



GOVERNANCE COMMITTEE AGENDA

Wednesday, 6th September 2017 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 J Abbott

Councillor M Dunn

Councillor J Elliott (Chairman)

Councillor A Hensman

Councillor D Hufton-Rees

Councillor G Maclure

Councillor Mrs J Pell

Councillor R Ramage

Councillor V Santomauro (Vice-Chairman)

Councillor M Thorogood

Councillor R van Dulken

Councillor Mrs L Walters

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

A WRIGHT
Acting Chief Executive

INFORMATION FOR MEMBERS - DECLARATIONS OF INTERESTS

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

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

Question Time

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

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

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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 29th June 2017 (copy previously circulated).	
3	Public Question Time (See paragraph above)	
4	Declarations of Interest To declare the existence and nature of any Disclosable Pecuniary Interest, other Pecuniary Interest or Non-Pecuniary Interest relating to items on the agenda having regard to the Code of Conduct for Members and having taken appropriate advice where necessary before the meeting.	
Monitoring and Finance		
5	First Quarter Performance Management Report 2017-18	5 - 34
6	Key Financial Indicators – 31st July 2017	35 - 40
Audit and Governance		
7	Internal Audit - Activity Report for the period to 16th August 2017	41 - 45
8	Statement of Accounts 2016-17 and the External Auditor's Audit Results Report	46 - 93
9	Treasury Management Mid-Year Report 2017-18	94 - 113
Committee Operation		
10	Forward Look – Twelve months to October 2018	114 - 119

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 none.

PRIVATE SESSION

Page

13 Urgent Business - Private Session

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

First Quarter Performance Management Report 2017/18	Agenda No: 5
<p>Portfolio: Finance and Performance Corporate Outcome: A high-performing organisation that delivers excellent and value-for-money services Report presented by: Tracey Headford, Performance and Improvement Manager Report prepared by: Tracey Headford, Performance and Improvement Manager</p>	
<p>Background Papers: First Quarter Performance Management Report 2017/18</p>	Public Report
<p>Options: To note the report.</p>	Key Decision: No
<p>Executive Summary:</p> <p>The purpose of the attached report is to summarise the performance of the Council at the end of the first quarter (April to June 2017).</p> <p>As at the end of the first quarter, five projects have been completed and a further 55 projects are on track and progressing well. One project has been transferred into next year's delivery plan.</p> <p>Eleven performance indicators have achieved or exceeded target, four have missed target by less than 5% and three 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 reuse, recycling and composting</u> Achieved 52.06% against a target of 53.50% missing target by less than 5%. The figures quoted are still awaiting verification from Essex County Council and are likely to change. The estimated outturn for recycling has fallen just short of the target. The reduction in recycling is a trend being seen across the county and the UK generally. We continue to doorstep customers to encourage recycling and take part in a number of campaigns with other Authorities to increase recycling rates.</p> <p><u>Tonnage of residual household waste not recycled</u> Achieved 110kgs against a target of 108kgs missing target by less than 5%. The figures quoted are still awaiting verification from Essex County Council and are likely to change. The increase in tonnage reflects a trend across the county and the UK generally. There is no single factor to explain the trend, however growth in the economy and population are considered contributing factors to the increase.</p>	

Time taken to process housing benefit claim changes

The time taken to process housing benefit claim changes was 6.1 days against a target of 6 days missing target by less than 5%. This is due to a high number of changes received (5,251) during May following the increase in the minimum wage which came into effect in April 2017. It is expected that target will be achieved throughout the year.

Collection rate for Council Tax

Achieved 30.84% against a target of 31.25% missing target by less than 5%. The collection rate is less than the previous year as £379k property charges were raised in the last 2 weeks of June and the instalment repayments on these charges are not due to commence until 1st August. Variations of this nature may occur during the course of the year but it is expected that the target collection rate will be achieved for the year.

Number of visits to our Leisure Facilities

Achieved 217,193 against a target of 264,303 missing target by more than 5%. The closure of the Braintree Pool for essential works has impacted on participation levels as expected. The pool re-opened in the middle of June.

Number of passenger journeys on our community transport scheme

Achieved 13,067 passenger journeys against a target of 13,937 missing target by more than 5%. Passenger numbers on the Community Transport scheme were lower at the beginning of the quarter which can be attributed to Easter being in April and less demand on the service in respect of schools and clubs who use the service. All other demand for the service has been met.

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

Achieved 36,931 against a target of 62,400 missing target by more than 5%. The closure of the Braintree Pool for essential works has impacted on participation levels as expected as swim school was cancelled during the period of works. The pool re-opened in the middle of June.

Financial Performance:

This part of the report provides an updated review of the financial position for the year up to the end of June 2017. It examines the latest forecast for spending on day-to-day service provision compared to the budget for the year. Also included is a summary of treasury management activities; projected movements on the General Fund balance; and a summary of spending to date on capital investment projects.

Summary:

- An overall positive variance for the year of £543,000 (3.8%) is projected against the budget.
- Income is projected to be overachieved by £629,000; with an overall overspend of £86,000 forecast on Staffing and Other Expenditure.
- The Quarter 1 projected variance, along with last year's outturn, will be used to inform a review undertaken by managers to identify potential cost reductions or additional income which could assist in reducing the current anticipated budget shortfall of £0.5million in 2018/19.

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

Decision:

Members are asked to note the report

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

1st April to 30th June 2017



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Section 1: Introduction and Summary






Purpose of the Report

The purpose of the report is to demonstrate the performance of the Council at the end of the first quarter in relation to the publication of the 'Annual Plan 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 first quarter

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




Corporate Priorities	Status of projects and actions				
					
Environment and Place	0	8	0	0	0
Strategic Growth and Infrastructure	1	9	0	0	0
Economic Development	1	12	0	0	0
Health and Communities	1	12	0	0	1
Finance and Performance	1	9	0	0	0
Overall Strategy and Direction	0	5	0	0	0
TOTAL	4	55	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 first quarter

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

Corporate Priorities	Status of indicators			
				Data Only
Environment and Place	1	2	0	0
Strategic Growth and Infrastructure	2	0	0	0
Health and Communities	3	0	3	0
Finance and Performance	5	2	0	0
TOTAL	11	4	3	0

KEY:

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

Summary Position

It has been a good start to the year as we enter the second year of our four year Corporate Strategy with four projects completed and a further 55 projects on track and progressing well.

Eleven performance indicators have exceeded target, four performance indicators have missed target by less than 5% and three performance indicators have missed target by more than 5%. There is room for improvement in some key areas of the business which are experiencing an increase in demand on their services and we need to ensure that we continue to monitor our performance and focus our resources to deliver and achieve our corporate objectives. It is anticipated that any areas of downturn in performance will be mitigated throughout the year.




