if register not completed)	Low	

		arrangements - Quotations Register not completed for 3 cases (within sample of 25)			
--	--	---	--	--	--

Key:

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

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

Annual Audit Letter for the year ended 31st March 2018		Agenda No: 8
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Ernst & Young, External Auditor	
Report prepared by:	Ernst & Young, External Auditor	
Background Papers:	Public Report	
Annual Audit Letter 2017/18 received by email 28 th August 2018	Key Decision: No	
Executive Summary:		
<p>The purpose of the Annual Audit Letter is to communicate the key issues arising from the work carried out by Ernst & Young LLP, the Council's external auditors, in respect of the financial year 2017/18. A copy of the letter is attached at appendix A.</p> <p>The key areas covered within the letter are:</p> <ul style="list-style-type: none"> • Financial Statements – an unqualified opinion – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended. • Value for Money – an unqualified value for money opinion was issued. The Audit concluded that the Council has put in place proper arrangements to secure value for money in the use of its resources. • Annual Governance Statement – The Governance Statement was consistent with their understanding of the Council. <p>The External Auditor's Audit Results Report for the year ended 31st March 2018 was presented to the Governance Committee 25th July 2018 and the Auditor issued a certificate on 25th July 2018 that the audit had been completed in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.</p> <p>The external auditor has recently completed work on certifying the Council's Housing Benefit Subsidy claim for 2017/18 and will issue the Certification of Claims and Returns Annual Report for 2017/18 in November 2018. This report will be presented to the Governance Committee on 23rd January 2019.</p>		
Recommended Decision:		
To receive and accept the Annual Audit Letter for the year ended 31 st March 2018 from Ernst & Young LLP.		

Purpose of Decision:

For Members to receive the Annual Audit Letter for 2017/18.

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

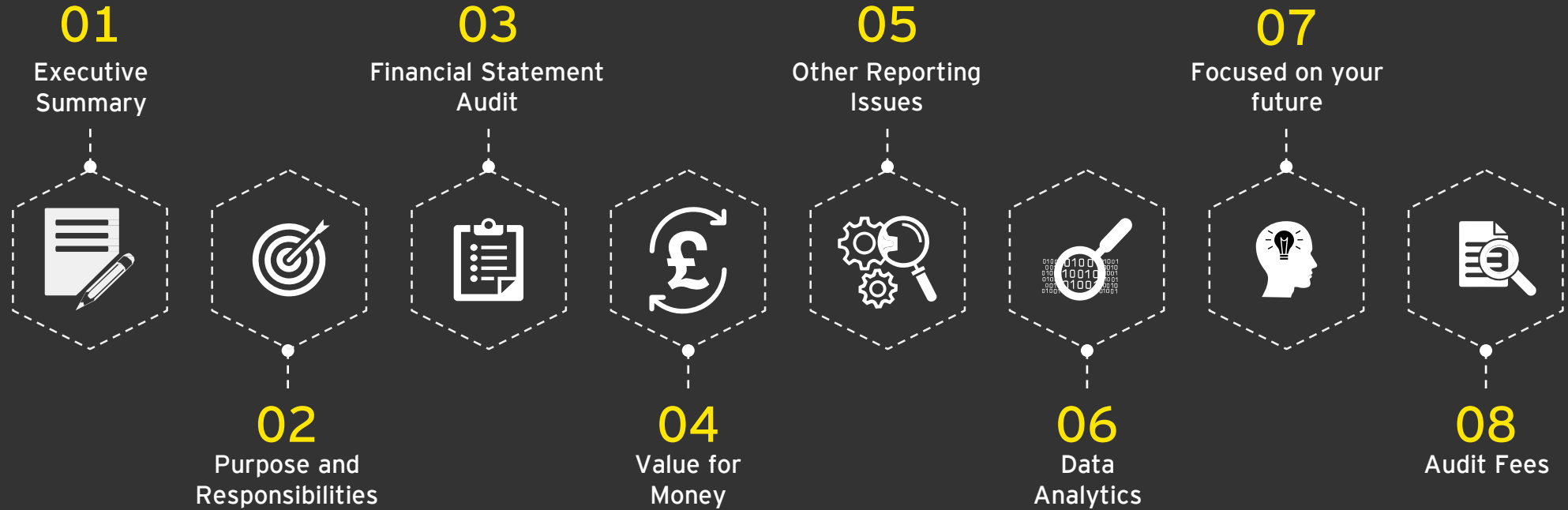
Financial:	None
Legal:	<p>A positive report from the external auditor regarding the work carried out for 2017/18 confirming an unqualified opinion on the Council's Accounts for 2017/18 and determining that arrangements are in place to achieve value for money.</p> <p>The external auditor's Certification of Claims and Returns Annual Report 2017-18 is expected to be received during November 2018.</p>
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	None
Officer Contact:	Trevor Wilson
Designation:	Head of Finance
Ext. No:	2801
E-mail:	Trevor.wilson@braintree.gov.uk

Braintree District Council

Annual Audit Letter for the year
ended 31 March 2018

August 2018

Contents



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

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

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

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

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



01 Executive Summary

Executive Summary

We are required to issue an annual audit letter to Braintree District Council (the Council) following completion of our audit procedures for the year ended 31 March 2018. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

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

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report. The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 9 July 2018
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 25 July 2018

In November 2018 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

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

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

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

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the Governance Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued on 12 April 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2017/18 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

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

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



03

Financial Statement Audit

Key Issues

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

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 25 July 2018.

Our detailed findings were reported to the 25 July 2018 Governance Committee.

