

GOVERNANCE COMMITTEE AGENDA

Wednesday, 25th July 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 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 12th April 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	Fourth Quarter and Annual Performance Management Report 2017-18	5 - 37
6	Key Financial Indicators - 30th June 2018	38 - 42
 Audit and Governance		
7	Revised Internal Audit Plan 2018-2019	43 - 57
8	Statement of Accounts 2017-18 and the External Auditor's Audit Results Report	58 - 108
9	Operational Risk Management	109 - 120
10	Treasury Management Annual Report 2017-18	121 - 140

11 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.

12 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

Page

Fourth Quarter and Annual Performance Management Report 2017/18		Agenda No: 5
<p>Corporate Priority: Finance and Performance</p> <p>Report presented by: Tracey Headford, Performance and Improvement Manager</p> <p>Report prepared by: Tracey Headford, Performance and Improvement Manager</p>		
Background Papers:		Public Report
Fourth Quarter and Annual Performance Management Report 2017/18		
Options:		Key Decision: No
Members are asked to note the report.		
<p>Executive Summary:</p> <p>The purpose of the attached report is to summarise the performance of the Council at the end of the quarter (January 2018 to March 2018) and for the end of the year.</p> <p>As at the end of March 2018, a total of 44 projects have been completed and a further 15 projects are on track.</p> <p>Thirteen performance indicators have achieved or exceeded target, two have missed target by less than 5% and five have missed target by more than 5%.</p> <p>Under performance has been noted in the following areas:</p> <p><u>Percentage of household waste sent for re-use, recycling and composting</u> As at the end of the year, we achieved an outturn of 50.41% against the yearly target of 60% which is an aspirational target Braintree District Council have signed up to as part of the joint municipal waste strategy for Essex. Over the last year, there has been a 2.55% reduction in recycling and we are looking at waste minimisation initiatives to drive down residual waste and increase recycling.</p> <p><u>Tonnage of residual household waste not recycled</u> Over the last 12 months, we have seen a 1.95% increase in the tonnage of residual waste which is a trend also seen nationally and includes growth in the District and lower level of waste being recycled.</p> <p><u>Number of affordable homes delivered</u> As at the end of the year, we delivered 124 affordable homes against a target of 130. Target has not been met due to unexpected delays on Greenfields schemes in Kelvedon</p>		

and the Crest/CHP scheme in Bakers Lane. We are still expecting to meet the overall 4 year target of delivering 400 affordable homes.

Total number of visits to our leisure facilities

Achieved 898,261 against an annual target of 1,041,121. The closure of Braintree Swimming Pool has impacted on overall participation levels. The targets set are based on Fusion's aspirational 5% increase however, the contract with Fusion requires only a 2% increase year on year which would be 923,654. This is 3% above this year's outturn and a drop in numbers was expected due to the closure of the pool. Fusion continues to develop campaigns and introduce new activities to attract and retain customers and Braintree District Council will monitor participation levels through regular reports and meetings.

Participation of under 16's in sport and health activities across the District

Achieved 167,033 against an annual target of 249,600 missing target by more than 5%. As above with the total number of visits, the closure of Braintree Swimming Pool has impacted on overall participation levels due to the loss of swim school, school swimming lessons, swimming club, children's pool parties and casual swimming. The target set did not take into account the impact of the closure of the swimming pool.

Number of passenger journeys on our Community Transport scheme

Demand for the services is being met although the customer needs for Community Transport seem to be changing with an increased need for specialist transport. Transport of this nature is vital to wheelchair users, those living with dementia and frail people which impacts on the capacity for group hire of minibuses. The performance indicators used to measure the service have been reviewed to ensure we are capturing the right information to assist in a future review looking at the delivery options for community transport.

Time taken to process Housing Benefit/Council Tax new claim

At the end of the year, the processing times were 19.24 days against a target of 18 days. The number of new claims processed has started to decrease following the introduction of Universal Credit in October. There are two elements impacting on the performance – claimants receiving Universal Credit still apply to the Council for Local Council Tax support and it is taking longer to receive information from the Department of Work and Pensions (DWP) about the amount of Universal Credit awarded to the claimant. Secondly, working age claimants in supported housing still receive Housing Benefit from the Council and historically these claims have taken longer to process. Processing times are still below the national average of 23 days.

The report also contains information on the number of complaints received, information on staffing and health and safety.

Financial Performance

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

Summary Financial Position at the end of March

- An overall positive variance for the year of £782,000 (5.4%) against budget.
- Income was overachieved by £492,000; with an overall underspend of £290,000 on Staffing and Other Expenditure.
- This represents an increase in the overall positive variance from that reported at Quarter 3 (Q3) of £552,000, mainly as a result of changes in the final position on

Staffing and Other Expenditure.

- A number of the variances were highlighted during the year and, as they were expected to be on-going, were included in the base budget approved for 2018/19.

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

Decision:

Members are asked to note the report.

Corporate implications [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.
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FOURTH QUARTER PERFORMANCE MANAGEMENT REPORT

1st January 2018 to 31st March 2018



AND ANNUAL PERFORMANCE REPORT

2017/18

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Section 1: Introduction and Summary






Purpose of the Report

The purpose of the report is to demonstrate the performance of the Council at the end of the fourth quarter and the end of the year in relation to the publication of the 'Annual Plan 2017/18'. 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. Further detail is given in relation to a set of business performance indicators covering finances, customer focus, our people and health and safety.






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

Summary of the Corporate Projects current position for the end of the year

The following table provides updates for the end of the year in relation to the key activities in the 'Annual Plan 2017/18'.




Corporate Priorities	Status of projects and actions				
					
Environment and Place	7	1	0	0	0
Strategic Growth and Infrastructure	4	6	0	0	0
Economic Development	9	4	0	0	0
Health and Communities	9	4	0	0	1
Finance and Performance	10	0	0	0	0
Overall Strategy and Direction	5	0	0	0	0
TOTAL	44	15	0	0	1

KEY:




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

Summary of the Performance Indicators position for the end of the year

The following table shows the performance for the end of the year in relation to the quarterly and annually reported Performance Indicators that have targets set as defined in the 'Annual Plan 2017/18'.

Corporate Priorities	Status of indicators			
				Data Only
Environment and Place	3	1	1	0
Strategic Growth and Infrastructure	1	1	0	0
Health and Communities	3	0	3	0
Finance and Performance	6	0	1	0
TOTAL	13	2	5	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

The Council has performed well throughout the year with 44 projects completed and a further 15 on track. Thirteen performance indicators have met or exceeded target at the end of the year with seven performance indicators missing target.

We are now half way through our four year Corporate Strategy. We have used the challenges we face as a catalyst to do things differently, such as exploring the development of Garden Communities and the viability of setting up a housing development company to deliver much needed homes. We are working with Essex County Council and Highways England to identify improvements to our roads leading to better journeys in and around the district. We are committed to assisting business start-ups by providing grow-on units and we continue to support local businesses by delivering a range of engagement events.

Our innovative investment in local health facilities has been recognised nationally and we continue to develop better ways of providing support to vulnerable, isolated and lonely residents whilst also working with a range of partners to deliver our Livewell campaign and to develop a dementia friendly community.


The Council faces a number of financial pressures which it is tackling head on by working smarter, thinking more commercially and investing in the future of the district. Our Digital Strategy will help us to focus on how we make the best use of technology to deliver better outcomes for our customers and by thinking more commercially, we will generate a good return on investments which can be ploughed back into front line services to benefit the community.

Some of our more ambitious projects will continue into next year enabling us to deliver better services to our customers, creating a district where people are happy to live, work and be healthy.










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		
A kerbside textile collection pilot continues to progress well and will run until May 2018. Data collated will be assessed to determine the success of the trial. The recycling team at Braintree is working alongside Essex County Council and the University of Essex to look at interventions that can minimise waste. All campaigns for 2017/18 have been achieved and we will continue to support the partnership and participate in further campaigns and initiatives in 2018/19.	March 2018	
Upgrade and improve recycling bring bank sites in the Braintree District to ensure they are fit for purpose and meet customer demand		
Surveys of the recycling bring bank sites have taken place to review the conditions of each site and note the size of containers required to meet customer demand. The project has been extended by one month to allow the analysis of the surveys to be presented.	April 2018	
Increase recycling by working with businesses to review their waste disposal requirements and provide a high quality commercial waste and recycling service		
The commercial waste service has been improved and crews are now equipped with handheld devices providing information on the type of business, their container and frequency of collection ensuring a high quality service is delivered to around 1200 businesses across the district.	March 2018	
Protect larger public open spaces in the District from unauthorised access, including illegal encampments, to maintain the quality of the local area and prevent disruption and inconvenience to local residents		
The scheduled protection works to nine sites across the District have now been completed providing fencing and bollards to protect them from illegal encampments. A further schedule of works to the remaining open spaces will start in the new financial year.	March 2018	
Organise energy switching schemes throughout the year for both residents and businesses in the District to lower the cost of their energy bills, to address fuel poverty		
The four energy switching schemes over the year generated over 5,000 registrations of which 2,000 switched saving an average of £182.	March 2018	
Work with other Essex Councils and the Environment Agency to tackle fly tipping in the District and across the County to keep the area clear of rubbish		
Through the Cleaner Essex Group, Braintree District Council worked in partnership with other local authorities to launch the campaign #crimenottocare raising awareness across Essex to the public over their responsibilities to dispose of rubbish correctly. Throughout the year, the council dealt with 767 fly tips which were cleared within 24 hours of receiving the report.	March 2018	
Maintain a focus on investigating and enforcing littering and dog fouling incidents to help keep the District looking clean and tidy		
Braintree District Council will continue to maintain a focus on investigating and enforcing littering and dog fouling incidents. A total of 64 fixed penalty notices have been issued in the year with twelve prosecutions have taken place in relation to litter and dog fouling.	March 2018	

Deliver a dog fouling campaign to change the behaviour of irresponsible dog owners		
Braintree District Council joined forces with Keep Britain tidy to launch the dog fouling campaign 'We're watching you' in December 2017 targeting areas where there is a known increase in dog fouling during the darker evenings.	March 2018	



Strategic Growth and Infrastructure










Project description and comments	Target Date	Status
Produce a Draft Local Plan to submit to Government for examination		
The evidence base to support the Local Plan has now been completed and is published to support the current consultation on the Draft Local Plan.	June 2017	
The Local Plan was submitted to the Planning Inspectorate in October 2017 and examination will take place in January 2018.	October 2017	
Continue to explore the development of Garden Communities alongside the decisions in the Local Plan to provide housing, employment and supporting infrastructure to address our long term housing and community needs		
In respect of the submission for the west of Braintree Garden Community, Braintree District Council, the first of three consultations on the development plan ended in January 2018 and the consultation responses have been processed and published. The comments received will be used to create a more defined plan which will then be subject to further public consultation.	November 2018	
The first of three consultations in respect of the submission for the west of Colchester Garden Community ended in January 2018 and the consultation responses have been processed and published. The comments received will be used to create a more defined plan which will then be subject to further public consultation.	November 2018	
Explore the viability of setting up a Housing Development Company to deliver new mixed-tenure homes across the District.		
A strategic Project Manager has been appointed to lead on the business plan for the Housing Development Company. They are currently working on the initial business case for the Housing Development Company and further work is underway to review the business case and agree a financial model.	March 2022	
Develop a new Homelessness Strategy for 2018 to 2023 to prevent and alleviate homelessness		
A workshop was held with partner organisations in October to enable officers to understand the key issues facing them, to share information about legislative changes and to consider strategic issues which need to be addressed when considering how best to deliver the service under the new legislation. This will also help to inform the Strategy Action Plan. An independent adviser is looking at the options for temporary accommodation and how we can improve access to the Private Rented Sector. The project has been extended by a month and a workshop with partners scheduled for April.	April 2018	
Work with partner agencies to continue to drive forward strategic improvements to the Braintree and Witham rail link		
A review meeting with Network Rail was held in November 2017 on the first phase of the Governance for Railway Investment Projects (GRIP) study. Braintree District Council continues to discuss the next steps and potential costs for the second phase of GRIP. The project will continue into next year.	March 2018	

Continue to work with Essex County Council and Highways England to identify and deliver improvements to the A120 and A12		
Essex County Council has been awarded £4.95m from the Government's National Productivity Investment Fund (NPIF) for the A120 Millennium Slip roads. Essex County Council is leading on the scheme, and has indicated detailed design will be completed by 2019/20 with construction starting in 2020/21. Officers at Braintree District Council continue to attend regular progress meetings with Highways England and Essex County Council.	March 2018	✔
Work with Essex County Council to tackle congestion at Springwood Drive and Panfield Lane		
Essex County Council continues to look at different options for the Springwood Drive roundabout and now has indicative costs. These options are being looked at in conjunction with the S106 requirements for the land West of Panfield Lane, Braintree. This project will continue into next year and the end date of the project has been revised.	March 2019	▶
A planning application has been submitted for the provision of a spine road at Panfield Lane and indicative costs have been received. Braintree District Council and Essex County Council are looking to work with the developer to bring forward the spine road. The developer has submitted a viability appraisal which the Planning Department will respond to. This project will continue into next year and the end date of the project has been revised.	March 2019	▶










Economic Development








Project description and comments	Target Date	Status
Improve existing industrial estates and business parks to retain businesses within the District and support business growth		
A meeting was held in March with Highways to talk through the project including signage regulations and positioning on the site. Revisions to the signs have been agreed and a revised planning application will be submitted to reflect the changes being made once a redraft of the plans has been received. This project will continue into next year and the end date of the project has been amended.	March 2019	▶
Attract investment to the District by delivering the Braintree Enterprise Centre grow-on space and securing at least one pre-let tenant from within one of the District's key sectors		
Construction commenced in January 2018 and the works are progressing well. The revised programme shows delivery of the four grow on units and car park in July 2018. The project end date has been extended to reflect this.	July 2018	▶
Secure the required funding package to deliver the Witham Enterprise Centre		
The Council is committed to the delivery of high-quality business premises, including grow-on units to promote business start-ups and growth, in Witham. A suitable site has been identified and will be acquired at nil capital cost to the public purse through the prudent use of the planning system. This commitment is underpinned by an allocation of £500,000 of funding to support the project via the District Investment Strategy.	March 2018	✔
Strengthen business engagement by delivering a programme of business events and monthly visits to ensure two way communications with businesses		
A survey was launched in March to gain insight from local businesses as to	March 2018	✔

how they want to be engaged and the support they require. The results of the survey will help to shape a new engagement programme and the future provision of business support to the local economy.		
Support the Haven Gateway Partnership in establishing a Sectoral Business Network that has strong engagement from Braintree businesses		
Research meetings for the Haven Gateway Economic study have taken place with industry experts answering questions and providing their views as to how authorities can help their sector to grow. Consideration and approval of the draft study by the Haven Gateway has been delayed and it is hoped this will be presented at a meeting in June. The end date of the project has been extended accordingly.	July 2018	
Launch an Employment and Skills Partnership Board to address educational attainment and employment skills needs within the District		
The Employment and Skills Partnership Board has been established and the first meeting held in June was attended by eight external stakeholders.	June 2017	
Ensure businesses understand the Apprenticeship Levy and utilise it for the best outcome for young people		
Detailed guides have been published and events held with businesses to raise awareness of the Apprenticeship Levy. The Braintree District Education and Skills Board will continue to work with employers on Apprenticeships.	September 2017	
Engage with schools to encourage students to realise the benefits of apprenticeships and vocational further education in STEM (Science, Technology, Engineering and Maths) subjects		
Officers have established good working relationships with the schools in the District and meet regularly through the Braintree Information, Advice and Guidance (IAG) Cluster group. Continued support will be provided and projects developed through the Braintree District Education and Skill Board.	March 2018	
Agree a vision and strategy for Braintree Town Centre to complement the regeneration of Manor Street and to enhance the appeal of the town centre to visitors		
The latest plans for the proposed development on the land between Manor Street and Victoria Street in Braintree were displayed at an exhibition in January 2018. The proposed development comprises of a new GP surgery, pharmacy, 70 bed hotel, 35 apartments, a new bus interchange, car park, café/restaurants and public realm improvements. Pre-application meetings have been held and a full business plan will be presented to Cabinet in May 2018.	March 2020	
In partnership with Essex County Council, deliver the regeneration schemes in Witham and Halstead		
In respect of the improvements for Halstead, spatial plans for the improvements have been prepared and issued to the Highways Authority for a principle decision which is currently still in progress. This project will continue into next year.	March 2018	
A series of studies and reports have been completed to look at the impact of the proposals on the highway network, market rights and other private rights that relate to the site area in Witham. A summary report recommending options to proceed has been prepared for a decision on the next steps. This project will continue into next year.	March 2018	
Deliver the business hub on the Premdor site in Sible Hedingham		
The business hub has now been constructed and is expected to be handed over to BDC in the new year to let the buildings.	December 2017	
Continue to work with Essex County Council on implementation of the Superfast Essex programme to increase superfast broadband coverage across the District		
Superfast Essex has invested up to £1.05 million in the Braintree District under Phases 1, 2 and 3 of the programme. Phase 2 is currently being deployed and Braintree District Council will continue to invest in the programme through Phase 4a supporting the district to reach 99% superfast broadband coverage by the end of 2020.	August 2017	



Health and Communities

Project description and comments	Target Date	Status
Introduce the 'Livewell Child' project in selected schools across the District to support children and families to make healthy lifestyle choices, with the ambition of halting the accelerated growth in childhood obesity		
<p>Winners from the recipe competition have been announced from 24 entries received across 7 schools. There were 10 winners from different categories and prizes have been distributed. A successful workshop was held in March providing information on the work completed so far and asking stakeholders to comment and contribute ideas for the second year of the 'Livewell Child' project. The feedback received will assist with setting actions and projects for next year which aim to build on relationships established with communities to tackle the issue of childhood obesity. Other areas of work will focus on growing your own produce, looking up from a screen, getting together around the table and lunchbox heroes. In the next term, Livewell water bottles and lunchboxes will be delivered encouraging children to drink more water throughout the school day and make sure that they are having healthy snack choices in their lunchboxes.</p>	<p>March 2019</p>	
Install state of the art disability access hoists at Halstead and Braintree swimming pools		
<p>The disability access hoists are now installed at Halstead and Braintree Swimming Pools enabling easy access in and out of the water for individuals with reduced mobility.</p>	<p>August 2017</p>	
Install a drainage system at the sports pitches in Deanery Gardens and King George V playing field to ensure the pitches can be used throughout the year		
<p>This project has been transferred into next year's delivery plan as the installation of a piped drainage system needs to take place outside the football season to minimise the impact on residents using the facilities.</p>	<p>May 2017</p>	
Improve the playing experience at Witham Sports Ground by replacing the artificial surface and installing a new 2G surface		
<p>The artificial surface at Witham sports ground has now been installed providing clubs using the facilities with an improved playing experience.</p>	<p>September 2017</p>	
Replace the safety surfacing where needed at various play areas across the District to provide a better and safer environment for visitors		
<p>The safety surfacing at various play areas across the District has now been replaced providing a safer environment for visitors.</p>	<p>March 2018</p>	
Recognise the contribution volunteers make to our District by holding a Community Awards event to celebrate success in this field		
<p>More than 50 nominations were received highlighting people who make a great contribution to their communities. At an event held in April 2017, six winners were celebrated with one person crowned as the overall winner. A further event will be held in May 2018.</p>	<p>April 2017</p>	
Continue to invest in local health facilities across the District by providing doctors surgeries that can meet current and future needs as the District grows including towns and rural areas, e.g. Witham and Sible Hedingham		
<p>An option appraisal carried out by NHS has recommended a preferred location for a new healthcare facility in Witham. Designs and costs are being looked at</p>	<p>March 2018</p>	

to assess the viability of the scheme. The project team will continue to monitor progress of this project.		
Braintree District Council continues to work with local surgeries and the NHS to build a new modern fit for purpose surgery at the Premdor site in Sible Hedingham. Architects and cost consultants will be appointed in April and a full business plan for the NHS will be submitted in September. This project is ongoing and the end date of the project has been amended.	March 2019	
Develop and deliver better ways of providing support for disabled and frail residents by improving the allocation of the Better Care Fund		
An advanced handy person scheme has now been agreed which will provide assistance to the more vulnerable residents in our District to allow them to live independently in their own homes.	March 2018	
Deliver an awareness campaign and initiatives to support isolated and lonely residents		
A new project called 'Halstead Connected' was piloted in January to address social isolation and loneliness. A 'Live Well, Keep Safe' event took place in January with 43 residents attending and supported by 17 partner organisations. 27% of people who attended stated that they had felt lonely in the last few months and 61% felt that attending these type of events helped them to feel less lonely. As the 'Halstead Connected' project did not start until half way through the year, the project has been extended until June 2018 to allow time for a final report to be received from the Young Foundation which is expected in May 2018.	June 2018	
Develop the Braintree District Community Transport Scheme Action Plan 2017-2019 to ensure we have a scheme to support our residents with their travel needs		
A number of improvements have been implemented following a review of processes and a further review is scheduled to start in the summer looking at the delivery options for the scheme and how we can use resources efficiently. Customer needs for the scheme are changing and the team are dealing with more customers who have complex or specific requirements increasing the need for specialist transport. The end date of the project has been amended to December to accommodate the review.	December 2018	
Deliver a range of 'age well' activities across the District to encourage inactive over 60's to become active again		
The 'age well' activities introduced across the District such as walking football, racket ball, chair based exercise, sports for confidence and a seated dance have been well received and the new activities are now part of the regular activities available at our Leisure facilities.	March 2018	
Support community groups to deliver local projects and activities through the Councillors' Community Grant Scheme		
The Councillor Community Grant scheme has enabled a variety of groups to begin new projects or maintain existing projects benefiting a large number of residents. Since the scheme began in April 2016, a total of £104,190.07 has been awarded through the scheme.	March 2018	
Work with the Braintree District Dementia Action Alliance to develop a dementia friendly community to raise awareness and transform the lives of people living with dementia		
A range of activities such as walks, tea dances and swimming have been introduced improving the quality of life for people living with dementia and their carers.	March 2018	