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		
Authorities across Essex have agreed to participate in a framework agreement for the treatment of street sweeping recyclable waste. Tender documentation will be issued by the Essex Procurement Hub in the summer.	March 2018	
Upgrade and improve recycling bring bank sites in the Braintree District to ensure they are fit for purpose and meet customer demand		
Consultants have been engaged in reviewing the current bring bank sites with a view to upgrading and/or improving facilities. A report has been produced and funding is to be sought to implement recommendations.	March 2018	
Increase recycling by working with businesses to review their waste disposal requirements and provide a high quality commercial waste and recycling service		
A new database has been implemented and historic data has now been transferred. Collection crews are now able to see details of the type of container used by businesses to assist in reviewing requirements.	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		
Contract has been awarded to provide fencing and bollards around open spaces across the District. Work on open spaces will start in July.	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		
An energy switching scheme took place in May with 793 residents registering with the scheme and 201 residents switching to an alternative provider. A drop in session was also held at Causeway House in Braintree inviting residents to discuss any issues in relation to switching providers.	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		
Essex Authorities are working together on campaign #crimenottocare due to be launched in September with the aim of raising awareness to the public over their duty of care regarding fly tips. Braintree District Council is also working with the National Farmers Union to combat fly-tipping on farmland. In the first quarter of the year, 163 fly tips have been cleared within 24 hours of being reported.	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 continues to maintain a focus on investigating and enforcing littering and dog fouling incidents. Eight fixed penalty notices have been issued in the first quarter of the year.	March 2018	
Deliver a dog fouling campaign to change the behaviour of irresponsible dog owners		
The dog fouling campaign will commence in October 2017 as there is a noticeable increase in dog fouling when the nights draw in.	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	
A six week consultation on the Publication Draft Local Plan commenced in June. A number of events are being held across the District to ensure residents can view the Local Plan before being submitted to the Planning Inspectorate in the Autumn.	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, work has started to support the production of a development plan document which includes work on the feasibility and concept in relation to Highways.	November 2018	
Work is in progress to support the development plan document for the Garden Community for the west of Colchester and further concept work is currently underway.	November 2018	
Explore the viability of setting up a Housing Development Company to deliver new mixed-tenure homes across the District.		
A strategy workshop with Cabinet members was held on 30 th June to discuss and set the way forward for a Housing Development Company. A member working group will be established to monitor progress.	March 2022	
Develop a new Homelessness Strategy for 2018 to 2023 to prevent and alleviate homelessness		
Meetings have been held with stakeholders and staff to discuss the direction the strategy will take. A new funding regime has been secured to support the Foyer in Braintree to support those in housing need.	March 2018	
Work with partner agencies to continue to drive forward strategic improvements to the Braintree and Witham rail link		
Governance for Railway Investment Projects (GRIP) study has now restarted in partnership with Network Rail and Essex County Council. A benefits management workshop has taken place in April and a further workshop is scheduled for the summer.	September 2017	
Continue to work with Essex County Council and Highways England to identify and deliver improvements to the A120 and A12		
Braintree District Council is working with Essex County Council and Highways England to progress delivery of A120 slip road to reduce congestion and improve access to Braintree Town Centre. Highways England now has indicative costs and is working on an Economic Assessment to show the benefits of the slip road and Essex County Council has submitted a bid for the Government's National Productivity Investment fund (NPIF) for the A120 slip roads and Braintree District Council has sent a letter confirming its support for this bid.	March 2018	
Work with Essex County Council to tackle congestion at Springwood Drive and Panfield Lane		
Essex County Council is looking at different options for the Springwood Drive roundabout and now has indicative costs. These options are being looked at	March 2018	

in conjunction with the S106 requirements for the land West of Panfield Lane, Braintree.		
A planning application has been submitted for the provision of a spine road at Panfield Lane and indicative costs have been received.	September 2017	




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		
Work continues on signage improvements for Springwood Industrial Estate to improve the appearance of the site and to assist visitors in finding businesses. Braintree District Council has also been working with a number of companies to facilitate new premises to meet their growing requirements.	March 2018	
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		
A revised planning application has been submitted and a second stage tender is now being undertaken based on the new design concurrent to the planning process.	March 2018	
Secure the required funding package to deliver the Witham Enterprise Centre		
Braintree District Council is working with Haven Gateway to identify the evidence base for sectoral strengths within the District and with economic consultants to understand the unit types and uses required for the Enterprise Centre.	March 2018	
Strengthen business engagement by delivering a programme of business events and monthly visits to ensure two way communications with businesses		
In partnership with the Braintree Chamber of Trade and Commerce a workshop was held in June with businesses to start developing a shared vision for the town centre going forward. A further event has been held to unveil the latest concept ideas for the Manor Street redevelopment and as part of the Local Plan consultation process, a breakfast briefing was attended by over 40 local business representatives.	March 2018	
Support the Haven Gateway Partnership in establishing a Sectoral Business Network that has strong engagement from Braintree businesses		
A sectoral analysis is underway by specialist consultants which will help to identify specific sectors to target.	March 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		
An officer from Braintree District Council is now a member of the South East Apprenticeship Ambassador Network. The network feeds into the National Apprenticeship Ambassador Network and is designed to drive employer engagement and apprenticeship delivery in England, which includes information on the Levy. This role, combined with acceptance from the Department of Education as an Apprenticeships Champion, provides insight	September 2017	

into central Government's apprenticeship plans.		
Engage with schools to encourage students to realise the benefits of apprenticeships and vocational further education in STEM (Science, Technology, Engineering and Maths) subjects		
A monthly newsletter has been distributed to all eight senior schools across the District to inform them of opportunities relating to apprenticeships and STEM activities. Stansted Airport's Asset Maintenance Operations Manager visited a school in the District in support of Women in Engineering Day on 23 rd June to provide a talk to a whole year group of girls to provide careers inspiration.	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 first public exhibition was held in June to unveil the latest concept ideas for the Manor street redevelopment and the majority of attendees are in favour of the scheme.	March 2020	
In partnership with Essex County Council, deliver the regeneration schemes in Witham and Halstead		
In respect of the improvements for Halstead, meetings have been held with Essex Highways Network Management to look at what is and isn't possible on the highway and Braintree District Council is currently liaising with the Highways Authority to move the project forward.	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 is being prepared for a decision on next steps.	March 2018	
Deliver the business hub on the Premdor site in Sible Hedingham		
The business hub is currently being constructed with completion expected by the end of the year.	December 2017	
Continue to work with Essex County Council on implementation of the Superfast Essex programme to increase superfast broadband coverage across the District		
Braintree District Council will not be investing in phase III of the project as this is not financially viable. However, we continue to work with Superfast Essex and Braintree District Council is considering options for a final whole district solution that will tackle the mix of urban and rural areas not yet covered in our District .	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		
Marketing material 'Eat like a Superhero', 'Eat, Play, Grow' and 20 day challenge charts have been delivered to all schools involved in the project. Further promotion will be taking place at schools sports days. Nike store at Freeport will be donating 22 hours per month of physical activity to the Livewell schools. Currently liaising with the schools to see how they would like their sessions delivered. An Xplorer event held in May was well attended by families with young children. Further Xplorer events will be held across the District during the school summer holidays.	March 2019	






Install state of the art disability access hoists at Halstead and Braintree swimming pools		
The disability access hoists have been placed on order for Halstead and Braintree swimming pools.	August 2017	
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		
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.	May 2017	
Improve the playing experience at Witham Sports Ground by replacing the artificial surface and installing a new 2G surface		
Works to replace the artificial surface at the sports ground are currently underway and due to be completed in early September.	September 2017	
Replace the safety surfacing where needed at various play areas across the District to provide a better and safer environment for visitors		
Urgent works have now been completed to the play area at Bridport Way, Braintree. Works to other sites will start over the summer.	March 2018	
Recognise the contribution volunteers make to our District by holding a Community Awards event to celebrate success in this field		
More than 50 nominations were received highlighting people who make a great contribution to their communities. At an event held in April, six winners were celebrated with one person crowned as the overall winner.	April 2017	
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		
A project meeting between Braintree District Council, NHS and New River Retail in Witham was held in May to discuss the possible options of the preferred location for the new healthcare facility.	March 2018	
Braintree District Council is currently in discussions with doctors and the NHS to explore the opportunity to bring forward a new health facility at the Premdor site in Sible Hedingham.	March 2018	
Develop and deliver better ways of providing support for disabled and frail residents by improving the allocation of the Better Care Fund		
A presentation was made to members in June for political approval and support on the extension of the handyman scheme to see how the Better Care fund could be used innovatively to help vulnerable and frail residents stay in their homes and to prevent hospital admissions.	March 2018	
Deliver an awareness campaign and initiatives to support isolated and lonely residents		
Research and data analysis has been carried out to identify particular areas of isolation and loneliness within the District. A 'Live well, Keep safe' event will be held in Witham in October to provide vulnerable residents with information on fire safety, tips on saving money and crime prevention advice whilst also providing lunch and refreshments and a tea dance demonstration.	March 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		
Following the review of the Community Transport Scheme, an action plan has been formulated and agreed at Cabinet in May. A number of processes are being looked at to identify improvements.	March 2018	
Deliver a range of 'age well' activities across the District to encourage inactive over 60's to become active again		
A number of 'age well' activities are being held across the District such as walking football, racketball, chair based exercise, sports for confidence and a seated dance. All activities have been well attended with around 600 people participating in the first quarter.	March 2018	