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

Significant Risk	Conclusion
<p>Risk of fraud in revenue and expenditure recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>The Council has historically performed well in relation to their outturn position for the year. As the Council is more focussed on its financial position over the medium term we have rebutted this risk for the Council's standard income and expenditure streams except for the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme.</p> <p>This has also been considered as being linked to the risk of fraud in management override of controls (see below).</p>	<p>We</p> <ul style="list-style-type: none"> ▶ Documented our understanding of the controls relevant to this significant risk and confirmed they have been appropriately designed. ▶ Tested the appropriateness of journal entries recorded in the general ledger, and transfers from revenue to capital; and ▶ Performed sample testing on additions to PPE to ensure that they have been correctly classified as capital and included at the correct value to identify any revenue items that have been inappropriately capitalised. <p>Our testing did not identify any material misstatements from revenue and expenditure recognition.</p> <p>Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.</p>

Financial Statement Audit

The key issues identified as part of our audit (cont'd):

Significant Risk	Conclusion
<p>Misstatement due to fraud or error</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>Linking to our risk of fraud in revenue and expenditure recognition above we have considered the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme.</p>	<p>We</p> <ul style="list-style-type: none">▶ Wrote to the s151 officer, Chair of the Governance Committee, Head of Internal Audit and Monitoring Officer in this regard and reviewed their responses.▶ Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed.▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.▶ Reviewed accounting estimates for evidence of management bias.▶ Considered the results of our work on revenue and expenditure recognition as set out above, specifically considering any instances of management bias.▶ Evaluated the business rationale for any significant unusual transactions. <p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Areas of Audit Focus	Conclusion
<p>Accounting for Property, Plant and Equipment Valuation</p> <p>Property, Plant and Equipment (PPE) and Investment Properties (IP) represent the largest asset values on the Council's balance sheet. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet for land and buildings in particular.</p> <p>The Council will engage an external expert valuer who will apply a number of complex assumptions to these assets. Annually assets are assessed to identify whether there is any indication of impairment.</p> <p>As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We</p> <ul style="list-style-type: none"> ▶ Considered the work performed by the Council's valuers, Wilks Head & Eve, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▶ Sample tested key asset information used by the valuers in performing their valuation e.g. floor plans to support valuations based on price per square metre); ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ▶ Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated; ▶ Considered changes to useful economic lives as a result of the most recent valuation; and ▶ Tested accounting entries have been correctly processed in the financial statements. <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any significant issues in the assumptions used by the Authority in estimating the value of property, plant and equipment.</p> <p>The transaction were correctly reflected in the financial statements.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Areas of Audit Focus	Conclusion
<p>Pension Liability Valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.</p> <p>The information disclosed is based on the IAS19 report issued to the Council by the actuary to the administering body.</p> <p>Accounting for this scheme involves significant estimation and judgement.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We</p> <ul style="list-style-type: none"> ▶ Liaised with the auditors of Essex Pension Fund, obtained assurances over the information supplied to the actuary in relation to Braintree District Council; ▶ Assessed the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. ▶ Tested the value of the estimated fund assets to the actual fund assets as at 31 March 2018, and the impact of any variation to Braintree District Council. <p>We identified one audit difference with an aggregated impact of £2.948 million in the Authority's Comprehensive Income & Statement and Balance Sheet that are related to the market value of the pension fund assets.</p> <p>In calculating the scheme assets as at 31 March 2018 the actuary performs a roll forward technique based on asset data submitted to them by the Pension Fund at 31 December 2017.</p> <p>The reporting from the Pension Fund auditors highlighted that the market value of the pension fund assets at 31 March 2018 is £6,519 million. When compared to the actuaries estimate of the fund assets at 31 March 2018 of £6,630 million this creates a difference of £111 million.</p> <p>The Authority's share of the assets equates to approximately 2.3% of the fund. The Authority's share of the difference is therefore approximately £2.9 million.</p> <p>Management obtained a revised IAS19 report from the actuary and has amended the accounts for the updated asset figures, increasing the net liability by £2.9 million</p> <p>No other issues have been identified in completing our work.</p> <p>Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in the notes to the financial statements.</p>

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

Financial Statement Audit (cont'd)

Our application of materiality

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

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.484 million (2016/17: £1.522 million), which is 2% of net cost of services reported in the accounts of £69.792 million adjusted to include financing and investment expenditure of £4.411 million. We consider expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Governance Committee that we would report to the Committee all audit differences in excess of £0.074 million (2016/17: £0.076 million)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: reduced materiality level of £5,000 applied in line with bandings disclosed; and
- ▶ Related party transactions, members' allowances: reduced materiality level applied equal to the reporting threshold.

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

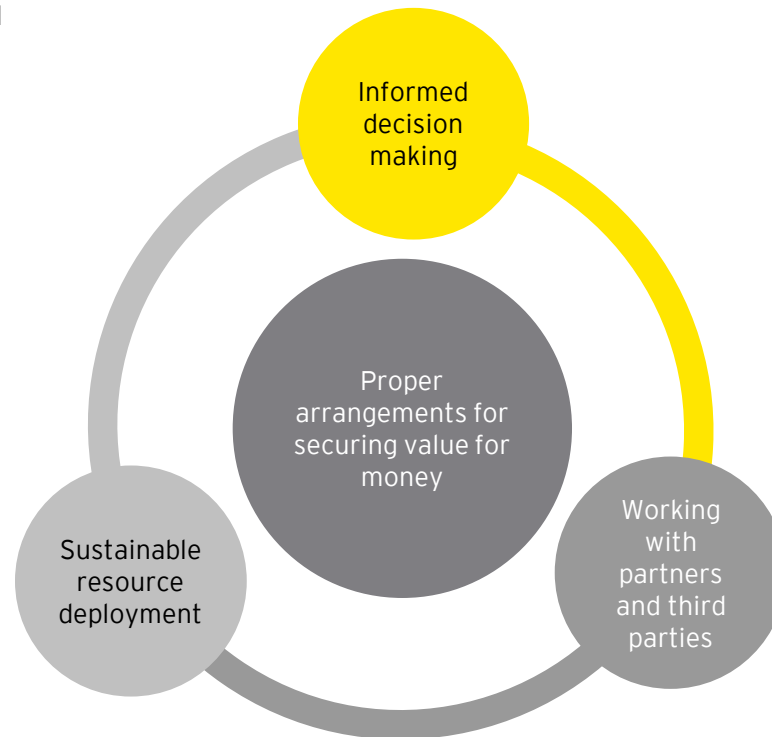


04 Value for Money

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

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

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



We did not identify any significant risks around these criteria. We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 25 July 2018.