Finance and Performance





Project description and comments	Target Date	Status
Increase the amount of Council Tax collected by participating in an Essex wide initiative to compare data to help detect and address errors or possible fraud		
The system is fully operational with data from a number of sources being run and compared within the system on a monthly basis. Council Tax accounts identified as having conflicting information are investigated and an officer has been assigned to undertake the investigations.	March 2018	✓
Implement a new discretionary business rate relief scheme for charities and not-for-profit organisations which is clear and transparent to all applicants supporting the organisation's activities which directly benefit Braintree District residents		
The revised discretionary business rate scheme for charities has been implemented. Organisations which have completed the new application form have been assessed against the new scheme criteria and have been informed of their award and a revised bill issued during September. The new scheme is effective from 1st October 2017. Discretionary relief has been removed from this date from those organisations which have not completed the new application form.	October 2017	✓
Take a commercial approach to how we operate to protect front line services by maximising the potential to generate income		
The new Commercial Manager has started development of a new two year commercial programme centred around reviewing spend, management and relationship development with key suppliers, identifying opportunities to grow income or reduce costs and reviewing services across the Authority.	March 2018	✓
Support local businesses by offering sponsorship and advertising opportunities		
A unique range of sponsorship and advertising opportunities have been developed such as sponsoring roundabouts and advertising on vehicle billboards, in carparks and in publications. These opportunities offer maximum visibility across the district for local businesses. All income generated is reinvested into front line services.	March 2018	✓
Use our assets (e.g. land, buildings, money) to deliver value for money for taxpayers whilst seeking to generate a reasonable revenue return for reinvestment		
Following a meeting with the Council's treasury advisors in January 2018 it was agreed that a further sum of £1m would be invested in an equity fund. This was placed in February 2018 increasing the amount invested in pooled equity and property funds to £16m. The limit which can be invested in Pooled Funds was increased to £20m by Full Council in October 2017. The total amount of dividend received on pooled funds in 2017/18 was £730,161, which equates to a return of 4.84% for the year.	March 2018	✓
Improve customer focused services by delivering a programme of continuous improvement to maintain the Customer Service Excellence accreditation		
The Council has successfully achieved the Customer Service Excellence accreditation for a further year gaining full compliance in all areas assessed and nine areas of compliance plus. The certificate will be presented at Full Council in July.	July 2017	✓
Raise awareness of the services available on-line and support customers to be able to use them		
A Digital Strategy has been agreed which sets out the vision for digital services over the next 4 years. A Digital Plan has been set up which sets out the actions	March 2018	✓

the Council will undertake in 2018/19 to deliver the strategy and measure success.		
Improve our website and associated technologies to ensure they are convenient and easy for customers to use		
A business case to procure an online booking system was approved in February 2018 and a review of the current booking processes has been undertaken to understand where improvements are required. Funds will be made available from April 2018 to progress the project and implement an online booking system.	March 2018	✓
A review of a Customer Relationship Management (CRM) system to enable better engagement with customers has been completed and will now be picked up under the Digital Strategy project.	March 2018	✓
A new email service called 'tell me more' was launched in July with over 1700 subscriptions received from residents wanting to receive information that really matters to them such as refuse, recycling or street cleaning updates, planning news, health and well-being tips and events, job vacancies or event emergency alerts. The updates will help residents stay informed and be signposted to the growing range of services and information that is available online.	July 2017	✓
















Overall Strategy and Direction

Project description and comments	Target Date	Status
<p>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 • Carrying out improvements to our three Town Centres • Providing increased opportunity for new business and employment • Identifying and delivering improvements to our most congested roads • Delivering investment opportunities that support growth and provide a return for the District Council 		
<p>Braintree District Council continues to work in partnership to provide modern healthcare facilities in Witham, Sible Hedingham, and Braintree. Essex County Council is currently appraising the different options to improve the A120 and recommendations for a favoured option will be announced in Summer 2018. Essex County Council has been awarded £4.95m to move forward and deliver the Millennium Way slip roads to relieve congestion at Galleys Corner. Essex County Council is also looking at different options for the Springwood Roundabout working with developers to bring forward a spine road at Panfield Lane. An exhibition was held at the Town Hall in January displaying the latest plans for the proposed regeneration of Manor Street and a full business case will be presented to Cabinet in May. Works continue on plans for physical improvements to Halstead and Witham Town Centres. The District Investment strategy has allocated £500,000 of funding to support the delivery of high quality business premises in Witham. Projects under the District Investment Strategy are reported on throughout this report and will ensure a reasonable level of return.</p>	March 2018	✓
<p>Work effectively with Highways England, Essex County Council and other key partners to support the planned A12 widening scheme from Chelmsford to A120 and the campaign for improvements to</p>		

the A120 (Braintree Town to A12) with the recommendation of a preferred option to be considered by Government for inclusion in the next Road Investment Strategy (runs from 2020 to 2025)		
ECC are currently appraising the different alignment options to improve the A120 between Braintree and the A12. Once these technical studies are completed, they are looking to recommend a favoured option to Highways England in summer 2018. ECC's aim is to get the A120 Braintree to A12 upgrade into the Government's Road Investment Strategy 2 (RIS2). This is money the Government sets aside for investing in strategic roads across the country between 2020 and 2025. This is expected to be announced in 2019.	March 2018	
To continue to work collaboratively 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		
Braintree District Council continues to work with three other local authorities on proposals for North Essex Garden Community projects to deliver over 40,000 homes and 10,000 jobs in the north Essex area which includes a shared part one of the proposed Local Plan. North Essex has been shortlisted and could benefit from up to £100 million in the Governments Housing and Infrastructure fund designed to improve infrastructure to help build homes.	March 2018	
Create the conditions for economic growth by refreshing the Economic Growth Prospectus which sets out how we intend to grow existing businesses and attract new businesses in key sectors		
The Plan for Growth which sets out how the Council plans to deliver growth and prosperity to the District over the next five years was published in November 2017 and replaces the Economic Growth Prospectus.	March 2018	
Undertake a review in conjunction with Essex County Council to identify opportunities to enhance the visitor experience at Great Notley Country Park making full use of the leisure, recreational and natural facilities the park has to offer and to improve and sustain the Park financially for future generations to use and enjoy		
A briefing note was completed in January 2018 setting out the key issues in relation to the potential development of a David Lloyd (Multi-Adventure) Theme Parks based at Great Notley County Park. This was considered by the Leader and Deputy Leader and a decision taken not to actively pursue this option at that time.	March 2018	

Section 3: Managing the Business

Our Performance Indicators in Detail

Performance Indicator	2017/18									Comments
	Q1 Outturn	Q2 Outturn	Q3 Outturn	Q4 Outturn	Target for the Quarter	Status at the end of the Quarter	Yearly Outturn	Yearly Target	Status at the end of the year	
Environment and Place										
Percentage of land that falls below cleanliness standards for litter	n/a	3%	1%	4%	6%		3%	6%		
Percentage of household waste sent for reuse, recycling and composting	54.57%	54.40%	49.39%	43.30%	44.80%		50.41%	60%		Over the 12 month period overall levels of recycling reduced by 2.55% (344 tonnes) reflecting the lower levels of recycling collected. The yearly target of 60% is an aspirational target Braintree District Council have signed up to as part of the joint municipal waste strategy for Essex and we are looking at waste minimisation initiatives to drive down residual waste and increase recycling
Tonnage of residual household waste not recycled	110kgs	113kgs	108kgs	115kgs	108kgs		446kgs	430kgs		Over the 12 month period the tonnage of residual waste increased by 1.95% (546 Tonnes). This is reflected nationally and includes growth in the District and lower level of waste being recycled.
Number and percentage of fly tips cleared within 24 hours of being reported	100% (163)	100% (203)	100% (184)	100% (217)	100%		100% (767)	100%		
Number of fuel poverty and domestic energy reduction installations carried out	Annually reported indicator						518	300		The outturn figure covers the period April to December. We are still awaiting the figures for the last three months of the reporting year.
Strategic Growth and Infrastructure										
Number of affordable homes delivered	34	2	65	23	46		124	130		This is lower than the previously forecast due to unexpected delays on Greenfields schemes in Kelvedon and the Crest/CHP scheme in Bakers Lane. Delivery of affordable homes over the 4 year period is still expected to be met.
Number of homes granted planning permission	279	420	1,099	512	250		2,310	845		

Performance Indicator	2017/18									Comments
	Q1 Outturn	Q2 Outturn	Q3 Outturn	Q4 Outturn	Target for the Quarter	Status at the end of the Quarter	Yearly Outturn	Yearly Target	Status at the end of the year	
Health and Communities										
Percentage of substantial Disabled Facilities Grants approved within timescales	88%	86%	100%	95%	80%		90%	80%		
Percentage of critical Disabled Facilities Grants approved within timescales	100%	83%	100%	80%	80%		88%	80%		
Total number of visits to our Leisure facilities	217,193	229,306	204,938	246,824	280,095		898,261	1,041,121		<i>The closure of Braintree swimming pool has impacted on overall participation levels. Targets set are based on Fusion's aspirational 5% increase however, the contract with Fusion requires only a 2% increase year on year which would be 923,654. This is 3% above this year's outturn and a drop in numbers was expected due to the closure of the pool. Fusion continues to develop campaigns and introduce new activities to attract and retain customers and Braintree District Council will monitor participation levels through regular reports and meetings.</i>
Number of passenger journeys on the Community Transport Scheme	13,067	10,878	10,169	10,120	12,526		44,234	52,000		<i>Customers' requirements for the service are changing. There is an increased need for specialist transport which impacts on the capacity for groups hiring minibuses. Two of the older minibuses have been replaced which will assist in meeting demand moving forward. The performance indicators used to measure the service have been reviewed to ensure we are capturing the right information to assist in a future review looking at the delivery options for community transport.</i>
Participation of over 60's in sport and health activities across the District	16,154	17,388	16,398	20,513	15,000		70,453	60,000		
Participation of under 16's in sport and health activities across the District	36,931	41,226	40,076	48,800	62,400		167,033	249,600		<i>The closure of Braintree swimming pool impacted on participation due to the loss of swim school, school swimming lessons, swimming club, children's pool parties and casual swim and not all customers from swimming lessons have returned. The target set did not take into</i>

Performance Indicator	2017/18									Comments
	Q1 Outturn	Q2 Outturn	Q3 Outturn	Q4 Outturn	Target for the Quarter	Status at the end of the Quarter	Yearly Outturn	Yearly Target	Status at the end of the year	
										account the impact of the closure of the swimming pool. Fusion are actively developing campaigns and activities to increase participation levels.
Finance and Performance										
Average call answer time in the Customer Service Centre	15 seconds	17 seconds	12 seconds	12 seconds	15 seconds		14 seconds	15 seconds		
Time taken to process housing benefit/council tax benefit new claims	17.68 days	18.31 days	20.49 days	20.46 days	18 days		19.24 days	18 days		The number of new claims processed has started to decrease following the introduction of Universal Credit in October. There are two elements impacting on the performance – claimants receiving universal credit still apply to the Council for Local Council Tax support and it is taking longer to receive information from the DWP about the amount of universal credit awarded to the claimant. Secondly, working age claimants in supported housing still receive housing benefit from the Council and historically these claims have taken longer to process.
Time taken to process housing benefit claim changes	6.1 days	6.16 days	4.5 days	4 days	6 days		5.19 days	6 days		
Percentage of Stage 1 complaints responded to within target	93%	97.65%	91.20%	95.45%	90%		94.55%	90%		
Collection rate for Council Tax	30.82%	59.25%	87.20%	98.39%	98.2%		98.39%	98.2%		
Collection rate for Business Rates	30.84%	58.07%	84.60%	98.92%	98.5%		98.92%	98.5%		
Percentage of invoices paid within 30 days of receipt	99.49%	99.66%	99.25%	99.20%	98.5%		99.40%	98.5%		

Complaints

The quarterly complaints analysis for the fourth quarter of 2017/18 and the end of the year is detailed below. This is compared with 2016/17 figures shown in brackets. The figures represent all three stages of the complaints process.

Complaint Category	Q1 2017/18	Q2 2017/18	Q3 2017/18	Q4 2017/18	TOTAL
Justified	64 (112)	67 (52)	38 (46)	60 (63)	229 (273)
Not Justified	69 (72)	79 (104)	67 (73)	81 (62)	296 (311)
Partially Justified	27 (31)	31 (24)	22 (23)	17 (15)	97 (93)
Not known	0 (0)	1 (3)	3 (0)	0 (0)	4 (3)
Total	160 (215)	178 (183)	130 (142)	158 (140)	626 (680)

Comments

The number of complaints received in the fourth quarter of the year is higher than the number of complaints received in the third quarter of the year. Overall, at the end of the year, there is a downward trend in the number of complaints dealt with by Braintree District Council.

For the complaints received in the fourth quarter, the majority relate to missed waste collections due to the adverse weather conditions in March resulting in the unplanned suspension of garden waste to enable crews to focus on clearing refuse and food bins not collected. The service continues to monitor issues with missed waste collections and endeavour to return within 48 hours of the missed bin being reported.

In the fourth quarter of 2017/18, of the 158 complaints received:

- 154 are stage one complaints
- 4 are stage two complaints
- none are stage three complaints

A summary of Local Government Ombudsman cases:

In the fourth quarter of 2017/18, the LGO has received six new complaints. Two new complaints the LGO declined to investigate as there was no evidence of fault or injustice caused to the complainants. In respect of the other complaints received, the LGO are making their initial enquiries.

The LGO have also made a final decision on a complaint received in a previous quarter and decided not to investigate as the Ombudsman found no evidence of fault by the Council. One complaint received in a previous quarter is still being investigated by the LGO.

Our Organisation

The following is a selection of our people performance measures:

People: Indicators of Performance	Q1 17/18	Q2 17/18	Q3 17/18	Q4 17/18	Change on previous period	Yearly Target
Total headcount	467	468	468	466	- 2	-
Total number of posts	477	479	479	480	+ 1	-
Number of temporary staff	33	26	26	33	+ 7	-
Total staff FTE	421.71	423.41	423.68	421.45	- 2.23	-
Level of employee turnover	1.93%	2.56%	2.56%	1.93%	- 0.63	-
Number of leavers	9	12	12	9	- 3	-
Number of starters	12	16	12	7	- 5	-
Working days lost to sickness per employee	1.93 days	1.91 days	2.02 days	1.94 days	- 0.08	8.0 days
Percentage of staff with nil sickness	75.8%	61.9%	48.1%	37.1%	N/A	-
Number of learning hours	6329	7762	9087	8774	- 313	-
Number of delegates	221	243	389	395	+ 6	-
Number of apprentices **	11	17	17	16	- 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	
	(2016/17 figure in brackets)				
Total number of reported accidents/ incidents, calculated from:	10 (11)	10 (12)	26 (6)	13 (10)	
<i>Accidents/ incidents to employees</i>	8 (8)	8 (9)	20 (6)	12 (10)	<i>The high number of reported accidents was directly due to the icy conditions that prevailed for most of the fourth quarter</i>
<i>Accidents/ incidents to contractors</i>	1 (1)	2 (1)	5 (0)	0 (0)	
<i>Accidents/ incidents to non-employees</i>	1 (2)	0 (2)	1 (0)	1 (0)	
Time lost in days due to employee accidents/ incidents	0 (105)	20 (16)	8 (40)	28 (2)	
Number of reported verbal/ physical incidents to employees	0 (1)	2 (1)	1 (0)	0 (1)	
Number of near miss incidents	0 (0)	0 (0)	0 (1)	0 (1)	
Number of Accidents/ incidents registered resulting in insurance/ compensation claim	0 (0)	0 (0)	0 (0)	0 (1)	
Number of claims settled	0 (0)	0 (0)	0 (0)	0 (0)	

Financial Performance

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

Background

Full Council approved a budget of £14.389 million for the 2017/18 financial year. This included planned spending across all services totalling £11.964 million; corporate items amounting to £2.575 million; and an overall efficiency target to be achieved in-year of £150,000.

Financing of the budget was to be from a combination of: general government grants (£848,000); business rates (£4.611 million); and Council Tax (£8.930 million).