Support community groups to deliver local projects and activities through the Councillors' Community Grant Scheme		
Since April, 16 Councillors have awarded a total of £12,640 to 18 organisations 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 number of events were held across the District during dementia awareness week in May and a peer support group has been set up providing people with the opportunity to meet with others and share experiences. Church Lane surgery in Braintree has joined as a member of the Braintree District Dementia Action Alliance. Councillors and staff have recently undertaken a virtual dementia tour providing them with insight into living with dementia and an understanding of how to help transform the lives of people living with dementia.	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		
A data matching system has been developed and data from a number of sources within the Council has been uploaded to compare and to investigate anomalies between data with the aim of reducing the number of Council Tax discounts and exemptions granted.	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		
A new discretionary business rates scheme for charities starts in October 2017. All recipients of relief under the current scheme have been written to either informing of their entitlement under the new scheme or requesting an application form be completed to determine entitlement. Updated business rate bills will be sent to charities in September 2017.	October 2017	▶
Take a commercial approach to how we operate to protect front line services by maximising the potential to generate income		
The Council is currently considering options for establishing a public open space management company to undertake grounds maintenance works. Income continues to be generated through sponsorship and advertising opportunities.	March 2018	▶
Support local businesses by offering sponsorship and advertising opportunities		
A number of businesses have agreed contracts for roundabout sponsorship and discussions with potential customers are ongoing. Officers promoted sponsorship opportunities at a business exhibition in June and we continue to investigate advertising opportunities.	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		
£1million invested in pPooled equity funds in April has taken the total investments in pooled funds to the limit of £15million under the Council's	March 2018	▶

Investment Policy. A proposal to purchase the lease of a doctor's surgery will be considered by Cabinet and Council in July.		
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 campaign to promote and encourage customers to transact with the Council more on line went live in April. Access points have been set up in the reception of Causeway House and are also available in the libraries throughout the District. A Digital Strategy is currently being developed to look at how we can meet the needs of customers and support them to transact with us online.	March 2018	
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 is currently being developed to enable customers to self-serve and to increase the number of services available on line. A project start up meeting was held in May and future meetings are being arranged.	March 2018	
An options appraisal is being developed for a Customer Relationship Manager (CRM) system to enable better engagement with customers. Research has taken place into what CRM systems if any are used by other Councils and discussions have taken place with services regarding their requirements for a CRM system.	March 2018	
A new email service called 'tell me more' will be launched in July where residents and businesses will be able to receive information that really matters to them from the Council allowing them to 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 		
We continue to work in partnership to improve health provision and are currently looking at options for new healthcare facilities in Witham and Sible Hedingham. The redevelopment works at Manor Street in Braintree were recently unveiled and we are working with Haven Gateway to explore the potential opportunities for innovation and grow on units across the District to provide opportunities for new businesses and employment. The consultations	March 2018	

for the A120 options and widening of the A12 are currently being analysed and we are exploring funding opportunities with Essex County Council to deliver the Millennium Way slip roads. Projects under the District Investment Strategy are reported on throughout this report and will ensure a reasonable level of return.		
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 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)		
The consultation exercise on the preferred routes for the A120 and preferred widening schemes for the A12 closed in March. The responses have been collated and analysed by Essex County Council and the preferred options route for the A120 and widening scheme for the A12 will be announced in the Autumn.	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.	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 Economic Growth Prospectus is currently being developed and will be going out to consultation in the Summer.	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		
Braintree District Council and Essex County Council are at the early stage of discussing ideas to enhance the existing facilities at the Country Park including a proposal to increase the adventure theme play to complement the existing high ropes course and proposed zip wire. Detailed proposals will be taken to the next Join Venture Partnership Board meeting in September 2017.	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	
Environment and Place							
Percentage of land that falls below cleanliness standards for litter	n/a					n/a	Recorded three times a year – July, November and March
Percentage of household waste sent for reuse, recycling and composting	52.06%				53.50%		The estimated outturn for recycling has fallen just short of the target. The reduction in recycling is a trend being seen across the county and the UK generally. We continue to doorstep customers to encourage recycling and take part in a number of campaigns with other Authorities to increase recycling rates
Tonnage of residual household waste not recycled	110kgs				108kgs		The tonnage of residual household waste is slightly higher than targeted and the outturn is still to be verified by Essex County Council. The increase in tonnage reflects a trend across the county and the UK generally. There is no single factor to explain the trend, however growth in the economy and population are considered contributing factors to the increase.
Number and percentage of fly tips cleared within 24 hours of being reported	100% (163)				100%		163 fly tips have been cleared within 24 hours of being reported in the first quarter of the year
Number of fuel poverty and domestic energy reduction installations carried out	Annually reported indicator					n/a	
Strategic Growth and Infrastructure							
Number of affordable homes delivered	34				34		
Number of homes granted planning permission	279				250		
Health and Communities							
Percentage of substantial Disabled Facilities Grants approved within timescales	88%				80%		24 out of 27 substantial grants have been approved within timescales in the first quarter
Percentage of critical Disabled Facilities Grants approved within timescales	100%				80%		2 critical grants approved in timescales in the first quarter

Performance Indicator	2017/18						Comments
	Q1 Outturn	Q2 Outturn	Q3 Outturn	Q4 Outturn	Target for the Quarter	Status at the end of the Quarter	
Total number of visits to our Leisure facilities	217,193				264,303		<i>The closure of the Braintree Pool for essential works has impacted on participation levels as expected. The pool re-opened in the middle of June</i>
Number of passenger journeys on the Community Transport Scheme	13,067				13,937		<i>Passenger numbers on the Community Transport scheme were lower at the beginning of the quarter which can be attributed to Easter being in April and less demand on the service in respect of schools and clubs who use the service. All other demand for the service has been met.</i>
Participation of over 60's in sport and health activities across the District	16,154				15,000		
Participation of under 16's in sport and health activities across the District	36,931				62,400		<i>The closure of the Braintree Pool for essential works has impacted on participation levels as expected. The pool re-opened in the middle of June</i>
Finance and Performance							
Average call answer time in the Customer Service Centre	15 seconds				15 seconds		
Time taken to process housing benefit/council tax benefit new claims	17.68 days				18 days		
Time taken to process housing benefit claim changes	6.1 days				6 days		<i>Performance has been marginally above target due to the high number of changes received (5,251) during May which was due to the increase in the Government's minimum wage being effective from April 2017.</i>
Percentage of Stage 1 complaints responded to within target	93%				90%		
Collection rate for Council Tax	30.82%				30.81%		
Collection rate for Business Rates	30.84%				31.25%		<i>The collection rate is less than the previous year as £379k property charges were raised in the last 2 weeks of June and the instalment repayments on these charges are not due to commence until 1st August. Variations of this nature may occur during the course of the year but it is expected that the target collection rate will be achieved for the year.</i>
Percentage of invoices paid within 30 days of receipt	99.49%				99%		

Complaints

The quarterly complaints analysis for the first 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	63 (112)	(52)	(46)	(63)	(273)
Not Justified	69 (72)	(104)	(73)	(62)	(311)
Partially Justified	27 (31)	(24)	(23)	(15)	(93)
Not known	0 (0)	(3)	(0)	(0)	(3)
Total	159 (215)	(183)	(142)	(140)	(680)

Comments

The number of complaints received in the first quarter of the year has increased slightly from the fourth quarter but is noticeably lower than the number of complaints received for the first quarter in 2016/17.