05 Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

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

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

Report in the Public Interest

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

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

Written Recommendations

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

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

Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

Other Powers and Duties

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

Other Reporting Issues (cont'd)

Independence

We communicated our assessment of independence in our Audit Results Report to the Governance Committee on 25 July 2018. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

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

Our audit did not identify any controls issues to bring to the attention of the Governance Committee.



06 Data Analytics



Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the Council's audit included testing journal entries, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.



07

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>The 2018/19 Code introduces IFRS 9 which replaces IAS 39 Financial Instruments, with implementation from 1 April 2018. It includes</p> <ul style="list-style-type: none">▶ A single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed▶ A forward looking 'expected loss' model for impairment rather than the 'incurred loss' model under IAS 39, and▶ New provisions on hedge accounting.	<p>The potential impact of the standard is set out in Note 33 to your accounts. The Council will need to keep this standard under continued focus during 2018/19 because statutory overrides may be introduced by Central Government.</p>
IFRS 15 Revenue from Contracts with Customers	<p>The 2018/19 Code confirms that IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and their associated interpretations, with implementation from 1 April 2018. The core principle in IFRS 15 for local authorities is that they should recognise revenue to depict the transfer of promised goods or services to the service recipient or customer in an amount that reflects the consideration to which the authority expects to be entitled in exchange for those goods or services. adopts IFRS15 without adaptation. The scope includes:</p> <ul style="list-style-type: none">▶ all contracts with customers except leases, financial instruments and insurance contracts; and▶ excludes Council Tax and NDR income	<p>Given the nature of the Authority's income streams, it is unlikely that the future implementation of IFRS 15 will have a material impact on the single entity financial statements of the Authority. In your view IFRS 15 will not have a material impact on this Council's single entity financial statements as the vast majority of the Council's income streams are taxation or grant based.</p>



Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>



08 Audit Fees

Audit Fees

Our fee for 2017/18 is in line with the scale fee set by the PSAA and reported in our 2017/18 annual fee letter.

Description	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Total Audit Fee - Code work	59,756	59,756	59,756	59,756
Non-audit work - Housing Benefit subsidy	13,728	13,728	13,728	13,778
Other non-audit services not covered above (review of grant agreement between the Council and Ignite Business Enterprise)	16,333	-	-	-

Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA. Our actual fee will be determined on completion of the Housing Benefit subsidy claim, due by 30 November 2018.

We confirm that we have undertaken non-audit work outside the PSAA Code requirements in relation to the review of grant agreement between the Council and Ignite Business Enterprise. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in Month Year.

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Treasury Management Mid-Year Report 2018/19		Agenda No: 9
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:	Phil Myers, Financial Services Manager	
Report prepared by:	Phil Myers, Financial Services Manager	
Background Papers:	Public Report	
Treasury Management Strategy Statement 2018/19 – approved by Full Council on 19 February 2018 as part of the Council’s Budget for 2018/19 Council Budget and Council Tax 2018-19 and Medium-Term Financial Strategy 2018-19 to 2019-20	Key Decision: No	
Executive Summary:		
1. <u>Background</u>		
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 requirements of the Code is that, along with an annual strategy to be approved prior to the commencement of the financial year and an annual report after the financial year-end, the Council should also receive at least one mid-year report on its treasury management activities.		
2. <u>Treasury Management Strategy</u>		
2.1 The Treasury Management Strategy Statement (TMSS) for 2018/19 was approved in February 2018 as part of the overall Budget and Council Tax setting for 2018/19. The TMSS was based on the following presumptions:		
<ul style="list-style-type: none"> • A fully funded capital programme, using mainly capital receipts and reserves, including a portion of the District Investment Strategy (DIS) reserve. • The availability of cash balances for investment – the assumption was that these would average around £50million comprising core cash of £37million and in-year cash flows of £13million. • No specific new borrowing would be required in 2018/19; however, the approved DIS included provision for new borrowing to be undertaken in the 		

future. The exact timing of taking out borrowing would be kept under review in light of interest rate forecasts and capital spending profiles.

- Maintaining the Council's approach to risk by diversification of its investments including retaining longer-term investments to counter the risks associated with a prolonged period of relatively low interest rates.

3. External Context

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

3.2. In summary:

- UK Consumer Price Index (CPI) for August rose to 2.7% year/year, which was above the consensus forecast and that of the Bank of England's in its August *Inflation Report*. Whilst there was a rebound in quarterly Gross Domestic Product (GDP) growth in Q2, year/year growth remains below trend.
- The Bank of England's Monetary Policy Committee (MPC) maintained monetary policy up until its meeting in August at which rates were increased by 0.25% taking the Bank Rate to 0.75%. The increase in Bank Rate resulted in higher money market rates.
- With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the European Union nor the details of the shape of the future relationship have been finalised, extending the period of economic uncertainty.
- Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yields in safe-haven UK, German and US government bonds. Over the period, despite the volatility, the change in gilt yields was small.
- Having started the financial year at 7025, the FTSE 100 increased during May and at times exceeded 7800, and having remained fairly buoyant over subsequent months, fell sharply in early September before making some recovery such that at the close of the half year the index stood at 7510.

4. Capital Expenditure and Financing

4.1. Capital spending is forecast to be £13.863million in 2018/19 and increase of over £7million from that originally anticipated in the TMSS. This reflects a number of decisions made earlier in the year by the Council on projects under the Council's District Investment Strategy. A significant portion of funding towards these projects was to be from internal borrowing.