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

Summary Outturn Financial Position

- An overall positive variance for the year of £782,000 (5.4%) against budget.
- Income was overachieved by £492,000; with an overall underspend of £290,000 on Staffing and Other Expenditure.
- This represents an increase in the overall positive variance from that reported at Quarter 3 (Q3) of £552,000, mainly as a result of changes in the final position on Staffing and Other Expenditure.
- A number of the variances were highlighted during the year and, as they were expected to be on-going, were included in the base budget approved for 2018/19.
- During the year the Council has monitored its overall financial position with the following position reported at each quarter end:

	Quarter 1	Quarter 2	Quarter 3*	Outturn
	Reported Full-Year Projected Variance			Actual Variance
	Adverse/ (Positive)			
Net Variance	(543)	(406)	(230)	(782)
Staffing	11	86	(25)	(155)
Other Expenditure	75	174	248	(135)
Income	(629)	(666)	(453)	(492)

*After a budget virement was agreed by Full Council to set aside £300,000 of overachieved planning income reported in previous quarters to a provision for potential future appeal costs

Revenue Spending

Service	Budget £'000	Actual Spend £'000	Adverse (Positive) variance against budget				RAG Status
			Staffing	Other	Gross	Total	
			£'000	Expenditure £'000	Income £'000	£'000	
Asset Management	(2,066)	(2,000)	(7)	79	(6)	66	A
Business Solutions	1,906	1,872	(30)	(3)	(1)	(34)	G
Community Services	376	367	2	(35)	24	(9)	G
Corporate Management Plan	1,263	1,234	(23)	(6)	-	(29)	G
Cultural Services	365	376	2	1	8	11	A
Environment	658	563	(53)	(12)	(30)	(95)	G
Finance	1,214	891	(147)	(134)	(42)	(323)	G
Governance	1,015	935	(23)	(15)	(42)	(80)	G
Housing Services	891	899	1	7	-	8	A
Human Resources	343	341	1	1	(4)	(2)	G
Leisure Services	(47)	(45)	-	10	(8)	2	A
Marketing and Communications	396	391	7	(6)	(6)	(5)	G
Operations	4,903	4,580	(112)	(24)	(187)	(323)	G
Sustainable Development	832	784	(63)	196	(181)	(48)	G
Service Total	12,049	11,188	(445)	59	(475)	(861)	G
Corporate Financing	2,490	2,419	140	(194)	(17)	(71)	G
Efficiency target	(150)	-	150	-	-	150	
Total	14,389	13,607	(155)	(135)	(492)	(782)	G

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

Staffing

Further details of the staffing budget variances are provided in the following table:

Service – Staffing Budgets	Budget £'000	Actual Spend £'000	Adverse/ (Positive) variance £'000	RAG Status
Asset Management	282	275	(7)	G
Business Solutions	1,110	1,080	(30)	G
Community Services	358	360	2	A
Corporate Management Plan	1,115	1,092	(23)	G
Cultural Services	163	165	2	A
Environment	1,314	1,261	(53)	G
Finance	2,381	2,234	(147)	G
Governance	440	417	(23)	G
Housing Services	773	774	1	A
Human Resources	287	288	1	A
Leisure Services	137	137	-	G
Marketing and Communications	327	334	7	A
Operations	5,022	4,910	(112)	G
Sustainable Development	1,912	1,849	(63)	G
Service Total	15,621	15,176	(445)	G
Corporate Financing	(245)	(105)	140	R
Efficiency target	(150)	-	150	
Net Total	15,226	15,071	(155)	G

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

Commentary on staffing variations:

Savings on staffing budgets have been achieved through a combination of retirements, vacant posts, reductions in contracted hours, appointments being made at lower grade/scale points, and through other service restructures and efficiency reviews. Overall, services have underspent by £445,000 against their staffing budgets, which is higher than reported at Q3 by £140,000.

The additional savings over that reported at Q3 were mainly in the area of **Finance** (+£52,000), with the balance spread generally across all other service areas.

The total service variance was offset by the following:

- **Capital salaries** - a reduction of £140,000 in staff costs attributable to time spent on capital projects (which would otherwise be funded from capital resources as opposed to being a charge against the General Fund revenue account). The original budget made an allowance for the value of this time which inevitably varies depending upon progress of capital projects and the nature of the works being carried out.
- **Corporate Efficiency Target** - the approved budget provided for a corporate efficiency target of £150,000 to be achieved from in-year staffing variances.

Taking these two items into account overall staffing budgets were underspent by £155,000.

Other Service Expenditure

Non-staffing expenditure was £135,000 below budget, a turn-round from the position reported at Q3 of a projected overspend of £248,000. The main service areas contributing to the final outturn were:

- **Finance** – an overall underspend of £134,000 – mainly relating to the net cost (after deduction of government subsidy) of Housing Benefit (HB) payments, which was £78,000 lower than budget. This represents a variance of 0.2% against the gross value of payments made in the year of £38.198million. Underspends were also made in terms of adjustments to prior year Council Tax Benefits (£25,000), and HB administration costs (£30,000).
- **Sustainable Development** – as reported in previous quarters, the service has experienced an increased number of planning applications (see comments under the income section below) which has resulted in the need to engage additional specialist planning consultants and staff resources resulting in spending being higher than budget by £130,000. Actual spending was higher in the Landscape Service (+£44,000) where the service has had to respond to an increased requirement for tree maintenance and compensation claims, as well as intervening where damage has been caused by storms.
- **Operations** – The Council incurred a significant increase gate fees payable to the Council's material recovery facility (MRF) operator. Under a revised contract, prices are linked to market indices which have been rising over the year in response to changes in the recycle markets. This resulted in expenditure being higher than budget by £148,000. However, the service has been able to contain this increased expenditure through other savings and underspends across the whole of Operations, resulting in a net underspend against non-staffing budgets of £24,000.
- **Corporate Financing** – There is an under spend of £192,000 of which £103,000 relates to a reduction on amounts set aside from revenue as provision for repayment of capital. Part of this (£51,000) relates to a temporary delay in acquiring new vehicles, with the balance relating to an internal voluntary arrangement on some recent investment property acquisitions. This latter element was removed from the 2018/19 budget as a corporate saving and, consequently, there is no requirement to make the provision in 2017/18. Having reviewed the outstanding service debt at the year-end and the level of provision required for potential bad debts, this had resulted in a credit back to the General Fund revenue account of £41,000. The Council also incurred £47,000 less expenditure than originally anticipated on pension fund contributions towards the costs of prior years' staff retirements.

External Income

A significant proportion of the Council's budget was reliant on external income. Grants and subsidies from government, alongside income from business rates are major elements, totalling over £49 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 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 government grants received 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 is rebated against the 2017/18 levy. The final determination and receipt of the Council’s share will be made after year-end returns have been collated from each of the participating authorities. However, based on provisional returns, Essex County Council has advised that the estimated 2017/18 benefit share for Braintree is £634,770. Amounts received from the Pool are initially credited to the Business Rate Retention reserve pending decisions by the Council as to how the money will be used.

Other external income for which the Council budgeted £14.080million came from a variety of sources that are subject to external demands and other influences, meaning these are more susceptible to variations against budget. The outturn was an overall over achievement compared to budgets by a net £492,000, as shown in the table below:

Service	Updated Budget £000	Joint Financing & Other Reimburs.	Sales, Fees & Charges	Rents	Other Income	Total	RAG status
		4,912	5,109	2,815	1,244	14,080	
<i>Adverse (Positive) Variance £000 against Budget :</i>							
Asset Management	2,860	(6)	52	(42)	(10)	(6)	G
Business Solutions	50	(1)	-	-	-	(1)	G
Community Services	209	11	16	-	(3)	24	A
Corporate Management Plan	-	-	-	-	-	-	G
Cultural Services	(2)	-	14	-	(6)	8	A
Environment	784	1	(27)	-	(4)	(30)	G
Finance	2,579	(25)	-	-	(17)	(42)	G
Governance	18	(13)	(2)	-	(27)	(42)	G
Housing	51	(1)	(3)	4	-	-	G
Human Resources	5	(2)	(2)	-	-	(4)	G
Leisure Services	408	(3)	(2)	-	(3)	(8)	G
Marketing & Communications	107	28	(6)	-	(28)	(6)	G
Operations	4,960	(53)	(151)	30	(13)	(187)	G
Sustainable Development	1,523	(56)	(105)	(1)	(19)	(181)	G
Service Total	13,552	(120)	(216)	(9)	(130)	(475)	G
Corporate Financing	528	(1)	-	-	(16)	(17)	G
Total	14,080	(121)	(216)	(9)	(146)	(492)	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 was £4.912million, which was over achieved by £121,000. The main sources of income and outturn are:

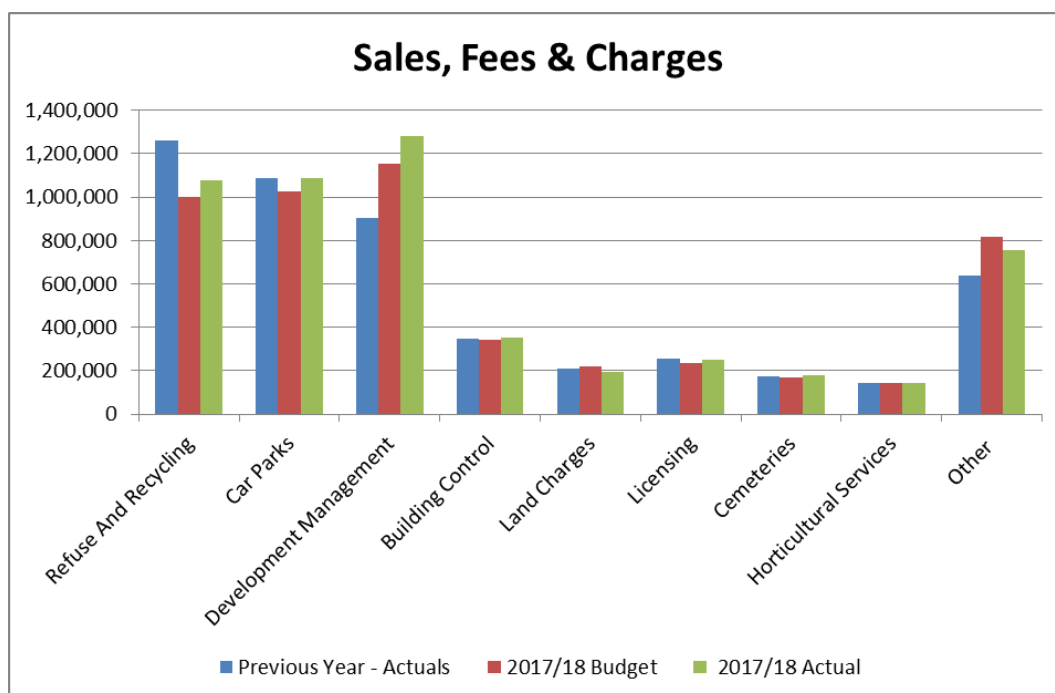
- **Essex County Council:** a £2.266million budget for contributions towards services such as community transport, horticultural services, food waste service, and recycling. An overall positive variance of £45,000 for the year, after the reduction in grant funding for community transport. Additional income was earned under the Waste Management Inter-

Authority Agreement; from verge maintenance; and recharges for the Highway Ranger service.

- **Procurement Hub:** subscriptions from participating authorities along with rebates receivable from the use by other organisations of the procurement frameworks set-up by the Hub gave a total budget of £468,000. Arrangements with the participating authorities provide for refunds (shown as expenditure) against their subscriptions based on the overall financial performance of the Hub in the year. The amount of rebates received from frameworks was lower than budgeted and whilst in the short-term this could be met from the Procurement Hub reserve, an agreement has been reached with Hub members to introduce a phased subscription requirement commencing from 2017/18.
- **Council Tax sharing and other collection investment arrangements:** £526,000 was provided in the budget as Braintree’s share from the major precepting bodies of additional council tax being collected above an agreed baseline, which was achieved. In addition, the Council received £112,000 towards the temporary costs incurred in improving council tax collection arrangements, including prevention and detection of fraud, and partial funding towards the exceptional hardship fund.
- **Benefit overpayment & Council Tax costs recovered:** A total of £535,000 was recovered in the year, which was an additional £113,000 against the budget, and significantly higher than the amount achieved in 2016/17 of £396,000. Recovery costs in relation to Council Tax were £77,000 lower than budgeted, partly as a result of the introduction of pro-active measures which meant earlier intervention where non-payment arose and before the stage where normally additional costs are levied on taxpayers. This action has been beneficial and contributed to the total amount of Council Tax collected, with an improved performance rate for year, and achievement of the target set with precepting bodies under the Council Tax sharing agreement (see above).
- **Development Management pre-application advice:** Income was £46,000 higher than budget at £151,000 compared to a budget of £105,000. Whilst charges were increased from August, this does not appear to have impacted on the demand for the service. In previous years’ income was £111,000 (2016/17) and £99,000 (2015/16).

Sales, Fees & Charges

The budget for income from sales, fees & charges was £5.109million and which was over achieved by a net £216,000. The following chart shows the main income streams:



Commentary on Fees and Charges:

- **Refuse & Recycling:** The budget for income was £998,000, which was significantly lower than that achieved in 2016/17 as the Council now pays a gate fee for the processing of its recycling material, whereas before the Council received income. Against this reduced budget the Council actually received £1.077million, an over achievement of £79,000. This was mainly due to increased income from trade waste and bulky waste collections where the service has been successful in increasing the number of customers.
- **Car Parks:** Against the budget of £1.051million actual income for the year was £1.113million an over achievement £62,000.
- **Development Management:** Planning application income received in the year was £1.283million compared to an updated budget of £1.152million. Based on monitoring of the income earlier in the year, it was agreed by Full Council to increase the budget by £300,000, and to use this extra income to top-up the existing reserve held to meet possible future costs arising from planning appeals. The higher number and complexity of applications received also meant an increase in the requirement to buy-in external support (see comments under Other Service Expenditure).
- **Other – Causeway House letting:** Following Essex County Council's vacation of part of the second floor in June, there was a period during which this area was void leading to an under recovery of service charges in the current year of £49,000. The vacated space was, however, fully let to new tenants by the end of the year.

Rental Income

The budget for rental income from land & property was £2.815million – comprising the Commercial and Other Property portfolio, markets, housing properties, and other let properties. The outturn for the year is a small net over achievement of £9,000, with a net over achievement of rental income from the Commercial and Other Property portfolio (+£42,000), partially offset by lower income (-£27,000) from market rents. In recent years' income from the Braintree market has seen a decline; however, the Council has recently introduced new street markets to enhance and revitalise the overall offering. Early indications suggest the initiative has been well received by both market traders and shoppers, and its impact on rental income will be confirmed during the 2018/19 financial year.

Other Service & Corporate Income

Total budgeted Other Income was £1.244million which comprised mainly the following streams:

- **Investment & Other Interest Income:** The budgeted amount was £813,000, which was over achieved by £135,000, mainly due to the Council's treasury management activities. In line with the agreed medium-term strategy, this overachievement was added to the Treasury Management Equalisation reserve, which is used to manage the fluctuations in investment returns from both varying levels of cash balances and changing financial market conditions.
- **Solar Panel Feed-in-Tariffs:** the budget provided for an expected £93,000 of income from investment in solar panels at various Council facilities, which was achieved for the year.

Treasury Management

The Council's treasury management activities for the year are summarised in the table below:

Amount Invested at start of the year	Activity for the year		Amount Invested at end of the year
	New Investments	Investments Sold or Matured	
£39.32m	£73.44m	£70.50m	£42.26m
Average amount invested for the period			£54.39m
Highest amount invested			£63.49m

An average of £15.09million was invested in long-term pooled funds spread across a mixture of property and equity funds. Remaining investments were 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 for the year total £881,000, which is equivalent to an annualised rate of return of 1.62%:

Investments	Average Amount Invested	Interest & Dividends Earned	Annualised Return %
Long-Term Pooled Funds	£15.09m	£730,000	4.84%
Short-Term	£39.30m	£151,000	0.37%
Total	£54.39m	£881,000	1.62%

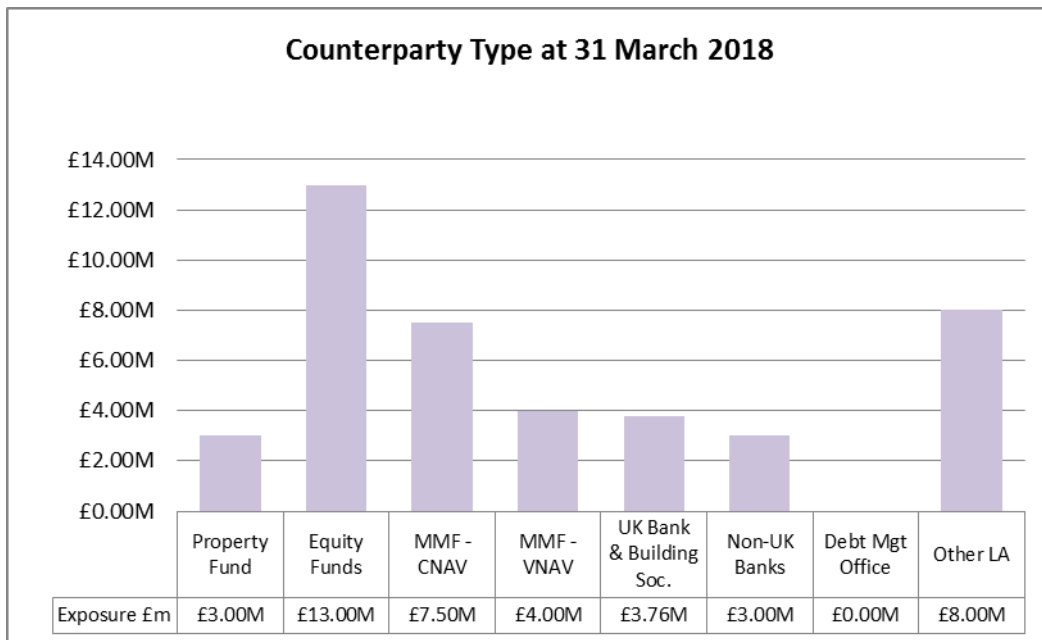
In February, a further £1million was added to the M&G Extra Income Fund taking the total invested in pooled funds to £16million. As these funds are exposed to equities and property, their value can fluctuate based on prevailing market conditions. At the end of the year the market valuation for all pooled funds was £16.93million, representing an unrealised gain of £0.93million.

Market commentary

The Bank of England's Monetary Policy Committee (MPC) increased the Bank Rate by 0.25% in November 2017. This was the first increase in ten years. The increase in Bank Rate was reflected in money market rates: 1 month, 3 month and 12 month London Inter-Bank Rates (LIBID) rates averaged 0.32%, 0.39% and 0.69%, and at 31 March 2018 were 0.43%, 0.72% and 1.12% respectively. The Financial Times Stock Exchange index (FTSE100) had a strong finish to the calendar year 2017, reaching a record high of 7688, before plummeting below 7000 at the beginning of 2018 in the global equity correction and sell-off.

Investment Portfolio

At the end of the year 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 2017	2,036
Add:	
Budgeted addition	179
Actual budget variance for the year	782
Unused prior year carry forwards	49
Less:	
Budget carry forwards	(88)
Allocation to fund environmental insurance policy	(98)
Balance at 31 March 2018	2,860

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

- The budget approved by Council for 2017/18 included an anticipated addition to balances of £179,125.
- The outturn variance for the year is £782,000 addition, offset by £88,000 which services have requested as budget underspends to be carried over into 2018/19
- A review of prior year budget carry overs has identified a total balance £49,000 which is no longer required and has therefore been transferred back to the General Fund unallocated balance.

- An allocation from General Fund balances was approved by Cabinet in November 2017 to meet the costs of renewing the environmental insurance policy related to warranties made to Greenfields Community Housing as part of the housing stock transfer.

Risks and Assumptions

The outturn is subject to finalisation of the Council's Statement of Accounts which is scheduled to be completed by the end of May. The Council's external auditors, Ernst & Young LLP are expected to commence their audit in early June. The outcome of the audit could lead to changes in the outturn, details of which will be reported to the Governance Committee and Cabinet when receiving the audited financial statements.

The outturn will be reviewed to ensure that any on-going issues have either been/ will be addressed in the Medium Term Financial Strategy as detailed planning commences for the 2019/20 budget.

Capital Investment

In February 2017 the Council approved new capital projects totalling £2.252million. Taking into account projects which were in progress and carried forward from earlier years and in-year approvals, the overall programme totals £26.695million. The amount expected to be spent in 2017/18 was £6.543million:

	2017/18 Programme	Actual Spend	Budget Remaining	Spend at Year End
	£000	£000	£000	%
Braintree town centre regeneration	645	467	178	72%
Town centre improvements	12	12	0	100%
Springwood Drive "grow-on" units and parking	719	406	313	56%
Planned maintenance to Council operated premises	659	513	146	78%
Commercial and investment property acquisitions	542	543	-1	100%
Replacement vehicles and plant	861	842	19	98%
Sports and leisure facilities improvements	399	385	14	96%
Refurbishment of play areas and parks and open spaces	265	218	47	82%
Environmental improvements – Spa Road	145	13	132	9%
Paths, cycleways and other infrastructure	122	64	58	52%
Information technology systems	230	204	26	89%
Industrial estate improvements	143	27	116	19%
Operational equipment	13	17	-4	131%
Cordons Farm waste transfer station	63	13	50	21%
Grants to registered social landlords	410	0	410	0%
Grants to private home owners –disabled facilities and heating systems	911	860	51	94%
Capital salaries	404	268	136	66%
Total	6,543	4,852	1,691	74%

During the final quarter of the year, the programme for 2017/18 was increased by £164,000 due to the following changes:

Additions

- Three new IT projects totalling £71,000, including acquisition of a new server, digital customer platform, and development of a Livewell website.
- Acceleration of works to the Council's open spaces that was previously anticipated to be undertaken in 2018/19 (£40,000)
- Other various changes to the programme profile (Net +£53,000)

Total spend for the year was £4.852million leaving £1.691million of the programme budget remaining. Of this, £83,000 relates to projects that have either been completed or the scope of works changed, resulting in this amount no longer being required. The value of internal staff recharged to capital was also lower than budget by a net £136,000. This left a balance of £1.472million which is required to complete ongoing projects or meet future anticipated spend and will therefore be carried over into the 2018/19 programme.