For the complaints received in the first quarter, the majority relate to missed waste collections. There have been a number of road closures across the District restricting access for the waste vehicles. Crews have returned to collect the missed collections as soon as is possible. 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 first quarter of 2017/18, of the 159 complaints received:

- 155 are stage one complaints
- 3 are stage two complaints
- 1 is a stage three complaint

A summary of Local Government Ombudsman cases:

In the first quarter of 2017/18, the LGO has received two new complaints which the LGO declined to investigate.

The LGO also issued three final decisions on complaints received in the last year. The LGO confirmed that there had been fault in all three instances. In the first instance, the LGO considered that there was no injustice to the complainant and considered the Council's early apology as an adequate remedy. In the second instance, the LGO directed the Council to compensate which was offset against debts owed to the Council. A further complaint investigated did not find any injustice had been caused to the complainant.

There is one complaint from the fourth quarter of last year that 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				+3	-
Total number of posts	477				-3	-
Number of temporary staff	33				-7	-
Total staff FTE	421.71				+4.18	-
Level of employee turnover	1.93%				-0.01%	-
Number of leavers	9				-	-
Number of starters	12				+7	-
Working days lost to sickness per employee	1.93 days				-0.4	8.0 days
Percentage of staff with nil sickness	75.8%				N/A	-
Number of learning hours	6329				-850.50	-
Number of delegates	221				+10	-
Number of apprentices **	11				-2	-

Year on Year Headcount Analysis	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	485	466	478	472	470	464

** 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)	(12)	(6)	(10)	
<i>Accidents/ incidents to employees</i>	8 (8)	(9)	(6)	(10)	<i>Four waste management accidents involving cuts or muscular skeletal injuries. The other four accidents were office based accidents including falls and cuts.</i>
<i>Accidents/ incidents to contractors</i>	1 (1)	(1)	(0)	(0)	<i>Ankle sprain sustained by an agency worker</i>
<i>Accidents/ incidents to non-employees</i>	1 (2)	(2)	(0)	(0)	<i>A customer of the community transport bus slipped off the step.</i>
Time lost in days due to employee accidents/ incidents	0 (105)	(16)	(40)	(2)	
Number of reported verbal/ physical incidents to employees	0 (1)	(1)	(0)	(1)	
Number of near miss incidents	0 (0)	(0)	(1)	(1)	
Number of Accidents/ incidents registered resulting in insurance/ compensation claim	0 (0)	0 (0)	0 (0)	(1)	
Number of claims settled	0 (0)	(0)	(0)	(0)	

Financial Performance

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

The Budget was to be financed 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 may be updated in accordance with the Council's Budget and Policy Framework Procedure, and against which quarterly performance is monitored.

Summary Financial Position at Quarter 1

- An overall positive variance for the year of £543,000 (3.8%) is projected against the budget
- Income is projected to be overachieved by £629,000; with an overall overspend of £86,000 forecast on Staffing and Other Expenditure.
- The Quarter 1 projected variance, along with last year's outturn, will be used to inform a review undertaken by managers to identify potential cost reductions or additional income which could assist in reducing the current anticipated budget shortfall of £0.5million in 2018/19.

Revenue Spending

Service	Budget £'000	Actual Spend £'000	Adverse (Positive) variance against budget				RAG Status
			Staffing £'000	Other Expenditure £'000	Gross Income £'000	Total £'000	
Asset Management	(2,066)	(1,929)	(5)	12	130	137	R
Business Solutions	1,907	1,875	(9)	(23)	-	(32)	G
Community Services	376	375	2	(20)	17	(1)	G
Corporate Management Plan	1,270	1,158	(111)	(1)	-	(112)	G
Cultural Services	245	245	-	-	-	-	G
Environment	664	635	(11)	5	(23)	(29)	G
Finance	1,235	1,123	(74)	(18)	(20)	(112)	G
Governance	1,017	998	(10)	27	(36)	(19)	G
Housing Services	874	854	(7)	(20)	7	(20)	G
Human Resources	319	325	6	-	-	6	A
Leisure Services	(44)	(44)	-	-	-	-	G
Marketing and Communications	399	363	4	1	(41)	(36)	G
Operations	4,905	4,755	(7)	(7)	(136)	(150)	G
Sustainable Development	863	506	(2)	161	(516)	(357)	G
Service Total	11,964	11,239	(224)	117	(618)	(725)	G
Corporate Financing	2,575	2,607	85	(42)	(11)	32	A
Efficiency target	(150)	-	150	-	-	150	
Total	14,389	13,846	11	75	(629)	(543)	G

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

Staffing

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

Service – Staffing Budgets	Budget	Actual Spend	Adverse/ (Positive) variance	RAG Status
	£'000	£'000	£'000	
Asset Management	282	277	(5)	G
Business Solutions	905	896	(9)	G
Community Services	358	360	2	A
Corporate Management Plan	1,228	1,117	(111)	G
Cultural Services	197	197	-	G
Environment	1,319	1,308	(11)	G
Finance	2,412	2,338	(74)	G
Governance	471	461	(10)	G
Housing Services	770	763	(7)	G
Human Resources	254	260	6	A
Leisure Services	150	150	-	G
Marketing and Communications	322	326	4	A
Operations	4,969	4,962	(7)	G
Sustainable Development	1,668	1,666	(2)	G
Service Total	15,305	15,081	(224)	G
Corporate Financing	(245)	(160)	85	R
Efficiency target	(150)	-	150	
Net Total	14,910	14,921	11	A

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 are expected to be 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. Based on the information known at the end of the quarter it is projected that across all services there will be a net underspend of £224,000 for the year against staffing budgets.

The areas contributing mainly to this position are **Corporate Management Plan** which includes savings in the current year following the resignation of the Chief Executive and implementation of interim arrangements for the remainder of the year and as a result of the flexible retirement of a Corporate Director. Savings are also being made in **Finance** including holding a post vacant pending further clarification about the administrative arrangements required once Universal Credit is fully implemented by the Department for Work and Pensions (DWP).

Whilst **Operations** is showing a net underspend of £7,000 this is comprised of extra costs incurred on the **Waste Management** service of £90,000. This is due to a combination of reasons: agency staff rates have been increased by the supplier following the introduction by HMRC of new off-payroll worker rules from April; sickness levels remaining abnormally higher than allowed for in the budget; and additional catch-up costs as the current year includes an additional Bank Holiday (the base budget provides for the normal 8 days). These projected increased costs are expected to be more than offset by a forecast saving of £117,000 on **Operations' Management & Administration** where external funding has been applied to meet the costs of three posts, and other savings are expected from vacancies/retirements.

The projected total service variance is offset by the following:

- **Capital salaries** - a reduction of £85,000 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). 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. The current variance is based on last year's outturn position.

- **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 are currently projected to be £11,000 over budget for the year.