5. Capital Financing Requirement

5.1. The Capital Financing Requirement (CFR) is a balance sheet derived amount which indicates the extent to which the Council has previously invested in capital

but not financed the spending from its own capital resources. It is therefore an indicator of the amount of borrowing the Council could potentially justify as being required to meet expenditure with lasting benefits. The CFR is also used to determine the amount of Minimum Revenue Provision (MRP) the Council is required to set aside from its General Fund revenue account.

5.2. The forecast CFR at 31 March 2019 is now £12.911million which is higher than that originally estimated (£6.133million) due to the increased internal borrowing. Whilst the CFR has increased this will not have an impact on the MRP charge to revenue whilst projects remain in the development stage. Within the overall expected movement in the CFR is a reduction of £2million, which relates to the Braintree Local Authority Mortgage Scheme (LAMS) that ends in January 2019 and for which Lloyds Bank have previously advised that the Council will be paid back its cash-backed indemnity in full.

6. Borrowing and Other Long-Term Liabilities

6.1. Borrowing is expected to remain at £6million during this year; however, there are reductions in other long-term liabilities: a repayment of £1million to Essex County Council being its share of the cash-backed guarantee given for the Braintree LAMS; and finance leases are reduced by annual payments reflecting the terms of the individual leases. At the end of the year total borrowing and other long-term liabilities is estimated to be £8.506million. Debt obligations continue to be within the limits approved in the TMSS.

7. Investment Activity

7.1. The TMSS included 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 for selecting suitable investment counterparties and related exposure limits (duration/ amounts).

7.2. Investment priorities remain security and liquidity; and only when these are met is highest yield considered.

7.3. The level of investments managed is directly linked to the cash balances available which are needed to meet day-to-day liquidity requirements as well as medium-longer term cash flow as reflected in the Council's planned use of its revenue and capital reserves.

7.4. At 31 March 2018, cash balances were £41.341million, which was higher than originally anticipated in the TMSS - this was mainly a carry-over from 2017/18 where there were changes in the programme for the DIS as schemes were being further developed.

7.5. For the period April to end September 2018, investments have averaged £59.356million, with a high of £64.50million. Cash balances typically peak around August/ September before reducing over the remainder of the year. The current forecast is for investments to average around £49million for the year, which is similar to the level assumed in the TMSS (£50million).

- 7.6. By the end of the year investment balances are expected to be circa £32million – a reduction from that at the start of the year and which reflects the increased level of internal borrowing now expected during the year.
- 7.7. Funds managed to date this year have been invested in a mixture of fixed term deposits and call accounts with UK and non-UK financial institutions; money market funds; UK Government through the Debt Management Office; lending to other local authorities; and pooled funds.
- 7.8. In the period April to September 2018 new investments of over £55million have been made, with around £37million maturing. Investment and other cash balances at 30 September was £61.329million.
- 7.9 A review of the Council's medium-term cash flows taking into account both approved and pipeline projects under the DIS has recently been undertaken to assess the capacity for increasing the amount invested in long-term investments. The current exposure is £16million spread across five funds, within an overall limit approved by Council of £20million.
- 7.10. The overall return to the end of September was £602,147 or 2.02% (annualised). Interest earned on short-term investments was £134,863 equating to a return of 0.62% which whilst still reflecting the prevailing low level of money market interest rates is higher than the outturn last year of 0.38%. Dividends from long-term pooled funds are paid quarterly and can vary quarter on quarter. Up to the end of September dividends received/ declared were £467,284 or 5.8%. The Budget for investment income in 2018/19 is £815,000, and based on performance to date it is expected this will be overachieved.
- 7.11. The value of the Council's investments in pooled funds can fluctuate in response to changing market sentiment. Under current accounting rules these changes in value are unrealised and have no effect on the General Fund revenue account until such time investments are sold. At the 30 September 2018 the overall valuation of funds was £17.979million, representing an unrealised gain of £1.979million (£0.935million at 31 March 2018).
- 7.12. The Ministry for Housing, Communities and Local Government (MHCLG) consulted on statutory overrides relating to accounting changes which came into effect from April 2018. The consultation recognised that the new accounting requirements would mean the change in fair (market) value of certain investments would potentially impact on the General Fund revenue account, as opposed to the current treatment where such "paper" movements are held in an unusable reserve until such time investments are sold. The changes could introduce greater volatility which would impact on the Council's budget and council tax calculations. The consultation proposed a time-limited statutory override and sought views as to which types of investments this would apply to. The Cabinet Member for Finance and Performance has responded on behalf of the Council suggesting the override should be permanent and that it should apply to a wider range of pooled funds, not just property funds. The Government's response to the consultation is still awaited.

8 Non-Treasury Management Investments

8.1. Although not classed as treasury management activities, the 2017 CIPFA Code now requires the Council to report on investments for policy reasons outside of normal treasury management. This includes service investments for operational and/or regeneration as well as commercial investments which are made mainly for financial reasons. The Council holds direct property investments with a market value of £34.367m comprising: industrial land and units; shops; offices; and other commercial property. Properties are leased to third parties generating rental income for the Council. In 2018/19 the net rental income expected is over £2million, representing a return of circa 6%.

8.2. The Council also has a number of loans and deposits which have been made for service reasons. At 31 March 2018, the amount outstanding on these was £2.367m, the largest element being the £2m deposit placed with Lloyds Bank Plc in January 2014, as a cash-backed guarantee for the Braintree LAMS. This is expected to be repaid in full in January 2019. The deposit is currently earning interest at 3.04% per annum. The balance represents a number of repayable loans made to multiple third parties on which repayments are being made in accordance with the agreed terms.

9 Outlook for remainder of 2018/19

9.1. Having raised policy rates in August 2018 to 0.75%, the Bank of England's Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon.