Capital resources

The main sources of new capital resources anticipated for the year was from the sale of Council owned assets (£4.981million), preserved right-to-buy (RTB) receipts (£1million) and the Council's share of the VAT shelter operating in conjunction with Greenfields Community Housing (£350,000).

Greenfields has reported that 20 RTB sales were completed in the year generating £2.122million for the Council. This compares to 38 sales completed last year generating £3.907million.

VAT shelter monies due to the Council totalled £327,000, which is higher than the previous year's £296,000.

The Council received £876,000 grant from the Better Care Fund via Essex County Council to fund the majority of the Council's disabled facility grant programme. This was an increase of £458,000 against the budgeted sum of £418,000, and an increase of £146,000 over the amount received in 2016/17.

Conditional exchange of contracts has been obtained on the proposed sale of sites in Halstead and Witham, with the expectation that these will complete at a future date.

The Council also received £54,000 from the repayment of housing renovation grants and capital loans.

Key Financial Indicators – 30th June 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 June 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 June was £0.844million. This represents a positive variance of £40,000 compared to the profiled budget of £0.884million. The variance consists of an under-spend on the profiled expenditure budgets of £13,000 and an over-achievement of income of £27,000.</p> <p>b) The total budget for Salaries for the year is £16.444million. Expenditure on salaries for the year to the end of June was £3.842million. This compares to a profiled budget of £3.932million. The positive variance of £90,000 is after allowing for £62,500 of the Efficiency Factor (£250,000 for the year).</p> <p>c) Expenditure on capital projects, to the end of June, was £0.543million against the Capital Programme of £13.963million. The main schemes on which expenditure has been incurred are: Disabled Facility Grants (£0.197m), Springwood Grow-on units (£0.164m) and Replacement Diesel Tank at the Depot (£0.044m).</p> <p>d) The total Council Tax collectable debit for the year is £88.109million. The collection rate as at the end of June is 31.06% (£27.367million collected), which compares to a rate of 30.82% for the same period last year, a small increase of 0.24%.</p> <p>e) The total Business Rates (National Non-Domestic Rates) collectable debit for the year is £43.865million. The collection rate as at the end of June is 31.4%</p>		

(£13.8million collected), which compares to a rate of 30.82% for the same period last year, an increase of 0.58%.

- f) A total of 116 write-offs of Council Tax, with a value of £13,014 have been authorised in the year to 30th June: 6 in respect of the current year and 110 in respect of previous financial years.
- g) A total of 14 write-offs of Business Rates, with a net value of £46,707, have been authorised in the year to 30th June: 5 in respect of the current year and 14 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 National Non-Domestic Rates (NNDR), was £3.132million, of which £1.723million 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 0.57%. This return was achieved on an average amount invested of £40.81million 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 June 2018 is £215,924. The market values of these pooled funds show an unrealised net increase in the principal sum of £1.973million as at 30th June 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 £42.526million and in pooled funds, totalling £16million, as at 30th June 2018, is provided at Appendix B.

Recommended Decision:

Members are asked to accept the report of the Key Financial Indicators as at 30th June 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:	The net General Fund revenue budget for the year is £14.784million. The net expenditure incurred in the year to 30 th June was £3.842million. This represents a positive variance of £40,000. Collection rates for both business rates and council tax are on course to achieve target for the year.
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 June 2018
APPENDIX A

	Full Year Budget 2018/19	Actual as at 30 June 2018	Profile to 30 June 2018	Variance from Profile	
	£'000	£'000	£'000	£'000	%
General Fund - Revenue (Controllable)	14,784	844	884	-40	-4.5%
Capital Programme (Excl. capital salaries incl. below)	13,963	543			
General Fund - Salaries	16,444	3,842	3,932	-90	-2.3%

	Full Year Target	Actual as at 30 June 2018	Actual as at 30 June 2017	Variance
Council Tax collection in year - %	98.30%	31.06%	30.82%	0.24%
Council Tax collection - income collected for year - £m	£88.11	£27.37	£25.67	£1.70
Write-offs in year - £'000		£0	£3	-£3
Write-offs in year - number		6	42	-36
Write-offs all years £'000		£13	£14	-£1
Write-offs all years - number		116	229	-113
Business Rates collection in year - %	98.60%	31.40%	30.82%	0.58%
Business Rates collected for year - £m	£43.87	£13.80	£13.46	£0.34
Write-offs in year - £'000		£20	£9	£11
Write-offs in year - number		5	3	2
Write-offs all years - £'000		£47	£2	£45
Write-offs all years - number		14	31	-17
Creditors - payment of invoices within 30 days of receipt	99.25%	99.19%	99.49%	-0.30%

Debtors - Balance Outstanding	31-Mar-16	31-Mar-17	31-Mar-18	30-Jun-18
	£'000	£'000	£'000	£'000
Service Level Agreement charges - principally Tabor Academy and residents of Twin Oaks, Stisted	319	303	197	183
Capital Projects - currently - development site, east of High Street, Halstead	8	3	0	2
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	143	8	7	18
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	10	103	80	80
Development & Environment	271	619	538	271
Finance	61	108	111	99
Leisure	169	208	65	107
Operations	288	936	1219	596
Housing	77	83	47	53
Sub-Total - excluding Hsg. Benefits	1,346	2,371	2,264	1,409
Housing Benefits	1,647	1,436	1,745	1,723
Total	2,993	3,807	4,009	3,132
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.				1,219
Profile by Recovery Stage:				
Invoice	1,377	2,561	2,542	1,528
Reminder	275	281	329	313
Final Notice	190	-	-	-
Pre-legal	338	212	567	665
Enforcement Agent	426	387	310	274
Tracing Agent	4	11	2	8
Charging Order	23	32	31	31
Attachment to Benefits/Earnings	360	322	228	313
Summons		1	-	-
Total	2,993	3,807	4,009	3,132
Write offs in year - value - £000	£20.0	£25.5	£161.4	£0.6
Write-offs in year - number	245	371	392	33

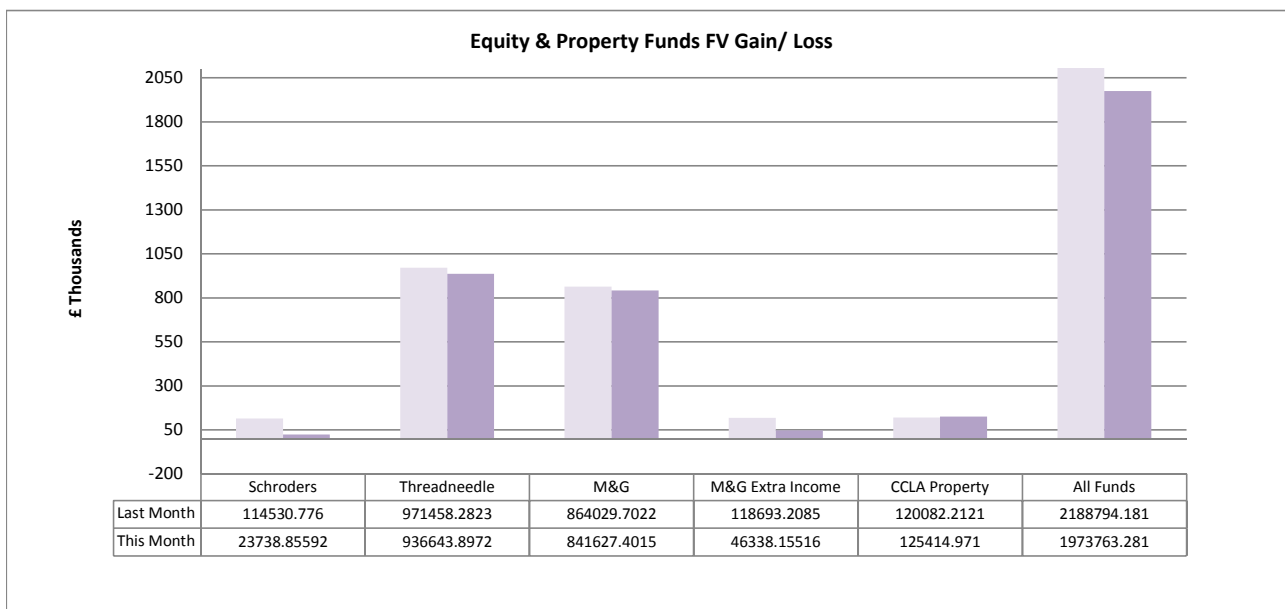
Progress on achieving Efficiency Savings Targets

The amount of the Efficiency Savings target included in the budget for 2018/19 is a net amount of £250,000. The underspend on salaries of £90,000, recorded above, is after offsetting £62,500 of the target.

Investment Holdings at end of June 2018

	Type	Principal	Start	Maturity	Return
Counterparty					
Santander	Fixed	3,000,000	14/05/2018	14/08/2018	0.56%
Barclays	Fixed	3,000,000	04/04/2018	13/07/2018	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%
Australia & 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	1,526,000	30/06/2018	01/07/2018	0.40%
Deutsche	MMF	3,000,000	30/06/2018	01/07/2018	Variable
Goldman Sachs	MMF	5,000,000	30/06/2018	01/07/2018	Variable
Standard Life	MMF	5,000,000	30/06/2018	01/07/2018	Variable
External Fund Investments					
Schroders Income Maximiser	Equity	3,000,000			Variable
Threadneedle UK Equity	Equity	3,000,000			Variable
M&G Global Dividend	Equity	4,000,000			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		58,526,000			

Key: MMF - Money Market Fund
VNAV - Variable Net Asset Value



Revised Internal Audit Plan 2018/2019		Agenda No: 7
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellence and value for money services	
Report presented by:	Trevor Wilson, Head of Finance	
Report prepared by:	Angela Mitchell, Audit Insurance and Fraud Manager	
Background Papers:	Public Report	
Revised Internal Audit Plan 2018/19	Key Decision: No	
Executive Summary:		
<p>A provisional Internal Audit Plan for 2018/2019 was approved by the Governance Committee on 12th April 2018 to provide a schedule of work for Internal Audit staff prior to the new Audit, Insurance and Fraud Manager commencing employment.</p> <p>The Plan has now been updated by Mrs Angela Mitchell; this report is to advise Members of the revised approach to preparing the Internal Audit Plan, and to present the updated Internal Audit Plan for 2018/2019.</p> <p>A copy of the plan for 2018/2019 is attached.</p>		
Recommended Decision:		
That Members:		
<ol style="list-style-type: none"> 1. Endorse the revised Internal Audit Plan process and Internal Audit Plan for 2018/2019; and 2. Note the progress against the Internal Audit Plan and Revised Plan. 		
Purpose of Decision:		
<p>To request that Members endorse the provisional Internal Audit Plan for 2018/2019 which is revised in accordance with the Accounts and Audit Regulations 2015 (Section 5) which require an effective internal audit of risk management, control and governance processes taking into account the Public Sector Internal Audit Standards and guidance.</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	

INTRODUCTION

The Public Sector Internal Auditing Standards (PSIAS) require Internal Audit to produce a risk based Audit Plan that:

- Gives the '*Chief Audit Executive*' (CAE) sufficient evidence to provide an annual audit opinion on the Council's framework of governance, risk management and internal control based on the outcome of planned work;
- Uses existing sources of assurance where possible; and
- Demonstrates how internal audit work is linked to the Council's objectives and significant risks, and therefore provide relevant assurance

The PSIAS also require the Audit Committee (Governance Committee for this Council) to approve but not direct the Audit Plan. This means the Committee may challenge whether the plan is sufficient and adequately focussed, particularly given the plan's purpose to provide the Committee (as those charged with governance) with a key source of assurance to be considered when it decides whether to recommend the Annual Governance Statement for signing by the Chief Executive and Leader of the Council.

INTERNAL AUDIT PLANNING PROCESS

The revised Internal Audit Plan 2018/19 relates audit work to the Council's corporate risks. Delivery is dependent on resources and planned work has been prioritised to ensure resources are focussed on the areas of greatest audit need. The time on each review will be responsive to relative priority and ongoing assessment throughout the audit.

The Plan has been developed following meetings with the Chief Executive, Directors and Heads of Service to discuss their services and key objectives and risks, the feedback from these meetings informed a wider risk assessment that prioritised the Council's activities for audit coverage considering the following factors:

- Corporate priorities and risks, risk management (including fraud risks), and significant projects or proposals linked to corporate priorities;
- Significant changes (such as to systems, structures, delivery models or governance arrangements);
- Assessments of the systems of internal control (including recent Internal Audit assurance or assurance from reliable third parties), any known or suspected weaknesses or concerns (including relating to performance or data quality) and any areas where assurance is sought;
- Inherent risk (such as whether the activity has significant income or expenditure, reputational sensitivity, inherent complexity, whether third parties are involved in delivery or if there is a high potential risk of fraud);
- The regulatory environment;
- Effectiveness of governance arrangements (including oversight arrangements and complexity of operations); and
- Horizon scanning to assess new risks and challenges.

The Audit Plan is structured around the Council's corporate risks and is linked to the Council's strategic priorities. The Plan no longer automatically includes cyclical

audits (such as of the core financial systems), all audits are determined using the above process.

The Plan includes a number of other activities that, whilst not audits, are chargeable to the audit plan as they are integral to its delivery, these activities include audit planning, reporting to the Governance Committee and other audit management tasks such as reviewing the audit charter.

THE REVISED INTERNAL AUDIT PLAN 2018/19

Ref	Audit Title	Outline Scope	Priority *	Review Type	Links to Corporate Priorities	Audit Sponsor
<p>Risk 1 Medium Term Financial Strategy: Resource shortfall and savings not achieved, arising from deviation from revenue and efficiencies required to meet funding changes. Triggered by changes in achievability of planned cost reductions/income, incorrect financial assumptions, funding changes</p>						
1	Contract Management – Major Contracts	Review of adequacy of management oversight of key contracts including performance management and ongoing due diligence on supplier resilience & risk	1	Assurance	Health & Communities	Heads of Governance & Environment
2	Debtors / Income	<ul style="list-style-type: none"> For a sample of income generating areas, review of design and effectiveness of arrangements for ensuring due income is received High level review of process for ensuring reconciliation of debtor invoice requests to invoices raised Review of arrangements and sample check of trade waste collections to BDC Trade Waste customers Review of arrangements for provision and sign off of quotations for works, ensuring compliance with BDC protocols (including for Grounds Maintenance services) Review of income collection, recording and banking for payments made via the online booking system 	1	Assurance	Finance & Performance Environment & Place	Head of Operations Head of Finance
3	Procurement	Sample check compliance with Public Contract Regulations & Contract Procedure Rules, including use and reporting of exemptions, and vetting and recording of contractor on-boarding	1	Assurance / Alternative sources of assurance	Finance & Performance	Head of Finance / various

4	Financial Systems – Feed in to EFin	Overview of process and reconciliations for systems feeding in to main financial system to ensure complete / accurate upload	1	Assurance	Finance & Performance	Head of Finance
5	Investments	Review of alternative sources of assurance: - Finance Manager advised the existing oversight arrangements are Arlingclose, External Audit, Financial Services, and Members (Governance Committee, Council, and the Investment Panel) Review of Council policy / strategy against revised Code of Practice and Prudential Code	2	Assurance including alternative sources of assurance	Finance & Performance	Head of Finance
Note	<i>Core Financial Systems</i>	<i>Periodic reviews of main financial systems will be considered where significant changes in system or processes, and to provide assurance over Business as Usual. Systems include: Debtors, Creditors, Business Rates, Council Tax, LCTS, Investments, Payroll, Cash & Bank, and General Ledger</i>				
Risk 2 Economic Development:						
Planned District economic growth not achieved, arising from Businesses becoming disengaged with the District, arising from insufficient support for businesses, skills gaps, inadequate infrastructure, and macroeconomic uncertainty						
6	Housing Development Company	High level review of governance, decision making & communications, decision making framework, and management of partnership risks	1	High level assurance / alternative sources of assurance	Strategic Growth & Infrastructure	Head of Economic Development & Planning
	(see risks 5 and 10 below)					
Risk 3 Local Plan:						
Development which conflicts with the agreed spatial strategy and without adequate infrastructure, and consequential impact on economic growth and housing, and loss of planning appeals						
7	Pre-Application Service	Review of pre-application service provision	2	Assurance	Strategic Growth b& Infrastructure	Head of Economic Development & Planning

8	Planning Delegations	Benchmarking and efficiencies review of Planning delegation arrangements	3	VFM	Finance & Performance	Head of Economic Development & Planning
Risk 4 Community Resilience: Increased demand for temporary housing and housing related payments, and increased poverty, arising from Universal Credit, reductions in ECC Housing Related Support Funding, and the Homelessness Reduction Act						
9	Discretionary Housing Payments / Exceptional Hardship Fund	Review of award criteria and sample check for compliance with criteria	3	Assurance	Health & Communities	Head of Finance
Risk 5 Service and Project Delivery: Service and project delivery failure arising from inadequate capability and capacity and resulting in errors, reduced controls, breaches of procedures, and disengaged staff						
10	Projects – Other	Overview of protocols, governance, resourcing and compliance with corporate requirements for a sample of smaller projects Overview of arrangements for post project review of realisation of project objectives and long term monitoring of performance, and reporting of same	1	Assurance	Economic Development Finance & Performance	
11	Partnerships	Process for identification of significant partnerships ensuring they are consistent with corporate priorities Overview of protocols for ensuring delivery of partnership priorities, arrangements for assessing partnership before resources are committed, and risk assessment of partnerships (such as a key partner pulling out/withdrawing funding) Include review process of ensuring partner compliance with SLA/Funding Agreement for the museum collection	1	Assurance	Finance & Performance Overall Strategy & Direction	
12	Consultants	High level review of appointment of consultants, determination of fees, and approval routes for adopting consultant recommendations.	2	High level	Finance & Performance	

Risk 6 Affordable Housing						
Affordable housing needs not met, resulting in increased demand on temporary accommodation, withdrawal of housing associations from supported housing schemes, and inability to provide suitable supported accommodation for larger families and under 35's						
13	Housing Register	Review of protocols for ensuring eligibility including robustness of checks and processes to ensure changes in entitlement are identified	1	Assurance	Strategic Growth & Infrastructure	Head of Housing & Community
14	Homelessness	Compliance with strategy / Housing Reduction Act	1	Compliance / Assurance	Strategic Growth & Infrastructure	Head of Housing & Community Services
Risk 7 Return on Investments:						
Loss of investment principle or interest, or loss of rental income and increased costs (such as unoccupied business rates) arising from failure of investment counterparty						
15	Asset Acquisitions	Review of processes and procedures for financial transactions	1	Assurance	Strategic Growth & Infrastructure	Corporate Director / Asset Manager
	(See also Projects above)					
Risk 8 Emergency Planning						
Inadequate civil contingency arrangements leading to failure to respond appropriately to a major incident or civil emergency arising from inadequate plans or trained staff						
16	Business Continuity	Review of adequacy of Business Continuity arrangements	1	High level assurance Including IT		Head of Environment
17	Business Resilience	Review of reliance on key staff identified through Business Continuity arrangements	2	Assurance	Finance & Performance	
Risk 9 Information Management and Cyber Security						
Loss of ability to deliver services, or inability to protect personal and sensitive customer data arising from inadequate information management and vulnerability to Cyber attack						
18	Information Management	Review of compliance against key GDPR requirements, focussing on significant databases (such as Economic Development & Planning Policy) Review storage of data for sample of areas	1	Governance /Compliance/ IT	Asset	