Other Service Expenditure

In total there is a projected overspend against non-staffing expenditure budgets of £75,000. The main issues arising are:

- **Waste Management** – increased costs are forecast on gates fees payable to the Council's material recovery facility (MRF) operator. Under a new contract which came into effect from April fees payable are now linked to market indices and reviewed quarterly. The budget was set based on an assumed fee of £7.60 per tonne, whereas the actual fee paid for the first quarter was £11.33 per tonne. At the most recent review the fee chargeable from Quarter 2 has risen to £22.83 per tonne. At present the assumption is that the fee continues at this level for the remainder of the year (subject to future quarterly reviews) and results in a forecast spend for the year of £202,000 compared to the budget of £77,000. Partially offsetting this predicted overspend are: £35,000 savings on green waste collections as Cabinet has reaffirmed the decision to continue the December-February suspension; £18,000 saving on medical waste collections due to a lower take-up of the service (the Council had previously approved a bid of £30,000 for the introduction of this new service); a reduction in the cost of recycling sacks (£37,000) due to a combination of lower usage and compensation from the supplier due to past quality issues.
- **Sustainable Development** – the service is currently experiencing an increased number of planning applications (see comments under the income section below) which has resulted in the need to engage more temporary consultancy support leading to a projected spend that is £66,000 higher than the budget. A further consequence of increased planning activity over the last couple of years has meant increased costs from planning appeals. In 2015/16 Members approved the establishment of a reserve of £300,000 to meet these costs. At 1 April 2017, the reserve had a balance of £197,000, which is now expected to be fully utilised in the current year along with a further £82,000 of costs to be met from the additional in-year income.
- **Corporate Financing** – the Council's pension fund contributions relating to retirements approved in prior years is expected to be £42,000 lower than provided in the budget.

External Income

A significant proportion of the Council's budget is reliant on external income. Grants and subsidies from government, alongside income from business rates are major elements, totalling over £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 grants received from Government to fund certain discretionary reliefs, are managed via the Business Rate Retention reserve.

As a participant in the Essex Business Rates Pool the Council is entitled to a share of the extra business rates retained “locally” which will be rebated against the 2017/18 levy. The final determination and receipt of the actual amount of the Council’s share will be made after year-end returns have been collated from each of the participating authorities. At the time of setting the budget it was anticipated that Braintree’s share for 2017/18 could be around £360,000, which will be transferred to the Business Rate Retention reserve (adding to the £881,675 already received for 2015/16 and 2016/17).

Other external income for which the Council has budgeted £13.227million comes from a variety of sources that are subject to external demands and other influences, meaning these are more susceptible to variations against budget. It is currently forecast that services will over achieve against their income budgets by a net £629,000, as shown in the table below:

Service	Updated Budget £000	Joint Financing & Other Reimburs.	Sales, Fees & Charges	Rents	Other Income	Total	RAG status
		4,882	4,570	2,815	1,010	13,277	
<i>Adverse (Positive) Variance £000 against Budget :</i>							
Asset Management	2,855	-	85	48	(2)	131	A
Business Solutions	15	-	-	-	-	-	G
Community Services	205	11	9	-	(3)	17	A
Corporate Management Plan	-	-	-	-	-	-	G
Cultural Services	112	-	-	-	-	-	G
Environment	772	-	(18)	-	(5)	(23)	G
Finance	2,392	(21)	-	-	-	(21)	G
Governance	34	-	1	-	(37)	(36)	G
Housing	48	-	-	7	-	7	A
Human Resources	-	-	-	-	-	-	G
Leisure Services	345	-	-	-	-	-	G
Marketing & Communications	100	-	(15)	-	(26)	(41)	G
Operations	4,693	(27)	(113)	14	(10)	(136)	G
Sustainable Development	1,180	(16)	(500)	-	-	(516)	G
Service Total	12,751	(53)	(551)	69	(83)	(618)	G
Corporate Financing	526	(3)	-	-	(8)	(11)	G
Total	13,277	(56)	(551)	69	(91)	(629)	G

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

Joint Financing & Other Reimbursements

The total budget for income from joint financing and other reimbursements is £4.882million, against which it is currently predicted to be over-achieved by £56,000. The main sources of income and forecast outturn are:

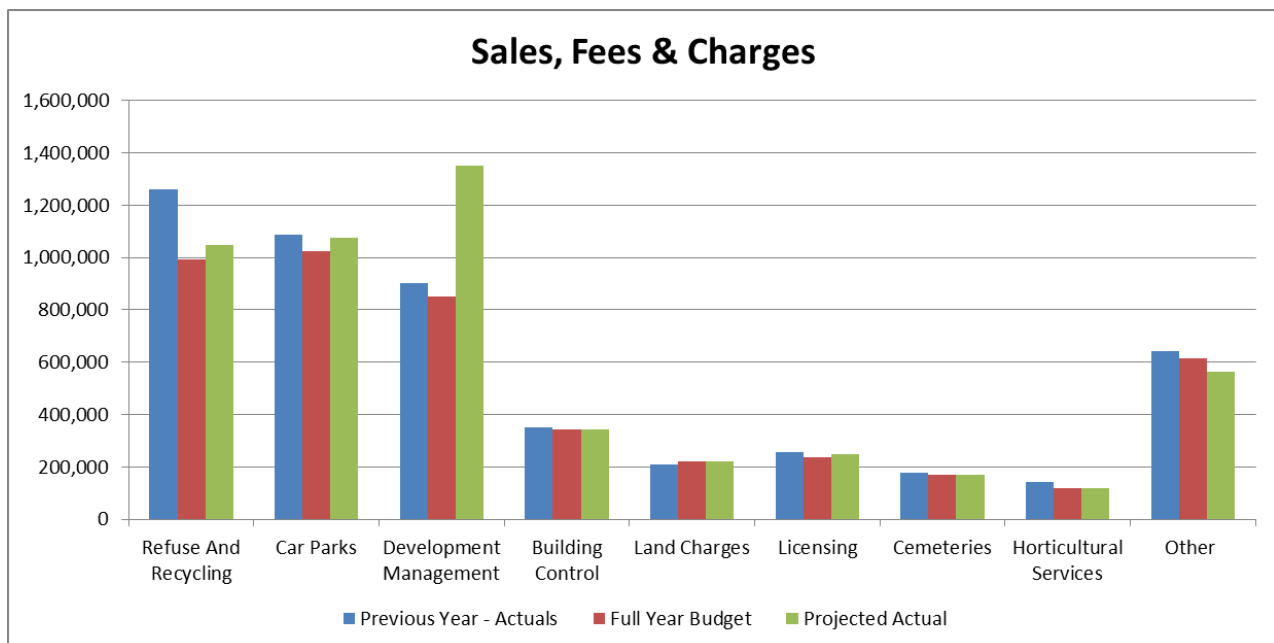
- **Essex County Council:** a £2.135million budget for contributions towards services such as community transport, horticultural services, food waste service, and recycling. An adverse variance of £16,000 is currently forecast, including a 14.4% reduction in grant funding for community transport which was notified to the Council after the budget was agreed. The impact of this reduction and the proposed action to be taken was reported to Cabinet at its meeting held on 10th July 2017.
- **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 give a total budget of £463,000. Arrangements with the participating authorities provide for rebates (shown as expenditure) against their subscriptions based on the overall financial performance of the Hub in the year. The amount of rebates received is currently lower than budgeted; whilst this can be met from a reserve in the current year if this continues Hub members will have to recommence paying a subscription for the procurement services received.

- **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 – this was increased by £100,000 from the previous year’s budget to reflect the level of improved performance being achieved. In addition, the Council has budgeted for arrangements with the major precepting bodies to provide £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 recoveries and administrative penalties:** Currently it is projected that £441,000 of recoveries will be achieved – this is £18,000 higher than the budget which was increased for 2017/18 by £140,000 based on past performance.
- **Costs recovered and allowances:** The Council is able to recover costs across many aspects of service activity which for 2017/18 was originally budgeted to be £1.223million but is currently forecast to be £1.244million. Income includes: local taxation recovery costs (£380,000); the business rate collection allowance (£193,000); charges levied for providing planning pre-application advice (£105,000); fees payable to the Council by the leisure management operator (£189,000); and other recoveries and income (£377,000).