9.2. The MPC has a definite bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. While policymakers are wary of domestic inflationary pressures over the next two years, it is believed that the MPC members consider both that (a) ultra-low interest rates result in other economic problems, and that (b) higher Bank Rate will be a more effective weapon should downside Brexit risks crystallise and cuts are required.

9.3. Arlingclose's central case is for Bank Rate to rise twice in 2019. The risks are weighted to the downside. The UK economic environment is relatively soft, despite seemingly strong labour market data. Gross Domestic Product growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long-term average.

9.4. The view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Central bank actions and geopolitical risks, such as prospective trade wars, have and will continue to produce significant volatility in financial markets, including bond markets.

Recommended Decision:

To recommend to Cabinet acceptance of the Treasury Management Mid-Year Report 2018/19 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 the Council to receive at least one mid-year report on its treasury management activities. This report is to be considered first by the Governance Committee before being recommended on to Cabinet and then Full Council.

To note the intention to maintain the Council's classification as professional client for regulated investment activity.

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 so far this year.
Legal:	The Council's treasury management activities are subject to regulation by a number of professional codes, statutes, and related guidance.
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	The objective of the TMSS is to manage the risks inherent within the Council's treasury management activities.
Officer Contact: Phil Myers	
Designation: Financial Services Manager	
Ext. No: 2810	
E-mail: Phil.myers@braintree.gov.uk	

Treasury Management Mid-Year Report 2018/19

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 the commencement of the financial year and an annual report after the financial year-end, the Council should also receive at least one mid-year report on its treasury management activities.
- 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. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management activities.

2. Treasury Management Strategy

- 2.1. The Treasury Management Strategy Statement (TMSS) for 2018/19 was approved in February 2018 as part of the overall Budget and Council Tax Setting for 2018/19.
- 2.2. The TMSS was based on the following presumptions:
 - A fully funded capital programme, using mainly capital receipts and reserves, including a portion of the District Investment Strategy (DIS) reserve.
 - The availability of cash balances for investment – the assumption was that these would average around £50million comprising core cash of £37million and in-year cash flows of £13million.
 - No specific new borrowing would be required in 2018/19; however, the approved DIS included provision for new borrowing to be undertaken in the future. The exact timing of any new borrowing would need to be kept under review in light of interest rate forecasts and capital spending profiles.
 - Maintaining the Council's approach to risk by diversification of its investments including retaining longer-term investments to counter the risks associated with a prolonged period of relatively low interest rates.

3. External Context

- 3.1. **Appendix A** provides an economic and market commentary covering the current financial year written by Arlingclose, the Council's treasury management advisors.
- 3.2. In summary:
 - UK Consumer Price Index (CPI) for August rose to 2.7% year/year, which was above the consensus forecast and that of the Bank of

England's in its August *Inflation Report*. Whilst there was a rebound in quarterly Gross Domestic Product (GDP) growth in Q2, year/year growth remains below trend.

- The Bank of England's Monetary Policy Committee (MPC) maintained monetary policy up until its meeting in August at which rates were increased by 0.25% taking the Bank Rate to 0.75%. The increase in Bank Rate resulted in higher money market rates.
- With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the European Union nor the details of the shape of the future relationship have been finalised, extending the period of economic uncertainty.
- Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yields in safe-haven UK, German and US government bonds. Over the period, despite the volatility, the change in gilt yields was small.
- Having started the financial year at 7025, the FTSE 100 increased during May and at times exceeded 7800, and having remained fairly buoyant over subsequent months, fell sharply in early September before making some recovery such that at the close of the half year the index stood at 7510.

3.3. The table below summarises the level of market interest rates over the period 1 April to 30 September 2018:

Market Rates							
	UK Base Rate	London Inter Bank Bid Rates					
		Overnight	7-day	1mth	3mth	6mth	12mth
Average	0.58	0.44	0.54	0.56	0.70	0.81	0.95
Maximum	0.75	0.66	0.71	0.74	0.85	0.93	1.04
Minimum	0.50	0.00	0.42	0.42	0.55	0.66	0.83
Spread	0.25	0.66	0.29	0.32	0.3	0.27	0.21

4. Capital Expenditure and Financing

4.1. The following table shows the original estimated capital expenditure and financing as set out in the TMSS approved by Council for 2018/19 alongside an update for the current year:

Capital Expenditure & Financing 2018/19			
	TMSS £000	Forecast¹ £000	Change £000
Capital programme	5,090	4,949	(141)
District Investment Strategy	1,583	8,915	7,332
Total Expenditure	6,673	13,863	7,190
<i>Funded by:</i>			
Capital receipts	(3,961)	(3,153)	808
District Investment Strategy reserve	(1,723)	(1,290)	433
Better Care Funding	(700)	(604)	96
Affordable Housing reserve ²	0	(822)	(822)
Other Grants & Contributions	(239)	(671)	(432)
Revenue and reserves	(50)	(469)	(419)
Internal borrowing	0	(6,854)	(6,854)
Total Finance	(6,673)	(13,863)	(7,190)
¹ Includes projects that still require a business case to be formally approved			
² Previously held by Greenfields in the CHIP Fund			

4.2. The above table shows that the forecast capital spend for 2018/19 has increased significantly by over £7million, reflecting a number of decisions made earlier in the year by the Council on projects under the Council's District Investment Strategy. A significant portion of the funding towards these projects was to be from internal borrowing.

5. Capital Financing Requirement

5.1. The Capital Financing Requirement (CFR) is a balance sheet derived amount which indicates the extent to which the Council has previously invested in capital but not financed the spending from its own capital resources. The CFR is therefore an indicator of the amount of borrowing the Council could potentially justify as being required to meet expenditure with lasting benefits. Actual borrowing may differ from the CFR, e.g. if the Council has internally borrowed (as per para. 4.2 above). However, generally internal borrowing is only a short-medium term option.