19	Cyber Security	Non-technical overview of controls to mitigate IT security risks, including protection of information systems from theft or damage to hardware and software. Supported by review of compliance with PSN requirements, and arrangements for ensuring supplier compliance with cyber security requirements	1	Governance / IT	Finance & Performance	Head of Business Solutions
20	Performance Indicators	Sample check of performance indicators to review robustness of data collation and accuracy of presentation of results	2	Assurance	various	Head of Business Solutions / various
21	PCI DSS Compliance	Review of arrangements for ensuring compliance with the Payment Card Industry Data Security Standards, including review of self-assessment	2	Assurance	Finance & Performance	Head of Finance
22	Freedom of Information Requests / Complaints	Review of speed and accuracy of FOI Act responses, and completeness of records and response to complaints	3	Assurance	Finance & Performance	Head of Business Solutions
Risk 10 Strategic Investment						
Expected Financial return not realised from projects or District Investment Strategy targets not delivered						
23	Strategic Investment Projects – Advisory	<ul style="list-style-type: none"> - Advisory support to current significant corporate projects (such as Manor Street) including review against corporate protocols - High level review of governance arrangements, decision making framework (including delegation arrangements), and risk management (including partnership risks), for sample of projects - Review of project procedures - Identify fraud risks for Strategic Growth and assess against protocols 	1	Advisory	Economic Development Finance & Performance	
24	Major Project Stakeholder Engagement	Review of adequacy of engagement across the Council on significant projects	1	Assurance	Economic Development Finance & Performance	

Other Planned Work						
25	Annual Governance Statement	<ul style="list-style-type: none"> - Review of process for producing and evidence supporting the Council's AGS - Ensure the AGS covers all elements set out in best practice - Ensure Assurance statements have been obtained to support the elements of the AGS - To confirm areas of improvement identified in the AGS are clear and have action plans in place with arrangements for monitoring progress <p>See also audits of specific governance arrangements</p>	1	Assurance	Finance & Performance	Head of Finance
26	Corporate Governance	Review of protocols for officer declarations of interest	1	Governance	Various	Various
27	Animal Welfare	Compliance review against new regulations	3	Compliance	Health and Communities	Head of Environment
28	Taxi Licensing	Compliance review of checks on applications	3	Compliance	Health and Communities	Head of Environment
29	Land Charges	Light touch review of arrangements for payment and recording of land searches	3	Assurance	Finance & Performance	Head of Governance
30	Risk Management	<p>Overview of corporate risk management framework and risk maturity</p> <p>Review of sample of risks to assess existence and effectiveness of mitigating controls</p>	1	Risk management	various	various
31	Culture & Ethics	High level review of arrangements for ensuring positive culture and ethical approach	2	High level	various	various
32	Safeguarding	High level review of arrangements for ensuring awareness and reporting of concerns	3	High level	various	various
33	Follow Up Reviews	We will follow up all Limited Assurance reports and review evidence of implementation of high and medium priority recommendations from previous year	2	Follow Up	Various	Various

34	Fraud Risks	Unit 4 Fuel system – proactive review of set up of system and monitoring arrangements to give comfort of correlation between fuel usage and vehicle profile NDR / CT – identify fraud risk areas and review against monitoring (External Audit Plan 2017/18 includes review of risk of fraud in revenue recognition) (See also Risk 10 above)	2	Advisory / alternative source of assurance	Environment & Place Finance & Performance	Head of Operations Head of Finance
	Additional work	Additional work arising during the year will be accepted where relevant to the provision of the opinion over corporate governance, risk or internal control, and to corporate priorities or strategic risks				
Other Activity Chargeable to the Audit Plan						
	Audit Planning	To develop the 2019/20 Internal Audit Plan				
	Report to the Governance Committee	To prepare reports required by the Governance Committee throughout 2018/19				
	Audit Management	To undertake required Audit Management activity including quality assurance and continuous improvement processes, and to review and update where necessary the Audit Charter and strategy				

* Priority:

1 – These audits are essential for delivery of Chief Audit Executive opinion for 2018/19 (this opinion contributes to the Council's Annual Governance Statement)

2 – These audits support the annual opinion but are lower priority for audit

3 - These items are lower priority for internal audit review, where resources do not allow completion of the full plan, audit work will focus on highest priority audits

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 9 July 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 also

	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		In Progress *	
	Leased Cars		In Progress	
	Community Grants		In Progress	
Revised Plan – All Audits				
1	Contract Management – Major Contracts	1		
2	Debtors / Income	1	In Progress	
3	Procurement	1		
4	Financial Systems – Feed in to EFin	1		
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		
12	Consultants	2	In Progress *	
13	Housing Register	1		
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		
22	Freedom of Information Requests / Complaints	3		
23	Strategic Investment Projects - Advisory	1		
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		

OUTCOME OF AUDITS COMPLETED SINCE THE PREVIOUS REPORT TO GOVERNANCE COMMITTEE (12 April 2018)

The following audits have been completed since the preparation of the report for the Governance Committee meeting held 12 April 2018. These audits were included in the Provisional Internal Audit Plan (approved by the Governance Committee 12 April 2018), and work commenced prior to preparation of the revised plan:

Audit	Overview of Scope	Summary of Findings	Recommendation(s)	Priority	Agreed / Responsible Officer / Action Date
Fees and Charges	The audit was a review of process for inclusion of fees and charges in the schedule of Fees and Charges, approval of the Fees and Charges and testing to ensure charges applied to customers accord with the approved Fees and Charges	The review confirmed the majority of charges agreed to the approved Fees and Charges list, clarification was sought on one item relating to bin charges	Stated charges in the Schedule of Fees and Charges should include both the winter suspension reduced charge and the full year charge	Medium	Agreed: Yes – Business Development Manager Action date: 30/11/18
Petty Cash	To ensure claims appropriate, within limits and approved	The review confirmed that Claims were processed correctly with the following exceptions: <ul style="list-style-type: none"> - one claim over £20 paid by Cashiers, but was justified - one claim approved by a Manager for whom an authorised signatory form was not held 	Stated charges in the Schedule of Fees and Charges should include both the winter suspension reduced charge and the full year charge	Medium	Agreed: Yes – Business Development Manager Action date: 30/11/18
Travel & Subsistence	To ensure claims were appropriate, within the Council's Travel & Subsistence policy and limits and approved by an authorised signatory	No exceptions identified	<i>None</i>	N/A	N/A
Refuse Collection	To ensure timesheets and overtime claims were verified to hours	Trade Waste Agreement and Duty of Care form was not held	Ensure Trade Waste Agreements and Duty	Medium	Agreed: Yes – Business

Including Trade Waste	<p>worked and approved by an authorised signatory</p> <p>To ensure Trade Waste charges were in accordance with approved rates and a Duty of Care form and Trade Waste agreement were in place for customers</p> <p>To ensure Parish Council hire charges were in accordance with set fees with correct charging of VAT</p>	for one customer (within a sample of 20)	of Care form are completed for all customers		Development Manager Action date: Ongoing
Cemeteries	<p>To ensure accurate records of grave plots, interments and notices of bereavement</p> <p>To ensure grave maintenance and memorial costs are accurate</p> <p>To review grave digging contract and ensure correct charges applied</p>	No exceptions identified	None	N/A	N/A

Statement of Accounts 2017/18 and the External Auditor's Audit Results Report		Agenda No: 8
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Phil Myers, Financial Services Manager	
Report prepared by:	Phil Myers, Financial Services Manager	
Background Papers:	Public	
Braintree District Council's Statement of Accounts 2017/18 Statement of Accounts 2017-18 Accounts and Audit (England) Regulations 2015	Key Decision: No	
Executive Summary:		
<p>A draft set of Statement of Accounts was signed on 29th May 2018 by Chris Fleetham, Corporate Director, as representing a "true and fair view" of the Council's financial position at the reporting date, and of its income and expenditure for the year ended 31st March 2018.</p> <p>The Statement of Accounts is available to view on the Council's website: here</p> <p>There were no changes to accounting policies or any significant revisions to the Code of Practice on Local Authority Accounting for 2017/18.</p> <p>The Council's External Auditor, Ernst & Young LLP (EY), commenced the audit of the accounts on Monday 4th June 2018; 6 weeks earlier than last year. The findings from the audit are set out in the Audit Results Report appended to this report. It is anticipated that the auditor will issue an unqualified opinion on the accounts, and the final audited accounts, with those amendments agreed with EY, will be published on/before the new statutory deadline of 31st July 2018 (previously the deadline was 30th September 2018).</p> <p>Under Auditing standards, EY are required to formally update their understanding of the Council's arrangements for oversight of management processes and arrangements. To meet this requirement EY has written to the Head of Finance, Audit Manager and the Chairman of the Governance Committee asking a number of questions regarding management processes and arrangements. A copy of the letter from EY together with the response from Councillor Elliott, on behalf of the Governance Committee, are attached in Appendix A to this report.</p> <p>The External Auditor's report contains a request, (Appendix B in the Audit Result Report), for the Council to provide a Letter of Representation to be signed by the</p>		

Corporate Director and Chairman of the Governance Committee. A Letter of Representation has been prepared and covers the matters identified by the External Auditor. This will be available at the meeting.

The accounts were available for public inspection between 1st June and 12th July 2018. At the time of writing this report there had been no requests received to inspect the accounts. A verbal update will be provided at the meeting.

Recommended Decision:

1. To note the letter, in respect of understanding how the Governance Committee gains assurance from management, sent to EY by Councillor Elliott, Chairman of the Governance Committee (included in Appendix A to this report).
2. To receive and note the External Auditor's Audit Results Report for the year ended 31st March 2018.
3. To approve certification of the Letter of Representation by the Corporate Director and Chairman of the Governance Committee.
4. To approve the Council's Statement of Accounts 2017/18.

Purpose of Decision:

To comply with the Accounts and Audit Regulations that Members approve the Council's Statement of Accounts with the benefit of the External Auditor's report to the Governance Committee.

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

Financial:	No new financial implications. The provisional financial outturn for 2017/18 was reported to Cabinet on 14 th May 2018, and this position has not changed as a result of the preparation and audit of the Statement of Accounts.
Legal:	The approval process for the Statement of Accounts is required under statutory rules set out in the Accounts and Audit Regulations. For 2017/18 the draft accounts were required to be completed by no later than 30 th May and the audited and final approved Statement of Accounts published by 30 th July 2018, this latter date being two months earlier than last year.
Safeguarding:	No matters arising out of this report

Equalities/Diversity:	No matters arising out of this report
Customer Impact:	No matters arising out of this report
Environment and Climate Change:	No matters arising out of this report
Consultation/Community Engagement:	The draft Statement of Accounts was made available for public inspection over the period 1 June to 12 July 2018.
Risks:	No matters arising out of this report
Officer Contact:	Phil Myers
Designation:	Financial Services Manager
Ext. No:	2810
E-mail:	Phil.myers@braintree.gov.uk

Councillor John Elliott
Chair of Governance Committee
Braintree District Council
Causeway House
Braintree
Essex
CM7 9HB

26 March 2018

Direct line: 07876 397986

Email: KSuter@uk.ey.com

Understanding how the Audit Committee gains assurance from management

Dear Councilor Elliott,

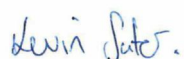
Auditing standards require us to formally update our understanding of your arrangements for oversight of management processes and arrangements annually. Therefore, I am writing to ask that you please provide a response to the following questions.

- 1) How does the Governance Committee, as 'those charged with governance' at the Authority, exercise oversight of management's processes in relation to:
 - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
 - identifying and responding to risks of fraud in the Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
 - communicating to employees its view on business practice and ethical behavior (for example by updating, communicating and monitoring against the Authority code of conduct);
 - encouraging employees to report their concerns about fraud; and
 - communicating to you the processes for identifying and responding to fraud or error?
- 2) How does the Governance Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?
- 3) Is the Committee aware of any:
 - breaches of, or deficiencies in, internal control; and
 - actual, suspected or alleged frauds during 2017/18?
- 4) Is the Committee aware any organisational or management pressure to meet financial or operating targets?

- 5) How does the Governance Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2017/18?
- 6) Is the Governance Committee aware of any actual or potential litigation or claims that would affect the financial statements?
- 7) How does the Governance Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

Thank you for your assistance. If possible, please could we have your response by 30 April 2018. If you have any queries in respect of this letter please Vicky Chong at VChong@uk.ey.com

Yours sincerely

A handwritten signature in blue ink that reads "Kevin Suter".

Kevin Suter
Associate Partner

Our ref:
Your ref:
Ask for: Trevor Wilson
Dial: 01376 557801
Email: trevor.wilson@braintree.gov.uk
Date: 30th June 2018

Financial Services
Causeway House Braintree
Essex CM7 9HB
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Fax: 01376 552626
www.braintree.gov.uk

K. Suter
Associate Partner
Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

Dear Mr Suter,

Understanding how the Governance Committee gains assurance from management

I refer to your letter dated 8th March 2018, concerning the updating of your understanding of the Council's management processes and arrangements. Please accept my apologies for the delay in responding. I provide below responses to the specific questions on behalf of the Governance Committee, being those charged with governance at Braintree District Council:

1.

a) The Committee receives regular reports from the Audit, Insurance & Fraud Manager in relation to the operation of the control environment which is used to inform the Committee's view of management's processes.

Management has assessed that the risk of material fraud affecting the Council's financial statements is very low.

There is a robust system of internal control operating as reported by the Audit, Insurance & Fraud Manager in her annual report to the Committee and there is no evidence of material fraud.

b) The Committee receives regular reports from the Audit Insurance & Fraud Manager including:

- The Internal Audit Plan is presented to the Committee to consider and approve. This takes into account the risks associated with individual services and processes, and the frequency with which services are subject to audit.

- The Audit, Insurance & Fraud Manager provides the Committee with regular reports on the audits undertaken together with details of any limited assurance audits;
- The Audit, Insurance & Fraud Manager produces an Annual Report for the Committee.

In addition, the Committee approves the Council's Annual Governance Statement (AGS) ensuring that assurances from a number of sources across the Council are provided which underpin the draft AGS for the Leader of the Council and the Chief Executive to review and sign.

c) The Council has a code of conduct for staff which is approved by the Committee.

The Committee is aware that a register of Gifts and Hospitality and a record of staff declarations of interests are maintained.

d) The Committee is aware that the Council has a Whistle Blowing policy for staff to use and that this is available on the Council's intranet.

The Council also has several other policies and procedures in place which the Committee has oversight of including:

- Code of conduct for Members
- Fraud, Corruption and Dishonesty Strategy
- Anti-Money Laundering Policy
- Prosecution Policy
- Financial Procedure Rules
- Contract Procedure Rules
- Staff and Member declarations of interest.
- Fraud hotline; 0800 0740405 or fraud@braintree.gov.uk
- Programme of audits by Internal Audit.
- Work by External Audit.

e) The Committee has oversight of this and receives regular reports from the Audit, Insurance and Fraud Manager.

2. The Committee monitors this through the internal audit reports provided by the Audit, Insurance & Fraud Manager.

The Committee receives details of updates to the Strategic and Operational Risk Registers.

3. a) We are not aware of any breaches of, or deficiencies in, internal control other than those brought to our attention through the work of Internal Audit.

b) We are not aware of any actual, suspected or alleged frauds during 2017/18 other than those brought to our attention through the work of internal audit.

4. Officers are asked to monitor budgets and to meet operational targets set in the Council's Annual Plan and/or in the Service Business Plans. Financial performance against budget and operational performance against targets are reported to the Committee on a quarterly basis.

The Committee is not aware of any undue organisational or management pressure to meet financial or operational targets.

There are no staff incentives for meeting financial or operating targets.

5. The Council's Legal Service Team led by the Head of Governance (Monitoring Officer) has a general advisory role to all Council services as supplemented by specialist legal advice when necessary.

All reports include a legal implications paragraph before any decision is made.

A Democratic Services officer is present at all meetings of the Council to ensure that Council operates within the law.

Council approves constitution, delegations, financial regulations and contract procedure rules which provide guidance on procedural matters to ensure the Council operates within the law.

The Committee is not aware of any instances of non-compliance during 2017/18.

6. The Committee is not aware of any actual or potential litigation or claims that would affect the financial statements at this time.
7. The members of the Committee have opportunity to participate in the scrutiny process of the proposed budget and have direct involvement in the setting of the Council Budget and Medium-Term Financial Strategy at the Council meeting each February. Members receive and consider financial information including:

- The annual revenue budget;
- The capital programme;
- Treasury Management Strategy and Investment policy;
- The Councils' level of reserves and balances; and
- The Chief Financial Officer's report on the robustness of the Council's estimates and adequacy of the level of reserves.

In addition, the Committee is aware of the Council's track record in spending within the budgets set.

Consequently, the Committee is satisfied that it is appropriate for the going concern basis is adopted in the preparation of the financial statements.

I am pleased on behalf of the Governance Committee to record that the Council has received very positive reports regarding the Council's financial management and best value arrangements from yourselves as our external auditor and whilst this is not a guarantee of future performance it is evident that the Council has high standards and good practices which it is keen to maintain.

Please do not hesitate to contact me if you wish to discuss the responses above.

Yours sincerely,



Councillor John Elliott
Chairman of Governance Committee
Braintree District Council

**Braintree District
Council**
Audit results report
Year ended 31 March 2018

July 2018



9 July 2018

Dear Governance Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of Braintree District Council for 2017/18.

We have substantially completed our audit of Braintree District Council (the Authority) for the year ended 31 March 2018.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2018. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Governance Committee meeting on 25 July 2018.

Yours faithfully

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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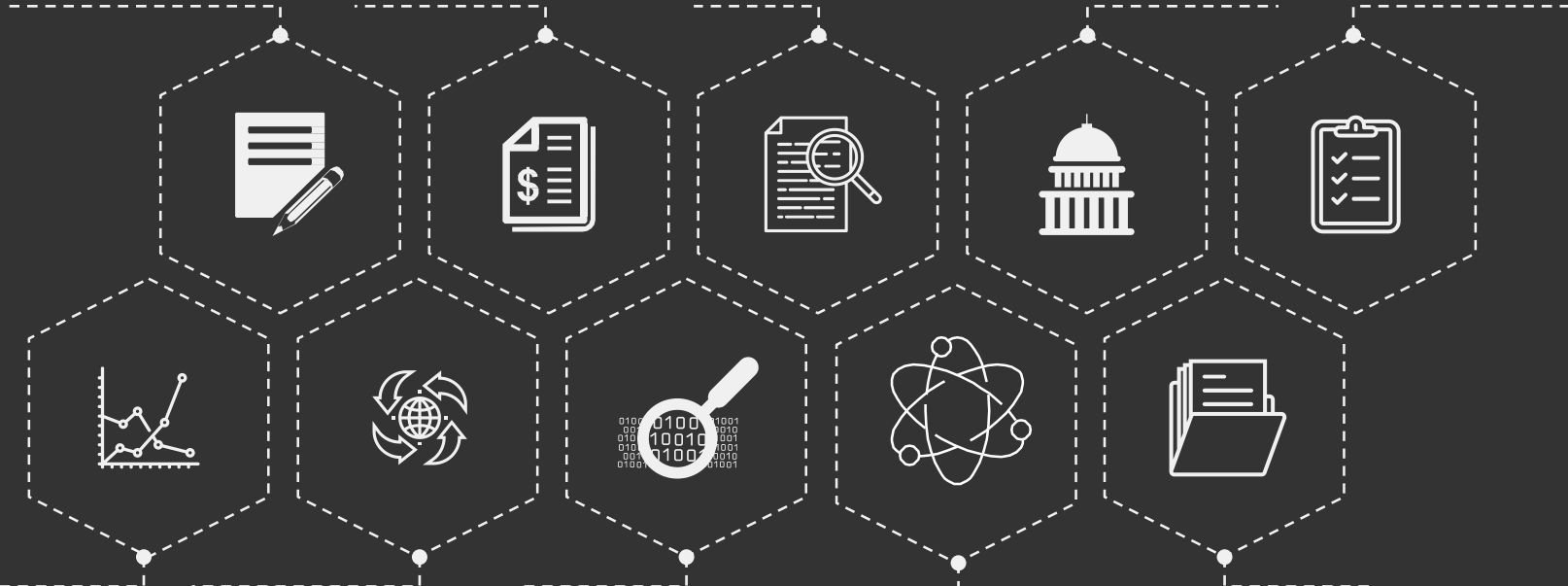
01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences

05 Value for Money



06 Other Reporting Issues

07 Assessment of Control Environment

08 Data Analytics

09 Independence

10 Appendices

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Governance Committee and management of Braintree District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance Committee, and management of Braintree District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance Committee and management of Braintree District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary

Scope update

In our audit planning report presented at the 12 April 2018 Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ Changes in Materiality: We updated our planning materiality assessment using the draft Statement of Accounts and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.484 million (Audit Planning Report - £1.521 million). This results in updated performance materiality, at 75% of overall materiality, of £1.113 million, and an updated threshold for reporting misstatements of £0.074 million.