Sales, Fees & Charges

The budget for income from sales, fees & charges is £4.570million which is projected to be over achieved by a net £551,000. The following chart shows the main income streams:



Commentary on Fees and Charges:

- **Refuse & Recycling:** The budget for income is £991,000 which was significantly reduced from that achieved in 2016/17 reflecting new contractual arrangements which has meant that the Council is now required to pay a gate fee for the processing of recycling material

whereas before the Council received income. Against this reduced budget it is currently projected that there will be an over achievement of £55,000, mainly due to increased income from trade waste and bulky waste collections where the service has been successful in targeting resources to increase the number of customers.

- **Car Parks:** In light of the increased income achieved in recent years the budget for 2017/18 was increased by £70,000 to an overall total of £1.024million. Current forecasts indicate an over achievement by around £31,000 coupled with additional income from penalty charge notices of £20,000.
- **Development Management:** Planning application income for the first quarter of 2017/18 was £319,000 compared to £197,000 received for the same period last year. Analysis of applications show 18 major applications received during the quarter compared to 11 received in 2016/17 Q1. Based on historical trends, the projection for the whole of 2017/18 is for income of £1.341million which is £500,000 over the budget of £841,000. Actual income over recent years has fluctuated with £883,000 in 2016/17 and £1.24 million in 2015/16. The higher number and complexity of applications received has meant an increase in the requirement to buy-in external support, and potentially increases the risk associated with incurring appeal costs as reflected in the variances reported above under Other Service Expenditure.
- **Other – Causeway House Letting:** Following Essex County Council's vacation of part of the second floor in June income from the service charge element of the rental agreement is predicted to be lower by £69,000 as the majority of this space is expected to be vacant for the remainder of the year whilst a new tenant is found.

Rental Income

The budget for rental income from land & property is £2.815million – comprising the investment & commercial property portfolio, markets, housing properties, and other let properties. The current projected outturn for the year is £2.746million, an overall under achievement of £69,000.

Commentary on Rental Income:

Causeway House Letting: The main variance predicted for the year is due to the partial vacation of the second floor of Causeway House by Essex County Council, reducing the rent receivable for the year by £48,000 (after allowing for a small part of the area to be re-let). Agents have been engaged to seek an alternative tenant for the remainder of the unoccupied area.

Market rents: Rent collected from market stalls in the first quarter is down 13% on the amount received for the same period last year. This appears to indicate a continued downward trend as seen over the last three years: £106,000 in 2014/15, £90,000 in 2015/16, and £85,000 in 2016/17). The projection for the current year is an outturn of £80,000 which is £15,000 lower than the budget.

Other Service & Corporate Income

Total budgeted Other Income is £1.01million which comprises mainly the following streams:

- **Investment & Other Interest Income:** The budgeted amount is £813,000, which is expected to be achieved, principally through the Council's investments in long-term pooled funds.
- **Solar Panel Feed-in-Tariffs:** the budget provides for an expected £93,000 of income from investment in solar panels at various Council facilities.

The overall projection is for Other Income to be over achieved by £91,000, mainly due to a number of unbudgeted government grants (£45,000) and increased work undertaken by the graphic and reprographics team (£26,000).

Treasury Management

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

Amount Invested at start of the year	Activity for the year		Amount Invested at end of the quarter
	New Investments	Investments Sold or Matured	
£39.32m	£24.46m	£10.50m	£53.28m
Average amount invested to end of the quarter			£51.84m
Highest amount invested			£56.24m

In May the Council increased the amount invested for the long-term by £1million taking the total to £15million spread across a mixture of property and equity funds. Remaining investments have been in short-term instruments including call accounts and term deposits with UK and Non-UK financial institutions, deposits with other local authorities, and Money Market Funds (MMF).

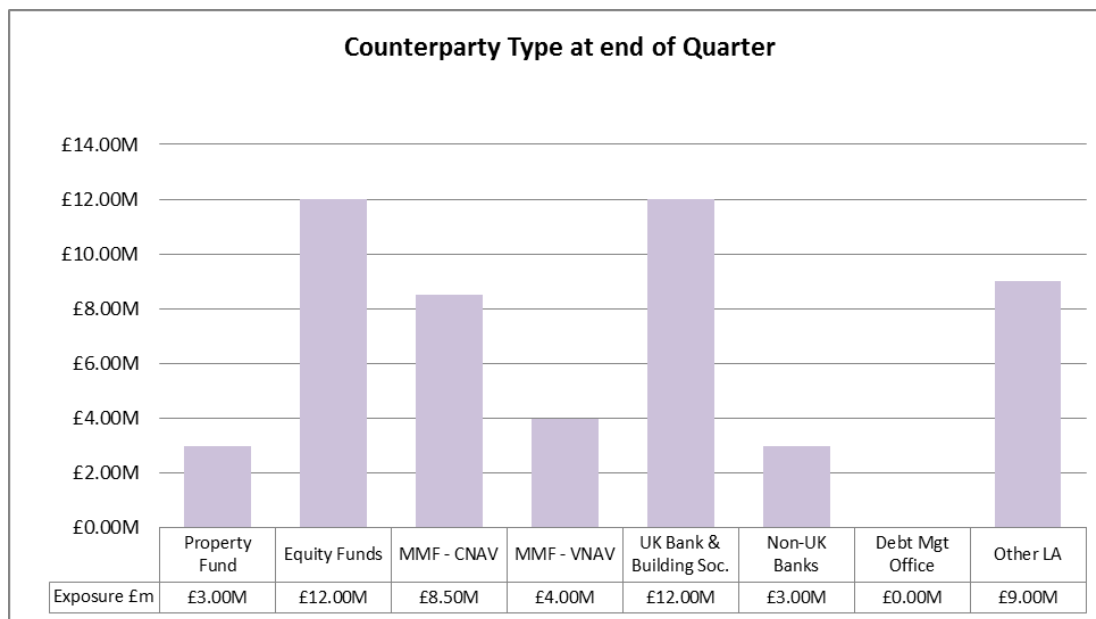
Interest and dividends earned to the end of the quarter total £283,000, which is equivalent to an annualised rate of return of 2.20%:

Investments	Average Amount Invested	Interest & Dividends Earned	Annualised Return %
Long-Term Pooled Funds	£14.94m	£246,000	6.61%
Short-Term	£36.90m	£38,000	0.41%
Total	£51.84m	£284,000	2.20%

Investment returns have been increased by the dividend income from the long-term investments. In addition, being exposed to equities and property, the value of these funds fluctuate based on prevailing market conditions. At the end of the quarter the market valuation for all the long-term pooled funds was £16.46million, representing an unrealised gain of £1.46million on the original amounts invested.

The FTSE-100 reached a record high of 7548 in May but dropped off slightly towards the end of the quarter. FTSE-250 and FTSE All Share indices also rose. Money market rates have remained low: 1-month, 3-month and 12-month London Inter-Bank Bid Rates (LIBID) have average 0.25%, 0.33% and 0.66% in the quarter respectively.

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



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

General Fund Balances

General Fund balances are held for the following reasons:

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

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

	£'000
Balance at 1 April 2017	2,036
Add:	
Budgeted addition	179
Projected in-year variance	543
Estimated Balance at 31 March 2018	2,758

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 projected outturn variance for the year is currently a £543,000 addition.