5.2. The CFR is also used to determine the amount of Minimum Revenue Provision (MRP) the Council is required to set aside from its General Fund revenue account. It is through this requirement that the Council ensures that its borrowing is prudent, affordable, and sustainable as any MRP ultimately impacts on the amount of Council Tax to be raised to set a balanced budget.

5.3. The following table shows the original planned movement in the CFR and latest forecast.

<u>Capital Financing Requirement (CFR) 2018/19</u>			
	TMSS £000	Forecast £000	Change £000
CFR at start of the year	8,817	8,791	(26)
Increase due to internal borrowing	0	6,854	6,854
Repayment of Local Authority Mortgage Scheme	(2,000)	(2,000)	0
Minimum Revenue Provision	(379)	(379)	0
Finance leases annual principal repaid	(355)	(355)	0
Est. net change in CFR	(2,734)	4,120	6,854
Est. CFR at end of the year	6,083	12,911	6,828

5.4. The table above shows that by the end of year the CFR is expected to be higher than originally included in the TMSS due to increased internal borrowing. Whilst the CFR is expected to increase this will not have impact on the MRP charge to revenue whilst projects remain in the development stage. Within the overall expected movement in the CFR is a reduction of £2million, which relates to the Braintree Local Authority Mortgage Scheme (LAMS) that ends in January 2019, and for which Lloyds Bank have previously advised that the Council will be paid its cash-backed indemnity in full.

6. Borrowing and Other Long-Term Liabilities

6.1. The following table shows the expected movement on borrowing and other liabilities in 2018/19:

<u>Borrowing and Other Long-Term Liabilities</u>				
	Borrowing £000	Finance Leases £000	Other Long- Term Liability £000	Total £000
Amounts owed 1 April 2018	6,000	2,861	1,000	9,861
Additions	-	-	-	-
Repayments	-	(355)	(1,000)	(1,355)
Est. amounts owed 31 March 2019	6,000	2,506	0	8,506

6.2. There are no changes expected to borrowing in 2018/19; however, other long-term liabilities are expected to reduce: a repayment of £1million to Essex County Council being its share of the cash-backed guarantee given for the Braintree LAMS; and finance leases are reduced by annual payments reflecting the terms of the individual leases.

6.3. The Council approved borrowing limits within the TMSS: an Operational Limit of £11 million; and an overall Authorised Limit of £25 million (the maximum level of borrowing). Actual borrowings to the end of September have been within these limits, and it is expected that this compliance will continue for the remainder of the year.

7. Investment Activity

7.1. The TMSS included 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 for selecting suitable investment counterparties and related exposure limits (duration/ amounts).

7.2. The AIS is based on the 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.

Investment Balances

7.4. The level of investments managed is directly linked to the cash balances available which are needed to meet day-to-day liquidity requirements as well as medium-longer term cash flow, reflected in the Council's revenue and capital reserves.

7.5. At 31 March 2018, investment balances were £41.341million, which was higher than originally anticipated in the TMSS – this was mainly a carry-over from 2017/18 where there were changes in the programme for the DIS as schemes were being further developed.

7.6. For the period April to end September 2018 investments have averaged £59.356million, with a high of £64.50million. Cash balances typically peak around August/ September before reducing over the remainder of the year. The current forecast is for investments to average around £49million for the year, which is similar to the level assumed in the TMSS (£50million).

7.7. By the end of the year the forecast is for investment balances to be circa £32million – a reduction from that at the start of the year and which reflects the increased level of internal borrowing now expected during the year.

Investment Policy and Activity

7.8. Applying the investment policy approved by Council, funds managed to date have been invested in the following areas:

- Fixed term deposits with major UK and non-UK banks and building societies, which meet the Council's credit criteria as set out in the TMSS.

- Deposits on call or instant access accounts with major UK banks meeting the Council's credit criteria.
- AAA rated constant Net Asset Value (NAV) Money Market Funds (MMFs), where the value of principal invested is expected to remain constant. Funds used by the Council are: Standard Life Liquidity (now managed by Aberdeen Standard Investments with the fund being merged on 5 October 2018 to become part of the Aberdeen MMF), Deutsche Managed Sterling, and Goldman Sachs Asset Management.
- A variable NAV MMF where small fluctuations in the value of the fund can occur – the fund used is managed by Royal London Asset Management.
- Pooled Funds – equity funds and a property fund which represent the Council's long-term investments
- Lending to other local authorities.
- UK Government through the Debt Management Office for the management of short-term liquidity.
- Lloyds Bank current account.

7.9. Activity in the year to the end of September is shown in the table below.

Investment Activity 1 April to 30 September 2018

	Investments:			Balance 30/09/18 £000
	Balance 01/04/18 £000	Made £000	Matured/ Sold £000	
Long-Term Investments				
Equity funds	13,000	-	-	13,000
Property fund	3,000	-	-	3,000
Sub-Total Long-Term	16,000	0	0	16,000
Short-Term Investments				
UK Banks & Building Societies	3,000	12,000	-	15,000
Non UK Banks	3,000	3,000	-	6,000
Debt Management Office (UK Govt.)	0	16,500	(16,500)	0
Other Local Authorities	8,000	6,000	(8,000)	6,000
Money Market Funds – CNAV	7,500	17,800	(12,300)	13,000
Money Market Funds – VNAV	4,000	-	-	4,000
Sub-Total Short-Term	25,500	55,300	(36,800)	44,000
Long and Short-Term Investments	41,500	55,300	(36,800)	60,000
Lloyds Bank current account	(161)	1,490	-	1,329
Impaired Deposit	2		(2)	0
Total Cash & Investment Balances	41,341	56,790	(36,802)	61,329

7.10. A review of the Council's medium-term cash flows taking into account both approved and pipeline projects under the DIS has recently been undertaken to assess the capacity for increasing the amount invested in long-term investments. The current exposure is £16million, within an overall limit approved by Council of £20million. The review is also looking at alternative funds to increase diversification. The current holdings in Pooled Funds is shown in the table below.