Status of the audit

We have substantially completed our audit of Braintree District Council's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- ▶ Review of the final version of the financial statements
- ▶ Completion of subsequent events review
- ▶ Receipt of the signed management representation letter
- ▶ Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission
- ▶ Completion of final review procedures

We expect to issue the audit certificate at the same time as the audit opinion.

Executive Summary

Audit differences

We identified one audit difference with an aggregated impact of £2.948 million in the Authority's Comprehensive Income & Statement and Balance Sheet. Management have agreed to adjust this audit difference which has no impact on the net worth of the Authority. Details can be found in Section 4, Audit Differences.

At the time of writing there are no unadjusted audit differences arising from our audit.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Braintree District Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We did not identify any new key areas of focus since the Audit Planning Report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Governance Committee.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

During the audit, we have not identified any significant deficiencies in internal control.

Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have no other matters to report.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we did not identify any significant risks in this regard.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Independence

Please refer to Section 9 for our update on Independence.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition

What is the risk?

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.

The Council has historically performed well in relation to their outturn position for the year. As the Council is more focused 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.

This has also been considered as being linked to the risk of fraud in management override of controls (see below).

What judgements are we focused on?

We focused on:

- ▶ Understanding the controls put in place by management relevant to this significant risk
- ▶ Considering whether or not purchase invoices were being inappropriately classified as capital
- ▶ Whether management were inappropriately processing journals that transferred amounts from revenue to capital

What did we do?

- ▶ 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.

What are our conclusions?

Our testing did not identify any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.





Areas of Audit Focus

Significant risk

Misstatement due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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.

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.

What judgements are we focused on?

We focused on the following:

- ▶ Understanding the risks of fraud and the controls put in place to address those risks by management and how the Governance Committee oversees management's processes over fraud.
- ▶ Considering the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures in respect of journal entries, estimates and significant unusual transactions.

What did we do?

- ▶ 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.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business





Areas of Audit Focus

Other Areas of Audit Focus

Accounting for Property, Plant and Equipment Valuation

What is the risk?

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. 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. 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.

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

What judgements are we focused on?

We focused on the following:

- ▶ The adequacy of the scope of the work performed by the value including their professional capabilities
- ▶ The reasonableness of the underlying assumptions used by the Authority's expert valuer

What did we do?

- ▶ 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,

What are our conclusions?

We have not identified any instances of inappropriate judgements being applied.

We did not identify any significant issues in the assumptions used by the Authority in estimating the value of property, plant and equipment.

The transaction were correctly reflected in the financial statements.



Areas of Audit Focus

Other Areas of Audit Focus

Pension Liability Valuation

What is the risk?

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.

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.

The information disclosed is based on the IAS19 report issued to the Council by the actuary to the administering body.

Accounting for this scheme involves significant estimation and judgement.

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.

What judgements are we focused on?

We focused on the following:

- ▶ The reasonableness of the underlying assumptions used by the Authority's expert - Barnett Waddington.
- ▶ Ensuring the information supplied to the actuary in relation to Braintree District Council was complete and accurate
- ▶ Ensuring the accounting entries and disclosures made in the financial statements were consistent with the report from Barnett Waddington.

What did we do?

- ▶ 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.

What are our conclusions?

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.

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.

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.

Management has 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. This is detailed in Section 4.

No other issues have been identified in completing our work.

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.



03 Audit Report

Draft audit report

Our proposed audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRAINTREE DISTRICT COUNCIL

Opinion

We have audited the financial statements of Braintree District Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement
- And the related notes 1 to 34,
- Collection Fund and the related notes 1 to 6

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements: give a true and fair view of the financial position of Braintree District Council as at 31 March 2018 and of its expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in

accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2017-2018 other than the financial statements and our auditor's report thereon. The Corporate Director is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements

Draft audit report

Our proposed audit report

we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Braintree District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Corporate Director

As explained more fully in the Statement of Responsibilities set out on page 1, the Corporate Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Corporate Director is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material



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misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Braintree District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Braintree District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Braintree District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of

resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Braintree District Council 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.

Use of our report

This report is made solely to the members of Braintree District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £0.074m which have been corrected by management that were identified during the course of our audit:

- ▶ As set out on page 12, an adjustment of £2.948million has been made to the accounts to correct for movements in the estimated scheme assets. This has the following impact:
 - ▶ Dr Re-measurements of the net defined benefit liability within Total comprehensive income and expenditure - £2.948 million
 - ▶ Cr Net pension liability on the balance sheet - £2.948 million.

This has then had a resulting impact on reserves and the notes to the accounts.

We have identified a number of minor disclosure adjustments during the audit that have been updated by management in the financial statements. We do not deem any of these to be so significant that they require reporting to you.

At the time of writing this report there are no uncorrected adjustments that we wish to bring to your attention.



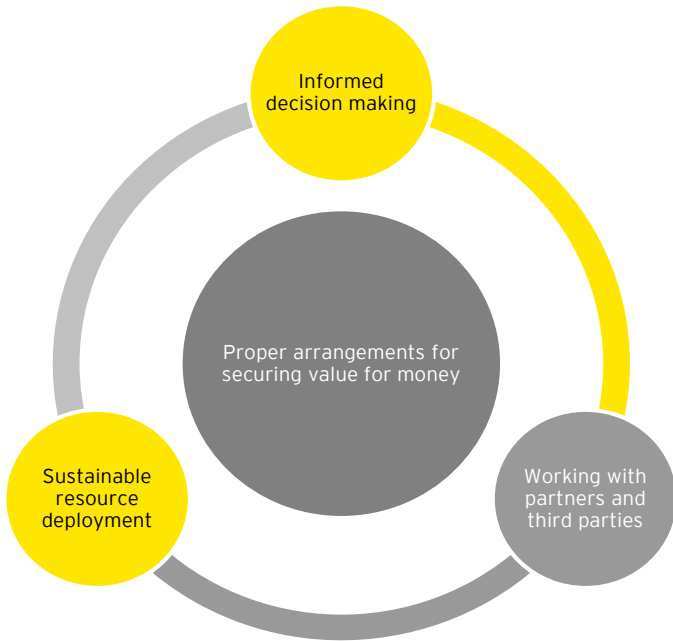
05

Value for Money Risks





Value for Money



Background

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.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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.

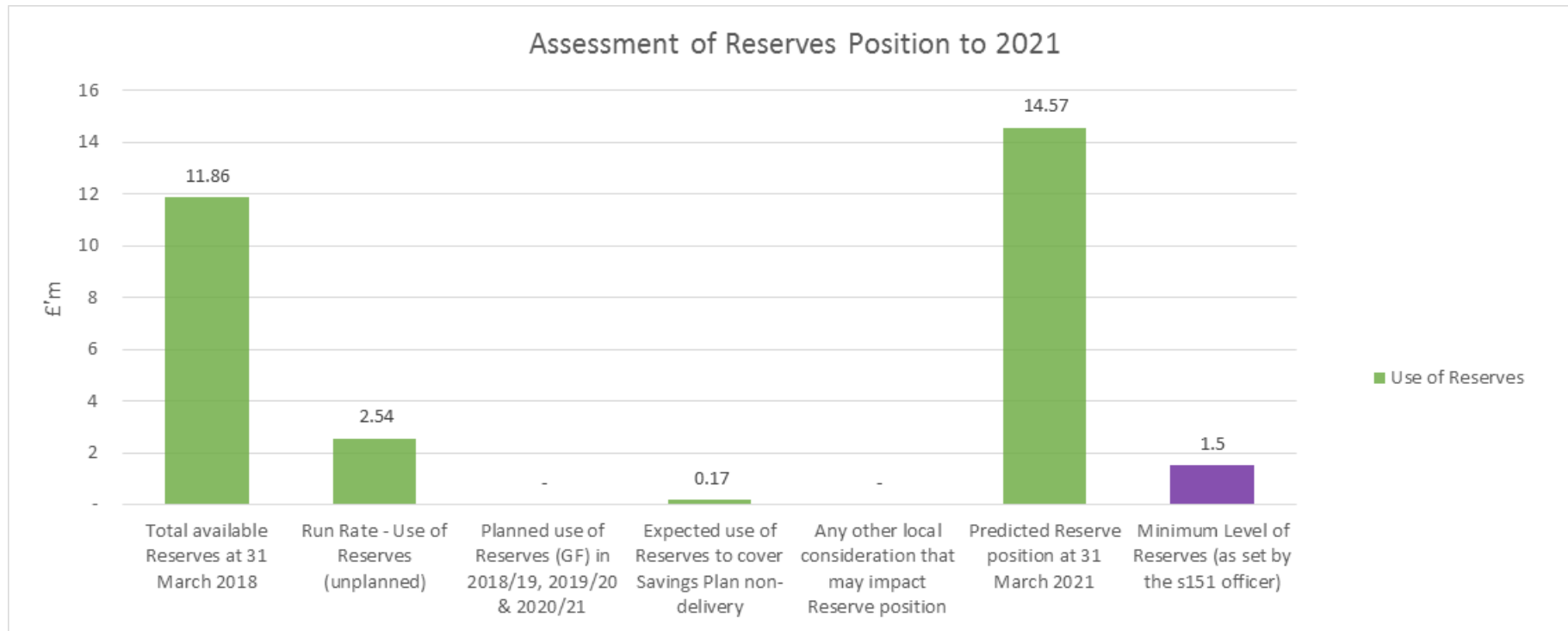
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

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.



Value for Money



Our Assessment

In our assessment we considered:

- The Authority's level of savings requirement to balance the General Fund budget in each of the next 3 years;
- The Authority's planned use of reserves to support the General Fund budget in each of the next 3 years;
- the Authority's history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery;
- the Authority's history of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves; and
- Any other unusual future transactions or reliance upon the commercialisation agenda to derive future income streams, upon which the MTFS is reliant.

As a result of our assessment, we are satisfied that the Authority's General Fund reserve balance at the 31 March 2021 will remain above the Authority's approved minimum level.



06 Other reporting issues



Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/18 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

The Authority falls below the £500 million threshold for a full review, so we have undertaken the limited procedures that are required. We have concluded our work in this area and have no matters to report to the Governance Committee.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

Other matters

Implementation of IFRS 9 Financial Instruments

The 2018/19 Code introduces IFRS 9 which replaces IAS 39 Financial Instruments, with implementation from 1 April 2018. It includes

- ▶ 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.

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

Implementation of IFRS 15:

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:

- ▶ all contracts with customers except leases, financial instruments and insurance contracts; and
- ▶ excludes Council Tax and NDR income

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.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

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

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



08 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 authority's audit included testing journal entries and employee expenses, 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.



Data Analytics

Journal Entry Data Insights

We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples. Note to protect data confidentiality we have not shared the outputs in this report.

What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



09

Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated February 2018.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. 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 of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Committee on 25 July 2018.

We confirm we have undertaken non-audit work outside the PSAA Code requirements in relation to review of grant agreement between the Council and Ignite Business Enterprise. We have adopted the necessary safeguards in our completion of this work.

Independence

Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in the table below has been provided on a contingent fee basis.

Independence

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 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.

	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)	17,000	-	-	-
Total non-audit services	30,728	13,728	13,728	13,778

All fees exclude VAT







10 Appendices

Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	12 April 2018 - Audit planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	12 April 2018 - Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	July 2018 - Audit results report




Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Braintree District Council's ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	July 2018 - Audit results report
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	July 2018 - Audit results report
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Governance committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Governance Committee responsibility. 	<p>July 2018 - Audit results report</p> <p>Enquiries were made during the audit, and there are no issues to report to you.</p>

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	<p>July 2018 - Audit results report</p> <p>No issues to report</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>12 April 2018 - Audit planning report</p> <p>July 2018 - Audit results report</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	<p>July 2018 - Audit results report</p> <p>We have received all requested confirmations</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	<p>We have made inquiries of management, the Monitoring Officer and those charged with governance.</p> <p>We have not identified any material instances or non-compliance with laws and regulations.</p>
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	<p>We have not identified any significant deficiencies in internal controls.</p>

Appendix A

		Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	July 2018 - Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	July 2018 - Audit results report No issue to report
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	July 2018 - Audit results report No such circumstances
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	12 April 2018 - Audit Planning Report July 2018 - Audit Results Report
Certification work	<ul style="list-style-type: none"> ▶ Summary of certification work 	Certification Report - expected December 2018 / January 2019

Management representation letter

Management Rep Letter

To be prepared on the entity's letterhead]
[Date]

Ernst & Young LLP
400 Capability Green
Luton LU1 3LU

This letter of representations is provided in connection with your audit of the council financial statements of Braintree District Council ("Council") for the year ended 31st March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the council financial statements give a true and fair view of the financial position of Braintree District Council as of 31st March 2018 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the council financial statements. We believe the council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and are free of material misstatements, including omissions. We have approved the council financial statements.
3. The significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in the Council financial statements.
4. As members of management of the Council, we believe that the Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Council that are free from material misstatement, whether due to fraud or error.

Management representation letter

Management Rep Letter

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;

- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the council financial statements.
3. We have made available to you all minutes of the meetings of the Full Council, Cabinet and Governance committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: **DATE TO BE ADVISED**.

Management representation letter

Management Rep Letter

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the council financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed to you all guarantees that we have given to third parties.

4. No claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

1. There have been no events subsequent to year end which require adjustment of or disclosure in the council financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Governance Statement and Narrative Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

Management representation letter

Management Rep Letter

G. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of non-current assets and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

H. Accounting Estimates

Valuation of Pension Asset/Liabilities and Property, Plant and Equipment Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We confirm that the significant assumptions used in making the estimated valuations of Pension Asset/Liabilities and Property, Plant and Equipment appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council.
3. We confirm that the disclosures made in the council financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events.

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for

Yours faithfully,

(S151 Officer)

(Chair of the Governance Committee)

EY | Assurance | Tax | Transactions | Advisory

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

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Operational Risk Management		Agenda No: 9																											
<p>Corporate Priority: Delivering excellent customer service Portfolio Area: Corporate Services and Asset Management Report presented by: Trevor Wilson, Head of Finance Report prepared by: Trevor Wilson, Head of Finance</p>																													
Background Papers:		Public Report																											
Risk Policy, Strategy and Implementation Plan – Council 19 th April 2006.		Key Decision: No																											
Executive Summary:																													
<p>Operational risks are those risks identified by managers and staff which are likely to be encountered in the day-to-day work environment.</p> <p>Annually, Heads of Service are requested to review and update the risks faced in their service areas and to incorporate these in their Business Plan. Risks identified which are significant will be considered for inclusion in the Council’s Strategic Risk register. Risks identified relating to major projects are recorded in the specific risk register for the appropriate project.</p> <p>A summary of the operational risks identified is provided in the table below:</p>																													
<table border="1"> <thead> <tr> <th>Operational Risks</th> <th>No. of Risks</th> <th>Risks above Tolerance</th> </tr> </thead> <tbody> <tr> <td>Business Solutions</td> <td>9</td> <td>1</td> </tr> <tr> <td>Housing</td> <td>4</td> <td>0</td> </tr> <tr> <td>Environment, Leisure and Town Hall</td> <td>12</td> <td>1</td> </tr> <tr> <td>Finance</td> <td>4</td> <td>1</td> </tr> <tr> <td>Governance</td> <td>9</td> <td>1</td> </tr> <tr> <td>Operations</td> <td>13</td> <td>5</td> </tr> <tr> <td>Asset Management</td> <td>4</td> <td>0</td> </tr> <tr> <td>Total number of risks in Business Plans</td> <td>55</td> <td>9</td> </tr> </tbody> </table>			Operational Risks	No. of Risks	Risks above Tolerance	Business Solutions	9	1	Housing	4	0	Environment, Leisure and Town Hall	12	1	Finance	4	1	Governance	9	1	Operations	13	5	Asset Management	4	0	Total number of risks in Business Plans	55	9
Operational Risks	No. of Risks	Risks above Tolerance																											
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Operations	13	5																											
Asset Management	4	0																											
Total number of risks in Business Plans	55	9																											
<p>Details of the nine risks identified, with a risk rating above the Risk Tolerance Line, are provided in the attached appendix. Also included is detail of the management action plans for mitigating these risks.</p>																													
Decision:																													
<p>Members are asked to note the Operational Risks and the Action Plans for managing the high rated risks.</p>																													

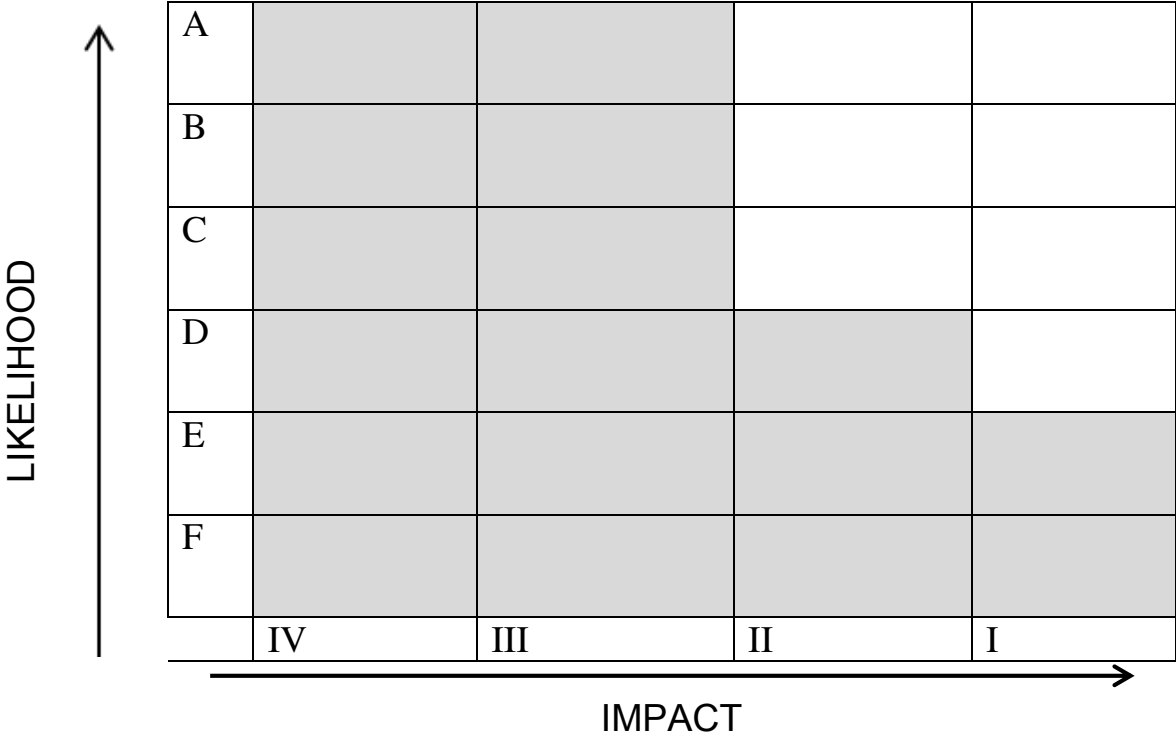
Purpose of Decision:

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

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

Financial:	Risks and associated management action plans concerning the Council's finances are recorded in the Strategic Risk Register.
Legal:	There are no specific risks of a legal nature at this time.
Safeguarding	There are no specific risks regarding safeguarding at this time.
Equalities/Diversity	The Council's processes and approach to equalities and diversity are well developed and are not regarded as a risk.
Customer Impact:	The potential impact on a proportion of residents in the district, in particular vulnerable groups, of the Government's Welfare Reforms is identified as a strategic risk.
Environment and Climate Change:	There are no specific risks regarding climate change at this time.
Consultation/Community Engagement:	No specific risk identified concerning consultation and community engagement however these are important elements in a number of the strategic risks e.g. Local Plan and Community Resilience.
Risks:	A robust Risk Management process is an important element of the Council's governance arrangements.
Officer Contact: Trevor Wilson	
Designation: Head of Finance	
Ext. No. 2801	
E-mail: Trevor.wilson@braintree.gov.uk	

RISK PROFILE



KEY:

Likelihood:

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

Impact:

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

Risks with a rating which places them in the unshaded area are above the Risk Tolerance Line requiring active management.
 Operational risks identified with a risk rating above the Tolerance Line are listed below:

Service Unit	Current risk rating	Previous risk rating	Above tolerance?	Vulnerability	Trigger	Consequence	Management ownership
Business Solutions	C2	D2	Yes	Data (IT) security breach	Loss/theft of data Security breach on laptops or removable media Insecure email Hacking	Adverse PR and reputation of the Authority Legal proceedings	Head of Business Solutions

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

Service Unit	Current risk rating	Previous risk rating	Above tolerance?	Vulnerability	Trigger	Consequence	Management ownership
Leisure	C2	B2	Yes	Financial risk with the Joint Use Agreement (JUA) negotiations breaking down with Ramsey and Tabor Academy	School failing to make further payments to BDC for JUA costs	BDC left with loss of income	Head of Environment

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
	To maintain a dialogue with the two academies to ensure a successful outcome	Joby Humm Lee Crabb	Both JUA issues will be resolved by the start of the new academic year	Monthly		

Service Unit	Current risk rating	Previous risk rating	Above tolerance?	Vulnerability	Trigger	Consequence	Management ownership
All services in Finance Department	C2	C2	Yes	Maintaining the service and performance levels with reducing staff numbers	Staff leaving- including in advance of potential change e.g. implementation of Universal Credit.	All services in Finance Department	Head of Finance

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<ul style="list-style-type: none"> ○ Health and Wellbeing programme available to staff. ○ Business Planning process and performance reviews. ○ Sickness management policy. ○ Endeavour to ensure resilience with cover arrangements - training available for staff. ○ Staff kept informed - meetings and other communications with staff 	<ul style="list-style-type: none"> ○ Assess Housing Benefit staffing requirements during the transition to Universal Credit and for the benefits/council tax support service that the Council will continue to provide. ○ Review staff structure options for Payroll services at the Council, Colchester BC and Epping Forest DC. ○ Succession planning 	Service Managers and Head of Finance	Service standards and performance maintained	Ongoing	October 2018 (budget process commences)	<p>Information updates from DWP regarding the roll-out of Universal Credit shared in timely manner with staff.</p> <p>Restructured the management arrangements of services previously managed by the Audit, Insurance & Risk Manager who retired in March 2018. To ensure a focus on Internal Audit, Risk and Fraud services only.</p>

Service Unit	Current risk rating	Previous risk rating	Above tolerance?	Vulnerability	Trigger	Consequence	Management ownership
Governance	C2	D2	Yes	Government proposals for HM Land Registry to be responsible for Land Charges register.	Although the Infrastructure Act is now in law this has yet to be implemented; implementation will trigger this risk.	Divide searches between HM Land Registry and local authorities.	Head of Governance

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Liaison established with Land Registry to maintain flow of information.</p> <p>Staff involved fully briefed with any information we receive</p>	<p>Study proposed secondary legislation when released to assess opportunities and constraints.</p> <p>Opportunities fully investigated through better at business agenda.</p>	Ian Hunt	Consideration of requirements in transition plan.	As appropriate when updates from government.	Transition plan to be produced by Land Registry; not available at this time.	<p>Meeting held with Land Registry and email communication established.</p> <p>Regular staff briefings including with HR where appropriate.</p>

Service Unit	Current risk rating	Previous risk rating	Above tolerance?	Vulnerability	Trigger	Consequence	Management ownership
Operations	B2	C2	Yes	Loss of income from Markets.	Reduction in market traders. Current economic downturn. Adverse weather.	Loss of income. Affects prosperity of town centres. Reduction in customer satisfaction.	Head of Operations

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Street Scene & Parks Manager working with Economic Development Team to review and develop service and relationships as part of a wider town centre regeneration project.	Increase market traders and income through additional publicity and incentives to attract new traders onto markets	Street Scene & Parks Manager	Improved vitality and interest in markets. Increased footfall into town centres. Increased income.	Annually	March 2018	Markets under review by Economic Development (Stephen Wenlock).

Service Unit	Current risk rating	Previous risk rating	Above tolerance?	Vulnerability	Trigger	Consequence	Management ownership
Operations	C2	C2	Yes	Reduction in Waste Inter Authority Agreement funding from ECC.	ECC can no longer afford to fund the Agreement.	Significant financial impact on food waste service and ability to deliver this without a significant increase in base budget.	Head of Operations

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

Service Unit	Current risk rating	Previous risk rating	Above tolerance?	Vulnerability	Trigger	Consequence	Management ownership
Operations	C2	D2	Yes	Continuation of vehicle maintenance service by Riverside Truck Rental (RTR). Provision of narrow track & food waste vehicles.	Default in performance of the contractor for whatever reason. Breakdown of existing 'specialist' vehicles, with no replacement vehicles available.	Major disruption to the refuse and recycling service. Failure to meet obligations in relation to Operator's licence. Potential for increased costs. Loss of service to some households.	Head of Operations

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

Service Unit	Current risk rating	Previous risk rating	Above tolerance?	Vulnerability	Trigger	Consequence	Management ownership
Operations	C2	A2	Yes	Dry recyclable materials – new variable shared risk contract with Viridor. Market value of dry recycling will affect the gate fee being charged to BDC.	Market value of recyclable material during three year extension period of contract.	Increase/decrease in gate fees to BDC. Affect costs of the service to householders. Requirement to increase/decrease base budget.	Head of Operations

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Formal legal agreement issued to extend the existing Contract for further period of three years (from 1 April 2017 to 31 March 2020) with a break clause of 6 months on either side. Spread the risk by reducing the income due in 2016-2017 by 50% which will be repaid over the next two years.	Basket of indicators included in the Contract extension, to be reviewed every 3 months. Shared risk with Viridor.	Commercial & Business Support Manager.	Minimised revenue cost for disposing of dry recyclable waste.	Annually	March 2018	Base budget adjusted to allow for agreed gate fee. Discussion with Suffolk councils regarding joining joint tender.

Service Unit	Current risk rating	Previous risk rating	Above tolerance?	Vulnerability	Trigger	Consequence	Management ownership
Operations	B2	N/A	Yes	New handling charges for taking co-mingled recycling to Veolia operated ECC Waste Transfer Station.	ECC imposes handling charges from April 2017.	Unbudgeted costs of £56k to be funded from revenue if we continue tipping at Veolia ECC Braintree Waste Transfer Station.	Head of Operations

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

Treasury Management Annual Report 2017/18		Agenda No: 10
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services Delivering better outcomes for residents and businesses and reducing costs to taxpayers	
Report presented by:	Phil Myers, Financial Services Manager	
Report prepared by:	Phil Myers, Financial Services Manager	
Background Papers:	Public Report	
Treasury Management Strategy Statement 2017/18 approved by Cabinet on 6th February 2017 and Full Council 22nd February 2017	Key Decision: No	
Council Budget and Council Tax 2017-18 and Medium Term Financial Strategy 2017-18 to 2020-21		
Executive Summary:		
1. <u>Introduction</u>		
1.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's <i>Treasury Management in the Public Services: Code of Practice</i> (the CIPFA Code) which requires the Council to approve a treasury management annual report after the end of each financial year.		
1.2. This report fulfils the Council's legal obligation to have regard to the CIPFA Code.		
1.3. The Council's Treasury Management Strategy Statement (TMSS) for 2017/18 was approved by Full Council on 22 nd February 2017. The Council continues to hold borrowings and invest substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy.		
2. <u>External Context</u>		
2.1. The report sets out an economic commentary and credit background to the 2017/18 financial year, provided by the Council's treasury management advisors, Arlingclose:		

2.2. In summary:

- UK Gross Domestic Product (GDP) was better than anticipated following the EU Referendum
- The fall in sterling after the European Union referendum result pushed through into inflationary pressures, and real term wage growth turned negative before slowly recovering. Political and economic uncertainty remains following a surprise General Election and continuing EU Brexit negotiations.
- The Bank of England's Monetary Policy Committee (MPC) raised interest rates by 0.25% in November 2017, in what was seen as a reversal of the reduction made immediately after the EU referendum. The focus of the MPC steered towards 'gradual' and 'limited' policy tightening.
- The increase in Base Rate resulted in higher money market rates, whilst Gilt yields displayed significant volatility.
- The Financial Times Stock Exchange (FTSE 100) had a strong finish to the 2017 calendar year, reaching yet another record high of 7688 before plummeting below 7000 at the beginning of 2018 in the global equity correction and sell-off.

2.3. Generally, the credit background improved with UK bank credit default swaps (CDS) reaching three-year lows. There was some uncertainty over the impact of ring-fencing for UK banks, which needs to be completed by the start of January 2019. At present, it is not clear for all banks where local authority investments would be held and what these entities would look like. In response, some tightening of investment limits were made by the Council over its unsecured investments.

2.4. New EU regulations for Money Market Funds (MMFs) were finally approved and published. Existing funds will have to be compliant by no later than 21st January 2019. Arlingclose expects most of the short-term MMFs it recommends, including those used by the Council, will convert to the Low Volatility Net Asset Value structure which would closely resemble the current Constant Net Asset Value model in risk and structure.

2.5. A number of revised Codes were issued by CIPFA along with updated statutory guidance from the Ministry of Housing, Communities and Local Government. These were essentially a response to the increased level of commercial and investment activity now being undertaken by local authorities. The Codes and guidance highlight the risk management and governance arrangements that authorities are expected to have in place, particularly around non-treasury management activity such as direct property investments and loans made for service outcomes.

2.6. As a result of the second Markets in Financial Instruments Directive (MiFID II), from January 2018, local authorities are automatically to be treated as retail clients for the purpose of investment activity, as opposed to the previous categorisation of professional client. Based on the criteria laid down under MiFID II, and to enable the Council to continue to use certain financial instruments for its investments, the Council has "opted up" to professional client status where this has been necessary. In doing so this excludes the Council from certain protections afforded retail clients, but such protections do not include exemption

from potential bail-ins, and local authorities are specifically excluded from the Financial Services Compensation Scheme.

3. Local Context

3.1. On 31st March 2018, the Council held net investments of £35.341m, comprising gross investments of £41.341m and £6m of borrowing. This was £2.421m higher than at 31st March 2017, mainly due to changes in working capital (creditors, debtors and inventories).

4. Borrowing Activity

4.1. Borrowing remained at £6m, comprising two Lender Option, Borrower Option (LOBO) type loans, where the lender has the option to propose an increase in the interest rate being charged, following which the Council has the right to repay the loan(s) in full at no additional cost. The continuing low interest rate environment makes this scenario unlikely to occur and, whilst the lender did approach the Council during the year with a proposal for early redemption, this was judged not to represent value for money.

4.2. Whilst in the medium term the Council is expecting to increase its borrowing to part fund the District Investment Strategy and rates are currently historically low, analysis undertaken during the year indicated no benefit would be derived from borrowing in advance of need as in the short-term a “cost of carry” would be incurred. This position, however, remains under review taking into account both interest rate forecasts and the Council’s developing investment programme.

5. Other Debt Activity

5.1. Total debt other than borrowing stood at £3.861m on 31st March 2018, a reduction of £340,000 from that at 31st March 2017. This debt comprises the outstanding amounts due on finance leases (£2.861m) and a £1m repayable advance to Essex County Council (ECC) as part funding towards the Braintree Local Authority Mortgage Scheme (LAMS). This advance is due to be repaid to ECC in January 2019, when the Council is also expecting to receive back the £2m deposited with Lloyds Bank Plc.

6. Investment Activity

6.1. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2017/18, the Council’s investment balance ranged between £39.32m and £63.49m due to timing differences between income and expenditure. The average balance across the year was £54.39m.

6.2. The Council’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. In furtherance of these objectives, and given the continuing risk and low returns from short-term unsecured bank investments, the Council has further diversified into higher yielding asset classes with £2million being added to its pooled equity funds, taking the total invested in equity and property funds to £16m at 31st March

2018.

6.3. At 31st March 2018, the total market valuation of the Council's pooled funds was £16.935m, representing an unrealised gain of £935,000 on the amounts invested. This was, however, £487,000 lower than the overall valuation at 31 March 2017. This change in market valuation was most prominent in the equity funds which dropped in value by £628,000 over the year, partially offset by an improvement in the value of the property fund of £141,000.

6.4. The progression of credit risk and return metrics for the Council's investments are measured and benchmarked by Arlingclose on a quarterly basis, and the results of which are set out in the main report. These show that the Council's position compares favourably on a number of indicators. In particular, overall income returns were higher whilst also maintaining a high measure of credit quality on its portfolio. However, total return was slightly below average which was due to the overall drop in value of the pooled funds late in the financial year. These fluctuations in the value of the pooled funds do not currently have any immediate impact on the Council's finances.

7. Financial Implications

7.1. Interest paid in 2017/18 on borrowing was £282,000 (4.7%), with a further £141,000 interest paid as part of the annual finance lease charges, and £30,000 to ECC for the match funding advanced for the Braintree LAMS.

7.2. The outturn for investment income received in 2017/18 was £881,000, which was £103,000 more than budget, due to a combination of higher investment balances and a slightly lower overall rate of return.

7.3. To manage the financial impact of the inherent treasury management risks the Council retains a treasury management reserve, which at the 31st March 2018 had a balance of £772,000.

8. Other Non-Treasury Investments and Loans

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 reasons as well as commercial investments which are made mainly solely for financial reasons. The Council holds direct property investments with a market value at 31st March 2018 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 2017/18 the net rental income was £2.124m, representing a return of 6.3% on the value of assets (6.1% in 2016/17).

8.2. During the year the Council spent £525,000 on investment property, including the completion of a head lease acquisition. The overall market value of investment property owned by the Council increased by £281,000 in 2017/18.

8.3. The Council also has a number of loans and deposits which have been made for service reasons. At 31st March 2018, the amount outstanding on these was

£2.367m, the largest element being a £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 of service loans and deposits represents a number of repayable loans made to third parties.

9. Compliance Report

9.1. The Corporate Director (Finance) can confirm that all treasury management activities undertaken during 2017/18 complied fully with the CIPFA Code of Practice and the Council's approved TMSS. Compliance with debt and investment limits is demonstrated in the main report through a number of indicators.

10. Treasury Management Indicators

10.1. The Council measures and manages its exposures to treasury management risks using a number of indicators. The report confirms that activity during the year was contained within the relevant limits.

Recommended Decision:

To recommend to Cabinet acceptance of the Treasury Management Annual Report 2017/18 prior to its submission to Full Council.

Purpose of Decision:

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

Any Corporate implications in relation to the following should be explained in detail.	
Financial:	No new financial implications arise out of this report which is a report on treasury management activities in the 2017/18 financial year. The financial implications of these activities is reflected in the Council's budgetary outturn and Statement of Accounts.
Legal:	The Council's treasury management activities are subject to regulation by a number of professional codes, underpinned by statutory regulations and advice. There are no new legal implications from the report, although the report does contain details of changes to the regulatory framework.
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	No new risks introduced. The report details activities that have been undertaken to manage the inherent risks within the treasury management function.
Officer Contact: Phil Myers	
Designation: Financial Services Manager	
Ext. No: 2810	
E-mail: Phil.myers@braintree.gov.uk	

Treasury Management Annual Report 2017/18

1. Introduction

- 1.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve a treasury management annual report after the end of each financial year.
- 1.2. This report fulfils the Council's legal obligation to have regard to the CIPFA Code.
- 1.3. The Council's Treasury Management Strategy Statement (TMSS) for 2017/18 was approved by Full Council on 22nd February 2017. The Council continues to hold borrowings and to invest substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy.

2. External Context

- 2.1. The following is an economic commentary and credit background to the 2017/18 financial year, provided by the Council's treasury management advisors, Arlingclose, in April:

Economic commentary

- 2.2. At the time of writing, estimates showed UK Gross Domestic Product (GDP) grew at 1.8% in calendar 2017, the same rate as in 2016, and was a far better outcome than the majority of forecasts following the EU Referendum in June 2016. GDP was boosted by the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone.
- 2.3. The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year Consumer Prices Index (CPI) rising to 3.1% in November before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit, with the UK and the EU only reaching an agreement in March 2018 on a transition. The Withdrawal Treaty is yet to be ratified by the UK parliament and those of the other 27 EU member states, and also new international trading arrangements to be negotiated and agreed.
- 2.4. The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut

following the referendum result. The February *Inflation Report* indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening. Although in March two MPC members voted to increase policy rates immediately and the MPC itself stopped short of committing itself to the timing of the next increase in rates, at the time, the minutes of the meeting suggested an increase in May 2018 was highly likely.

- 2.5. In contrast, economic activity in the Eurozone gained momentum and although the European Central Bank removed reference to an 'easing bias' in its market communications and had yet to confirm its Quantitative Easing (QE) intention when asset purchases end in September 2018, the central bank appeared some way off normalising interest rates. The US economy grew steadily and, with its policy objectives of price stability and maximising employment remaining on track, the Federal Reserve Open Market Committee (FOMC) increased interest rates in December 2017 by 0.25% and again in March, raising the policy rate target range to 1.50% - 1.75%. The FOMC was expected to deliver two more increases in 2018 and a further two in 2019. However, the imposition of tariffs on a broadening range of goods initiated by the US, which has led to retaliation by China, could escalate into a deep-rooted trade war having broader economic consequences including inflation rising rapidly, warranting more interest rate hikes.

Financial Markets

- 2.6. The increase in Bank Rate resulted in higher money markets rates: 1-month, 3-month and 12-month LIBID rates averaged 0.32%, 0.39% and 0.69% and at 31st March 2018 were 0.43%, 0.72% and 1.12% respectively. A summary of rates across different periods is shown in Table 1 below.