Risks and Assumptions

The forecasts reflect service managers' "best estimate" of the predicted outturn for the year. The previous year outturn and trends in-year have been considered; however, as always, these are subject to changing circumstances and unforeseen events. Directors and service managers continue to scrutinise all expenditure commitments in light of the planned savings set out in the Medium Term Financial Strategy.

External income is inherently difficult to predict as it is substantially demand led and impacted by external factors.

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

New contractual arrangements mean that payments made by the Council for processing of its recycling material collected from households is subject to a quarterly review of market indices. Consequently gate fees may fluctuate +/- from that currently projected changing the overall cost to the Council.

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 £19.497million. The amount expected to be spent in the current year is £6.897million:

	Total Programme	Profiled into Future Years	Expected Spend 2017/18	Actual Spend to end of Quarter	Actual Spend as % of Expected Spend
	£000	£000	£000	£000	
Braintree town centre regeneration	11,427	11,077	350	7	2%
Town centre improvements	979	977	2	2	100%
Springwood Drive "grow-on" units and parking	947	-	947	3	-
Planned maintenance to Council operated premises	770	105	665	13	2%
Commercial and investment property acquisitions	498	-	498	497	99%
Replacement vehicles and plant	481	45	436	-	-
Sports and leisure facilities improvements	397	-	397	134	34%
Refurbishment of play areas and parks and open spaces	353	131	222	24	11%
Environmental improvements – Spa Road	298	150	148	-	-
Paths, cycleways and other infrastructure	214	90	124	41	33%
Information technology systems	134	-	134	10	7%
Industrial estate improvements	129	-	129	21	16%
Operational equipment	76	25	51	1	1%
Cordons Farm waste transfer station	63	-	63	-	-
Grants to registered social landlords	1,169	-	1,169	-	-
Grants to private home owners –disabled facilities and heating systems	1,168	-	1,168	189	16%
Capital salaries	394	-	394	77	20%
Total	19,497	12,600	6,897	1,019	15%

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 5 RTB sales were completed in the first quarter generating £406,000 for the Council, with a further 45 RTB applications in progress. Based on the timing and likelihood of progression to completion, experience indicates an estimated 25 RTB sales for the year, which would generate approximately £1.9million. This compares to 38 sales completed last year generating £3.907million.

VAT shelter monies due to the Council for the first quarter are £43,000. The works programme planned by Greenfields for the year would suggest that the final total for the year could be around the amount budgeted.

The Council has also received £796,000 grant from the Better Care Fund via Essex County Council to fund the majority of the Council's disabled facility grant programme. This is an increase of £378,000 against the budgeted sum of £418,000.

Key Financial Indicators – 31st July 2017		Agenda No:6
Portfolio:	Finance and Performance	
Corporate Outcome:	A high-performing organisation that delivers excellent and value-for-money services Delivering better outcomes for residents and businesses and reducing costs to taxpayers	
Report presented by:	Trevor Wilson, Head of Finance	
Report prepared by:	Trevor Wilson, Head of Finance	
Background Papers:	Public Report	
None.	Key Decision: No	
Executive Summary:		
<p>The attached schedule (Appendix A) of key financial indicators provides details of performance recorded for the financial year to 31st July 2017.</p> <p>Commentary:</p> <ol style="list-style-type: none"> a) The net General Fund revenue budget for the year is £14.389million. The net expenditure incurred in the year to 31st July was £6.746million. This represents a positive variance of £298,000 compared to the profiled budget of £7.044million. The variance consists of an underspend on expenditure budgets of £98,000 and an over-achievement of income of £200,000. The predicted financial outturn based on a review at the end of the first quarter is a net positive variance of £543,000 (£629,000 overachievement of income partially offset by £86,000 expenditure overspend). b) The total budget for Salaries for the year is £15.103million. Expenditure on salaries for the year to the end of July was £5.02million. This compares to a profiled budget of £5.09million. The positive variance of £70,000 is after allowing for £50,000 of the Efficiency Factor (£150,000 for the year). c) Expenditure on capital projects, to the end of July, was £0.962million against the Capital Programme of £6.897million. The main schemes on which expenditure has been incurred are: purchase of the head lease of 15 Springwood Drive (£0.498m), Disabled Facilities Grants (£0.184m); and remedial works at the Braintree Swimming & Fitness Centre (£0.131m). d) The total Council Tax collectable debit for the year is £83.33million. The collection rate as at the end of July is 40.21% (£33.51million collected), which compares to a rate of 40.11% for the same period last year, a small improvement 		

of 0.1%.

- e) The total Business Rates (National Non-Domestic Rates) collectable debit for the year is £43.45million. The collection rate as at the end of July is 40.01% (£17.38million collected), which compares to a rate of 40.02% for the same period last year, a small reduction of 0.01%.
- f) A total of 266 write-offs of Council Tax, with a value of £16,977, have been authorised in the year to 31st July: 49 in respect of the current year and 217 in respect of previous financial years.
- g) A total of 39 write-offs of Business Rates, with a net value of £10,246, have been authorised in the year to 31st July: 5 in respect of the current year and 34 in respect of previous financial years.
- h) The amount of sundry debts owed to the Council, i.e. monies other than for Council Tax and NNDR, was £3.09million, of which £1.44million was in respect of Housing Benefit overpayments. The target for 2017/18 is to reduce the debt outstanding, excluding Housing Benefit overpayments, Museum Trust debt and invoices raised in March in respect of 2018/19, to £600,000 or less as at 31st March 2018.
- i) The rate of return achieved on investment of the Council's balances and funds in the year to-date is 0.39%. This return was achieved on an average amount invested of £52.7million and relates solely to monies placed with banks, building societies, the Debt Management Office and in Money Market Funds.
- j) Dividend received/declared in the year to 31st July is £266,085. The market values of these pooled funds show an unrealised net increase in the principal sum of £1.41million as at 31st July 2017. These investments have been placed in the knowledge that their capital values will be subject to volatility but overall their trend has been positive over the medium term (i.e. over a minimum of 3 years).
- k) Detail of the Council's investments of surplus monies, totalling £39.7million and in pooled funds, totalling £15million, as at 31st July 2017, is provided at Appendix B.

Recommended Decision:

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

Purpose of Decision:

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

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

Financial:	<p>The net General Fund revenue budget for the year is £14.389million. The net expenditure incurred in the year to 31st July was £6.746million. This represents a positive variance of £298,000. The predicted financial outturn based on a review at the end of the first quarter is a net positive variance of £543,000.</p> <p>Collection rates for council tax and business rates show marginal variations compared to those achieved at the same period last year, although both are expected to achieve target for the year.</p>
Legal:	None.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Environment and Climate Change:	None.
Consultation/Community Engagement:	None.
Risks:	Regular consideration of a suite of Financial Health Indicators is recommended good practice.
Officer Contact: Trevor Wilson	
Designation: Head of Finance	
Ext. No: 2801	
E-mail: trevor.wilson@braintree.gov.uk	

Key Financial Indicators at 31st July 2017

APPENDIX A

	Full Year Budget 2017/18	Actual as at 31 July 2017	Profile to 31 July 2017	Variance from Profile	
	£'000	£'000	£'000	£'000	%
General Fund - Revenue (Controllable)	14,389	6,746	7,044	-298	-4.2%
Capital Programme (Excl. capital salaries incl. below)	6,897	962			
General Fund - Salaries	15,103	5,020	5,090	-70	-1.4%