<u>Pooled Funds at 30 September 2018</u>	
<u>Fund</u>	<u>Invested £000</u>
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
Threadneedle UK Equity Income Steady growth in income and acceptable capital growth. Aims for a yield greater than 110% of the FTSE All Share Index	5,000
M&G Global Dividend Fund Aims to: deliver an income stream that increases every year; deliver a yield above that available from the MSCI All Countries World Index over any five year period; and deliver a higher total return over the MSCI All Countries World Index over any five year period	2,500
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.	3,000
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
Total	16,000

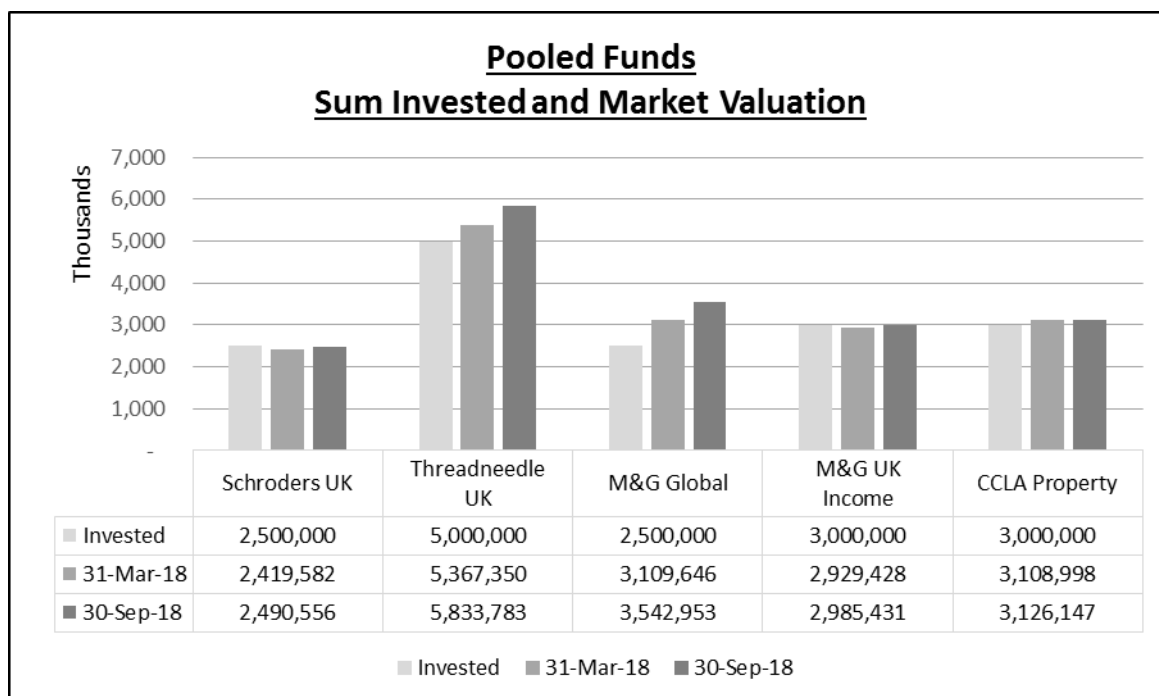
Investment Returns and Fair Values

7.11. The overall return to the 30 September 2018 was £602,147 or 2.02% (annualised). Interest earned on short-term investments was £134,863 equating to a return of 0.62%, which whilst still reflecting the prevailing low level of money market interest rates, is higher than the outturn for last year of 0.38% following changes in Base Rate. Dividends from long-term pooled funds are paid quarterly and can vary quarter on quarter. Up to the end of September dividends received/ declared were £467,284 or 5.8%. The Budget for investment income in 2018/19 is £815,000, and based on performance to date it is expected that this will be overachieved.

Investment Returns 1 April to 30 September 2018

	Average Invested £000	Interest/ Dividends £	Return (annualised) %
Long-Term Investments			
Equity Funds	13,000	400,583	6.15%
Property Fund	3,000	66,701	4.43%
Sub-Total Long-Term	16,000	467,284	5.83%
Short-Term Investments			
UK Banks & Building Societies	13,721	46,856	0.68%
Non UK Banks	5,967	21,594	0.72%
Debt Management Office (UK Govt.)	656	1,430	0.44%
Other Local Authorities	3,612	13,444	0.74%
Money Market Funds – CNAV	14,053	35,693	0.51%
Money Market Funds – VNAV	4,000	12,566	0.63%
Lloyds Bank current account	1,347	3,280	0.49%
Sub-Total Short-Term	43,356	134,863	0.62%
Long and Short-Term Investments	59,356	602,147	2.02%

7.12. The value of the Council's investments in Pooled Funds can fluctuate in response to changing market sentiment. Under current accounting rules these changes in value are unrealised and have no effect on the General Fund revenue account until such time investments are sold. At 30 September the overall valuation of funds was £17.979million representing an unrealised gain of £1.979million (£0.935million at 31 March 2018).



7.13. The Ministry for Housing, Communities and Local Government (MHCLG) consulted on statutory overrides relating to accounting changes which came into effect from April 2018. The consultation recognised that the new accounting

requirements would mean the change in the fair (market) value of certain investments would potentially impact on the General Fund revenue account, as opposed to the current treatment where such “paper” movements are held in an unusable reserve until such time investments are sold. The changes could introduce greater volatility which would impact on the Council’s budget and council tax calculations. The consultation proposed a time-limited statutory override and sought views as to which types of investments this would apply to. The Cabinet Member for Finance and Performance has responded on behalf of the Council suggesting the override should be permanent and that it should apply to a wider range of pooled funds, not just property funds. The Government’s response to the consultation is still awaited.