Table 1: Money Market Rates

	Bank Rate	Overnight LIBID	7-day LIBID	1-mth LIBID	3-mth LIBID	6-mth LIBID	12-mth LIBID
Average	0.35	0.26	0.31	0.32	0.39	0.50	0.69
Maximum	0.50	0.45	0.48	0.32	0.75	0.86	1.12
Minimum	0.25	0.00	0.15	0.44	0.20	0.31	0.50
Spread	0.25	0.45	0.33	0.12	0.55	0.55	0.62

LIBID= London Interbank Bid Rate

- 2.7. Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England's outlook for interest rates. The yield on the 5-year gilts which had fallen to 0.35% in mid-June rose to 1.65% by the end of March. 10-year gilt yields also rose from their lows of 0.93% in June to 1.65% by mid-February before falling back to 1.35% at year-end. 20-year gilt yields followed an even more erratic path with lows of 1.62% in June, and highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year.
- 2.8. The FTSE 100 had a strong finish to calendar 2017, reaching yet another record high of 7688, before plummeting below 7000 at the beginning of 2018 in the global equity correction and sell-off.

Credit Background

Credit Metrics

- 2.9. In the first quarter of the financial year, UK bank credit default swaps (CDS) reached three-year lows on the announcement that the Funding for Lending Scheme, which gave banks access to cheaper funding, was being extended to 2018. For the rest of the year, CDS prices remained broadly flat.
- 2.10. The rules for UK banks' ring-fencing were finalised by the Prudential Regulation Council and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. As there was some uncertainty surrounding which banking entities the Council would be dealing with once ring-fencing was implemented and what the balance sheets of the ring-fenced and non-ring-fenced entities would actually look like, Arlingclose in May 2017 advised adjusting downwards the maturity limit for unsecured investments to a maximum of 6 months. The rating agencies had slightly varying views on the creditworthiness of the restructured entities.
- 2.11. Barclays was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local Council deposits will henceforth be accepted by Barclays Bank plc, which is the non-ring-fenced bank.

Money Market Fund regulation

- 2.12. The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July 2017, and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility Net Asset Value (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

Credit Rating developments

- 2.13. The most significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities.
- 2.14. Changes to credit ratings included Moody's downgrade of Standard Chartered Bank's long-term rating to A1 from Aa3 and the placing of UK banks' long-term ratings on review to reflect the impending ring-fencing of retail activity from investment banking (Barclays, HSBC and RBS were on review for downgrade; Lloyds Bank, Bank of Scotland and National Westminster Bank were placed on review for upgrade).
- 2.15. Standard & Poor's (S&P) revised upwards the outlook of various UK banks and building societies to positive or stable and simultaneously affirmed their

long and short-term ratings, reflecting the institutions' resilience, progress in meeting regulatory capital requirements and being better positioned to deal with uncertainties and potential turbulence in the run-up to the UK's exit from the EU. The agency upgraded Barclays Bank's long-term rating to A from A- after the bank announced its plans for its entities post ring-fencing.

- 2.16. Fitch revised the outlook on Nationwide Building Society to negative and later downgraded the institution's long-term ratings due to its reducing buffer of junior debt. S&P revised the society's outlook from positive to stable.
- 2.17. Moody's downgraded the ratings of the large Australian banks on its view of the rising risks from their exposure to the Australian housing market and the elevated proportion of lending to residential property investors.

Other Developments

- 2.18. In February, Arlingclose advised against lending to Northamptonshire County Council (NCC). NCC issued a section 114 notice in the light of severe financial challenge and the risk that it would not be in a position to deliver a balanced budget.
- 2.19. In March, following Arlingclose's advice, the Council removed RBS plc and National Westminster Bank from its counterparty list. This did not reflect any change to the creditworthiness of either bank, but a tightening in the recommended minimum credit rating criteria to A- from BBB+ for the financial year 2018-19.

Local Authority Regulatory Changes

Revised CIPFA Codes

- 2.20. CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Code will be incorporated into future Treasury Management Strategies and monitoring reports.
- 2.21. The 2017 Prudential Code introduces the requirement for a Capital Strategy which provides a high-level overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. The Code also expands on the process and governance issues of capital expenditure and investment decisions.
- 2.22. In the 2017 Treasury Management Code the definition of 'investments' has been widened to include financial assets as well as non-financial assets held primarily for financial returns such as investment property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy. Additional risks of such investments are to be set out clearly and the impact on financial sustainability is to be identified and reported.

MHCLG Investment Guidance and Minimum Revenue Provision (MRP)

- 2.23. In February 2018, the Ministry of Housing, Communities and Local Government (MHCLG) published revised Guidance on Local Government and Investments and Statutory Guidance on Minimum Revenue Provision (MRP).
- 2.24. Changes to the Investment Guidance include a wider definition of investments to include non-financial assets held primarily for generating income return and a new category called “loans” (e.g. temporary transfer of cash to a third party, joint venture, subsidiary or associate). The Guidance introduces the concept of proportionality, proposes additional disclosure for borrowing solely to invest and also specifies additional indicators. Investment strategies must detail the extent to which service delivery objectives are reliant on investment income and a contingency plan should yields on investments fall.
- 2.25. The definition of prudent Minimum Revenue Provision (MRP) has been changed to “put aside revenue over time to cover the Capital Financing Requirement (CFR)”; it cannot be a negative charge and can only be zero if the CFR is nil or negative. Guidance on asset lives has been updated, applying to any calculation of MRP based on asset lives. Any change in MRP policy cannot create an overpayment; and the new policy must be applied to the outstanding CFR going forward only.

Markets in Financial Instruments Directive (MiFID II)

- 2.26. As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities were automatically treated as retail clients but could “opt up” to professional client status, providing certain criteria was met which includes having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the Council have at least a year’s relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess that the person(s) has the expertise, experience and knowledge to make investment decisions and understand the risks involved. For the purpose of these assessments the Council’s Head of Finance and Financial Services Manager were considered.
- 2.27. The Council has met the conditions to opt up to professional status and, where necessary, has done so in order to maintain its erstwhile MiFID II status prior to January 2018. The Council will continue to have access to products including money market funds, pooled funds, and non-regulated financial advice.

3. Local Context

- 3.1. On 31st March 2018, the Council had net investments of £35.341m arising from its revenue and capital income and expenditure, an increase on 2017 of £2.421m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in table 2 below:

Table 2: Balance Sheet Summary

	31-Mar-17 Balance £m	2017/18 Movement £m	31-Mar-18 Balance £m
Capital Financing Requirement (CFR)	9.130	-0.339	8.791
Less Other Debt Liabilities ¹	-4.201	0.340	-3.861
Borrowing CFR	4.929	0.001	4.930
Usable Reserves	-37.281	-0.881	-38.162
Collection Fund Balances & Provisions	-8.147	0.764	-7.383
Working Capital	7.579	-2.305	5.274
Net Investments	32.920	2.421	35.341

¹ Other Debt Liabilities = finance leases and repayable advance from ECC

- 3.2. Net investments have increased due mainly to a reduction in cash tied up in working capital (i.e. debtors/creditors and inventories), with a net increase in usable reserves after allowing for changes in the Collection Fund (monies collected from Council Tax and Business Rates held on behalf of the Council, central government, and the other major precepting bodies). There was little change in the borrowing CFR as, whilst capital expenditure was higher than the financing applied, this was offset by the annual Minimum Revenue Provision.

- 3.3. The Council's actual borrowing exceeded its Borrowing CFR, resulting in an increase in the cash held for investment. This position exists due to legacy debt held by the Council from its past borrowing activities. The treasury management position as at 31st March 2018 and the year-on-year change are shown in table 3 below:

Table 3: Treasury Management Summary

	31-Mar-17	2017/18	31-Mar-18
	Balance	Movement	Balance
	£m	£m	£m
Long-Term Borrowing	6.000	0.000	6.000
Long-Term Investments	14.000	2.000	16.000
Short-Term Investments	25.015	0.487	25.502
Cash and Cash Equivalents	-0.095	-0.066	-0.161
Total Investments¹	38.920	2.421	41.341
Net Investments	32.920	2.421	35.341

¹ Note the figures in the table are from the Council's Balance Sheet, but exclude the change in the market value of pooled fund investments

4. Borrowing Activity

- 4.1. At 31st March 2018, the Council held £6m of loans, comprising two £3m Lender Option, Borrower Option (LOBO) loans, where the lender has the option to propose an increase in the interest rate at six-monthly intervals, following which the Council has the option to either accept the new rate or to repay the loan(s) at no additional cost. During 2017/18, the lender did not exercise their option, and whilst an approach was made to the Council with a proposal on terms for early repayment, this was judged not to represent value for money for the Council.
- 4.2. Whilst it is expected that in the medium term the Council may need to increase its borrowing to part fund the District Investment Strategy, analysis during the year on the "cost of carry" did not indicate that borrowing in advance of need for future years' planned expenditure would be cost effective. However, the position remains under review taking into account interest rate forecasts and the Council's developing investment programme.

5. Other Debt Activity

- 5.1. Total debt other than borrowing stood at £3.861m on 31 March 2018, a reduction of £340,000 from that at 31 March 2017. This debt comprises the outstanding amounts due on finance leases (£2.861m) and a £1m repayable advance to Essex County Council (ECC) as part funding towards the Braintree Local Authority Mortgage Scheme (LAMS). This advance is due to be repaid to ECC in January 2019, when the Council is also expecting to receive back the £2m deposited with Lloyds Bank Plc.

6. Investment Activity

- 6.1. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2017/18, the Council's investment balance ranged between £39.32m and £63.49m due to timing differences between income received and expenditure incurred. The average balance across the year was £54.39m. The year-end investment position and the year-on-year change is shown in table 4 below:

Table 4: Treasury Investments

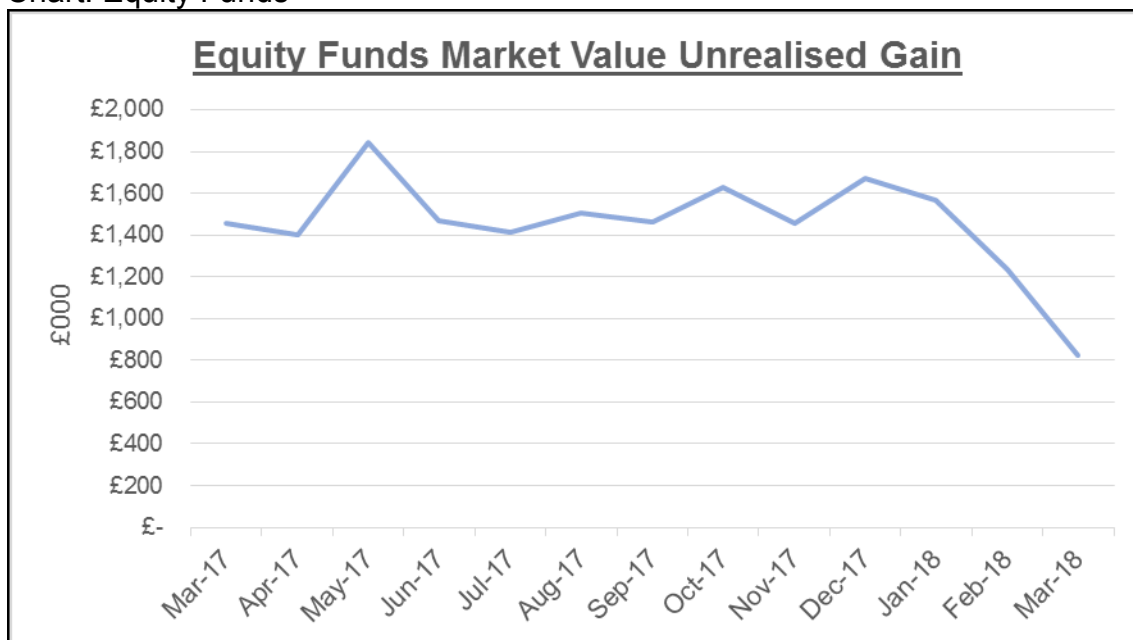
	31-Mar-17	2017/18 Movement		31-Mar-18	31-Mar-18	31-Mar-18
	Balance	Made	Matured	Balance	Rate	WAM ¹
	£m	£m	£m	£m	%	days
Long-Term Investments						
Equity funds	11.000	2.000	0.000	13.000	4.77%	T+3/4
Property fund	3.000	0.000	0.000	3.000	4.86%	1mth ²
Sub-Total Long-Term	14.000	2.000	0.000	16.000	4.84%	
Short-Term Investments						
UK Banks & Building Societies	7.000	5.000	-9.000	3.000	0.50%	44
Non UK Banks	3.000	3.000	-3.000	3.000	0.50%	67
Other Local Authorities	6.000	5.000	-3.000	8.000	0.43%	17
Debt Management Office (UK Govt)	0.000	3.000	-3.000	0.000	0.00%	N/a
Money Market Funds – CNAV	5.000	55.000	-52.500	7.500	0.42%	On call
Money Market Funds – VNAV	4.000	0.000	0.000	4.000	0.50%	T+2
Sub-Total Short-Term	25.000	71.000	-70.500	25.500	0.45%	
Long and Short-Term Investments	39.000	73.000	-70.500	41.500	2.08%	
Lloyds Bank current account	-0.095			-0.161		
Impaired Deposit	0.015			0.002		
Total Investments	38.920			41.341		

¹ Weighted average days to maturity. Where "T+" is stated this means settlement is x no. of days following the Transaction Date
² Units redeemable on each Valuation Date (i.e. end of each month)

- 6.2. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 6.3. In furtherance of these objectives, and given the continuing risk and low returns from short-term unsecured bank investments, the Council has diversified into higher yielding asset classes with £16m held in pooled equity and property funds at 31st March 2018, an increase over that held at the start of the year of £2m. These investments have been made on the basis that, if held for the medium-long term, they would offer the potential for enhanced returns whilst recognising there could be short-term volatility in their market pricing. The Council holds distributing share classes in these funds in order to receive regular income.
- 6.4. At the 31st March 2018, the total market valuation of the Council's pooled funds was £16.935m, representing an unrealised gain of £935,000 on the amounts invested; however, this was £487,000 lower than the overall valuation at 31st March 2017. This change in market valuation was most prominent in equity funds which reduced by £628,000 over the year, partially offset by an improvement in the property fund of £141,000. The chart below

shows the changing valuation of equity funds over the period March 2017 to March 2018, with the fall in the latter period reflecting the global equity correction and sell-off seen in the financial markets at that time.

Chart: Equity Funds



- 6.5. 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 table 5 below.

Table 5: Investment Benchmarking

	Credit Score	Credit Rating	Bail-in Exposure	WAM (days)	Income Return	Total Return
31-Mar-17	4.34	AA-	58%	129	2.05%	6.35%
30-Jun-17	4.49	AA-	65%	63	1.81%	5.15%
30-Sep-17	4.61	A+	69%	68	1.53%	3.32%
31-Dec-17	4.73	A+	70%	51	1.53%	2.86%
31-Mar-18	4.16	AA-	51%	21	2.08%	0.97%
Similar LAs	4.22	AA-	53%	109	1.41%	1.32%
All LAs	4.24	AA-	55%	35	1.05%	1.08%

6.6. The table above shows that the Council's position compares favourably on a number of indicators. In particular, overall income returns were higher whilst also maintaining a high measure of credit quality on the portfolio. However, the total return was slightly below average due to the overall drop in value of the pooled funds as equity markets experienced a large correction and sell-off towards the end of the financial year. These fluctuations in the value of the pooled funds do not currently have any immediate impact on the Council's finances.

7. Financial Implications

- 7.1. Interest paid in 2017/18 on the LOBO loans was £282,000 (4.7%), with a further £141,000 interest paid as part of the annual finance lease charges, and £30,000 to ECC for the match funding advanced for the Braintree LAMS.
- 7.2. The outturn for investment income received in 2017/18 was £881,000, which was £103,000 more than budget, due to a combination of higher investment balances and a difference in the overall rate of return, as shown in table 6.

Table 6: Investment Income

	2017/18 Budget			2017/18 Actual		
	Average invested	Income	Rate of Return	Average invested	Income	Rate of Return
	£m	£m	%	£m	£m	%
Equity & property funds	14.000	0.700	5.00%	15.090	0.730	4.84%
Short-term investments	31.000	0.078	0.25%	39.303	0.151	0.38%
Total	45.000	0.778	1.73%	54.393	0.881	1.62%

7.3. To manage the financial impact of the inherent treasury management risks the Council retains a treasury management reserve, which at the 31st March 2018 had a balance of £772,000.

8. Other Non-Treasury Investments and Loans

- 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 2017/18 the net rental income was £2.124m, representing a return of 6.3% on the value of assets (6.1% in 2016/17).
- 8.1. During the year the Council spent £525,000 on investment property, including completion of a head lease acquisition. The overall market value of investment properties owned by the Council increased by £281,000 in 2017/18.

- 8.2. The Council also has a number of loans and deposits which have been made for service reasons. At 31st March 2018, the amount outstanding on these was £2.367m, the largest element being a £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.

9. Compliance Report

- 9.1. The Corporate Director (Finance) can confirm that all treasury management activities undertaken during 2017/18 complied fully with the CIPFA Code of Practice and the Council's approved TMSS. Compliance with specific investment limits is demonstrated below.

Table 7: Debt Limits

	2017/18 Maximum	31-Mar-18 Actual	2017/18 Operational Boundary	2017/18 Authorised Limit	Complied
	£m	£m	£m	£m	
Borrowing	6.000	6.000			
Finance Lease	3.201	2.861			
Other Debt	1.000	1.000			
Total Debt	10.201	9.861	11.000	25.000	√

- 9.2. Table 7 demonstrates compliance against the operational boundary and authorised limit for external debt. Whilst the operational boundary is a management tool for in-year monitoring, and under the Code may be breached on occasions due to variations in cash flow, this is not counted as a compliance failure. However, at no point during the 2017/18 year was total debt above the operational boundary.
- 9.3. In approving the TMSS, limits were also set for amounts invested and these are detailed in table 8 below:

Table 8: Investment Limits

	2017/18 Max	31-Mar-18 Actual	2017/18 Limit	Complied
	£m	£m	£m	
Any single UK/ Non-UK bank or building society (unsecured)	3.000	3.000	3.000	√
Any single AAA rated Money Market Fund	5.000	4.000	5.000	√
Any single unrated Investment (Pooled) Fund	5.000	5.000	5.000	√
Aggregate Unrated Investment Funds ¹	16.000	16.000	20.000	√

¹ Full Council approved an increase in the aggregate limit during the year from £15m

- 9.4. For the purposes of day-to-day banking the aim is to maintain a balance of no more than £1.5m on the Council's current accounts, subject to short-term

cash flow requirements. Table 9 shows how the Council performed against this objective.

Table 9: Day-to-Day Banking

Day-to-Day Banking Balance	2017/18 Min	2017/18 Max	2017/18 Weighted Average	31-Mar-18 Actual
Objective:	£m	£m	£m	£m
Aim not to have > £1.5m at any time	0.156	4.769	1.324	0.759
No of days <= £1.5m			275	
As % of days in the year			75%	

- 9.5. The above performance compares to the previous year where a balance equal to or less than £1.5m was achieved on 211 days or 58%.

10. Treasury Management Indicators

- 10.1. The Council measures and manages its exposures to treasury management risks using the following indicators:
- 10.2. **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk.

Table 10: Interest Rate Exposure

	31-Mar-18 Actual	2017/18 Limit £m or %	Complied
Investments			
Upper limit on fixed rate interest exposure	£0m	£10m	√
Upper limit on variable rate interest exposure	100%	100%	√
Borrowing			
Upper limit on fixed rate interest exposure	39%	100%	√
Upper limit on variable rate interest exposure	61%	80%	√

- 10.3. Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate. As the Council's LOBO debt is subject to six-monthly call options when the interest rate could be varied this is treated as variable rate debt for the above indicator.
- 10.4. **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limit on the long-term principal sum invested to final maturities longer than 364 days, or where the intention was to hold the investment for more than one year was £25m. At the 31st March 2018, the amount held with intention of being longer than 364 days was £16m, as per the Council's holdings in pooled funds.

11. Treasury Management Advisors

- 11.1. The Council has continued to employ Arlingclose as treasury management advisors. Regular communications and updates on related matters have

been received by officers during the year and a strategy meeting held involving Members.