Investment Benchmarking

7.14. The progression of credit risk and return metrics for the Council’s investments are shown in the extracts from Arlingclose’s quarterly investment benchmarking in the table below.

	Credit Score	Credit Rating	Bail-in Exposure	WAM (days)	Income Return	Total Return
31-Mar-18	4.16	AA-	51%	21	2.08%	0.97%
30-Sep-18	4.72	A+	78%	37	1.79%	2.57%
Similar LAs	4.28	AA-	56%	80	1.37%	1.41%
All LAs	4.38	AA-	60%	37	1.17%	1.25%

WAM = weighted average days to maturity

8. Non-Treasury Investments

8.1. Although not classed as treasury management activities, the 2017 CIPFA Code now requires the Council to report on investments for policy reasons outside of normal treasury management. This includes service investments for operational and/or regeneration as well as commercial investments which are made mainly for financial reasons. The Council holds direct property investments with a market value of £34.367m comprising: industrial land and units; shops; offices; and other commercial property. Properties are leased to third parties generating rental income for the Council. In 2018/19 the net rental income expected is over £2million, representing a return of circa 6%.

8.2. The Council also has a number of loans and deposits which have been made for service reasons. At 31 March 2018, the amount outstanding on these was £2.367m, the largest element being the £2m deposit placed with Lloyds Bank Plc in January 2014, as a cash-backed guarantee for the Braintree LAMS. This is expected to be repaid in full in January 2019. The deposit is currently earning interest at 3.04% per annum. The balance represents a number of repayable loans made to multiple third parties on which repayments are being made in accordance with the agreed terms.

9. Outlook for remainder of 2018/19

9.1. Having raised policy rates in August 2018 to 0.75%, the Bank of England’s Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon.

9.2. The MPC has a definite bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. While policymakers are wary of domestic inflationary pressures over the next two years, it is believed that the MPC members consider both that (a) ultra-low interest rates result in other economic problems, and that (b) higher Bank Rate will be a more effective weapon should downside Brexit risks crystallise and cuts are required.

9.3. Arlingclose's central case is for Bank Rate to rise twice in 2019. The risks are weighted to the downside. The UK economic environment is relatively soft, despite seemingly strong labour market data. Gross Domestic Product growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long-term average.

Interest Rate Forecast													
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25
Central Case	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Downside risk	0.00	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

Source: Arlingclose

9.4. The view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Central bank actions and geopolitical risks, such as prospective trade wars, have and will continue to produce significant volatility in financial markets, including bond markets.

Appendix A – Economic and Market Commentary by Arlingclose

Economic background: Oil prices rose by 23% over the six months to around \$82/barrel. UK Consumer Price Inflation (CPI) for August rose to 2.7% year/year, above the consensus forecast and that of the Bank of England's in its August *Inflation Report*, as the effects of sterling's large depreciation in 2016 began to fade. The most recent labour market data for July 2018 showed the unemployment rate at 4%, its lowest since 1975. The 3-month average annual growth rate for regular pay, i.e. excluding bonuses, was 2.9% providing some evidence that a shortage of workers is providing support to wages. However real wages (i.e. adjusted for inflation) grew only by 0.2%, a marginal increase unlikely to have had much effect on households.

The rebound in quarterly GDP growth in Q2 to 0.4% appeared to overturn the weakness in Q1 which was largely due to weather-related factors. However, the detail showed much of Q2 GDP growth was attributed to an increase in inventories. Year/year GDP growth at 1.2% also remains below trend. The Bank of England made no change to monetary policy at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking Bank Rate to 0.75%.

Having raised rates in March, the US Federal Reserve again increased its target range of official interest rates in each of June and September by 0.25% to the current 2%-2.25%. Markets now expect one further rise in 2018.

The escalating trade war between the US and China as tariffs announced by the Trump administration appeared to become an entrenched dispute, damaging not just to China but also other Asian economies in the supply chain. The fallout, combined with tighter monetary policy, risks contributing to a slowdown in global economic activity and growth in 2019.

The EU Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK into the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament. With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, nor its annex which will outline the shape of their future relationship, have been finalised, extending the period of economic uncertainty.

Financial markets: Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yield in safe-haven UK, German and US government bonds. Over the period, despite the volatility, the change in gilt yields was small. The 5-year benchmark gilt only rose marginally from 1.13% to 1.16%. There was a larger increase in 10-year gilt yields from 1.37% to 1.57% and in the 20-year gilt yield from 1.74% to 1.89%. The increase in Bank Rate resulted in higher money markets rates. 1-month, 3-month and 12-month LIBID rates averaged 0.56%, 0.70% and 0.95% respectively over the period.

Credit background: Reflecting its perceived higher risk, the Credit Default Swap (CDS) spread for non-ringfenced bank NatWest Markets plc rose relatively sharply

over the period to around 96bps. The CDS for the ringfenced entity, National Westminster Bank plc, has held steady below 40bps. Although the CDS of other UK banks rose marginally over the period, they continue to remain low compared to historic averages.

The ringfencing of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc – is complete, the transfer of their business lines into retail (ringfenced) and investment banking (non-ringfenced) is progressing and will need to be completed by the end of 2018.

There were a few credit rating changes during the period. Moody's downgraded Barclays Bank plc's long-term rating to A2 from A1 and NatWest Markets plc to Baa2 from A3 on its view of the credit metrics of the entities post ringfencing. Upgrades to long-term ratings included those for Royal Bank of Scotland plc, NatWest Bank and Ulster Bank to A2 from A3 by Moody's and to A- from BBB+ by both Fitch and Standard & Poor's (S&P). Lloyds Bank plc and Bank of Scotland plc were upgraded to A+ from A by S&P and to Aa3 from A1 by Moody's.