	Full Year Target	Actual as at 31 July 2017	Actual as at 31 July 2016	Variance
Council Tax collection in year - %	98.20%	40.21%	40.11%	0.10%
Council Tax collection - income collected for year - £m	£83.33			
Write-offs in year (April to May) - £'000		£6	£9	-£3
Write-offs in year (April to May) - number		49	29	20
Write-offs all years (April to May) - £'000		£17	£99	-£82
Write-offs all years (April to May) - number		266	462	-196
Business Rates collection in year - %	98.50%	40.01%	40.02%	-0.01%
Business Rates collected for year - £m	£42.45			
Write-offs in year (April to May) - £'000		£13	£15	-£2
Write-offs in year (April to May) - number		5	4	1
Write-offs all years (April to May) - £'000		£10	£103	-£93
Write-offs all years (April to May) - number		39	43	-4
Creditors - payment of invoices within 30 days of receipt	98.5%	99.2%	99.2%	0.00%

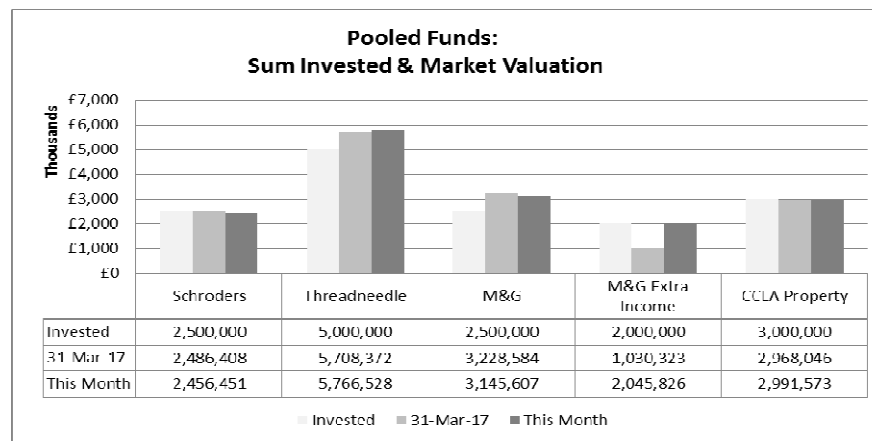
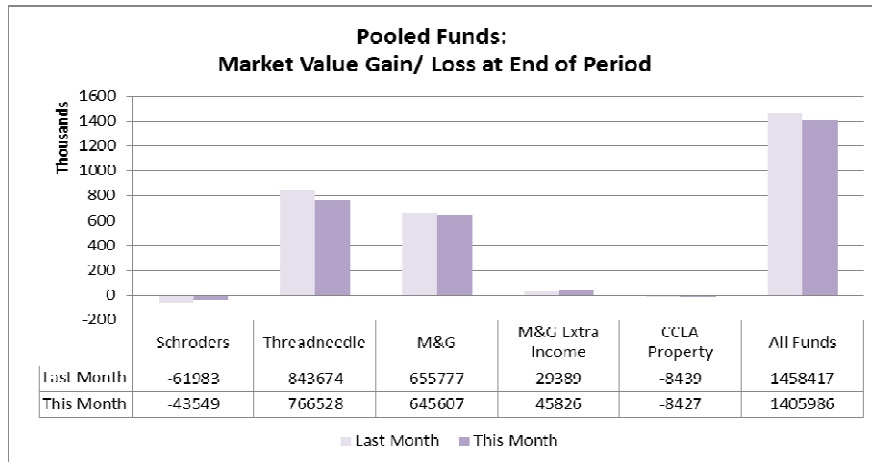
Debtors - Balance Outstanding	31-Mar-15	31-Mar-16	31-Mar-17	31-Jul-17
	£'000	£'000	£'000	£'000
Service Level Agreement charges - principally Tabor Academy and residents of Twin Oaks, Stisted	334	319	303	181
Capital Projects - currently - development site, east of High Street, Halstead	8	8	3	3
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	37	143	8	16
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	1	10	103	121
Development & Environment	257	271	619	207
Finance	36	61	108	259
Leisure	234	169	208	216
Operations	984	288	936	583
Housing	89	77	83	65
Sub-Total - excluding Hsg. Benefits	1,980	1,346	2,371	1,651
Housing Benefits	1,620	1,647	1,436	1,442
Total	3,600	2,993	3,807	3,093
Target for 2016/17 is for Debt Outstanding (excluding Housing Benefits, Museum Trust debt, charging orders and large value invoices raised in final days of the month-end) to be £0.6million by 31 March 2017.			689	1,328
Profile by Recovery Stage:				
Invoice	2,078	1,377	2,561	1,630
Reminder	254	275	281	385
Final Notice	198	190	-	-
Pre-legal	424	338	212	503
Enforcement Agent	406	426	387	199
Tracing Agent	15	4	11	18
Charging Order	35	23	32	32
Attachment to Benefits	190	360	322	326
Summons			1	-
Total	3,600	2,993	3,807	3,093
Write-offs in month - value - £'000	£1.8	£1.6	£2.2	£0.2
Write-offs in month - number	35	23	6	5
Write offs in year - value - £000	£28.0	£20.0	£25.5	£8.2
Write-offs in year - number	492	245	371	190

Progress on achieving Efficiency Savings Targets

The amount of the Efficiency Savings target included in the budget for 2017/18 is a net amount of £150,000. The underspend on salaries of £70,000, recorded above, is after offsetting £50,000 of the target.

INVESTMENT PORTFOLIO AS AT 31ST JULY 2017

						2017/18						
	£m	% rate	Type	Placed	Maturity	Maturity Profile £m						
						Liquid	Aug-17	Sep-17	Oct-17	Dec-17	Jan-18	Longer
UK Banks	6.70											
Santander Group												
Santander UK PLC	0.00	0.40%	Instant	Variable	Instant	0.00						
Santander UK PLC	3.00	0.45%	Fixed	13-Feb-17	14-Aug-17		3.00				6	
Lloyds TSB Group												
Lloyds Current Account	0.70	0.15%	Instant	Variable	Instant	0.70						
Bank of Scotland PLC	2.00	1.00%	Fixed	21-Sep-16	21-Sep-17			2.00				
Bank of Scotland PLC	1.00	1.00%	Fixed	1-Sep-16	1-Sep-17			1.00				
Barclays Bank PLC												
Barclays Bank PLC	0.00		Fixed									
UK Building Societies	6.00											
Nationwide Building Society												
Nationwide Building Society	1.00	0.37%	Fixed	20-Feb-17	14-Aug-17		1.00					
Nationwide Building Society	2.00	0.37%	Fixed	1-Jun-17	1-Dec-17					2.00		
Coventry Building Society												
Coventry Building Society	3.00	0.45%	Fixed	3-Apr-17	3-Oct-17				3.00			
Other Local Authorities	9.00											
Reading Council	3.00	0.42%	Fixed	15-Mar-17	20-Oct-17				3.00			
West Dunbartonshire Council	3.00	0.42%	Fixed	15-Mar-17	20-Oct-17				3.00			
Leeds City Council	3.00	0.40%	Fixed	3-Apr-17	29-Sep-17			3.00				
UK Debt Management Office	0.00											
Non UK Institutions	6.00											
Australia & New Zealand Banking Corp												
Landesbank Hessen-Thuringen	3.00	0.40%	Fixed	3-Mar-17	4-Sep-17			3.00				
Landesbank Hessen-Thuringen	3.00	0.38%	Fixed	11-Jul-17	11-Jan-18						3.00	
Money Market Funds	12.00											
Goldman Sachs												
Goldman Sachs	3.00	Variable	Instant	16-Nov-09	Instant	3.00						
Deutsche Sterling												
Deutsche Sterling	0.00	Variable	Instant	4-Aug-10	Instant	0.00						
Standard Life Liquidity												
Standard Life Liquidity	5.00	Variable	Instant	4-Aug-10	Instant	5.00						
Royal London Cash Plus												
Royal London Cash Plus	4.00	Variable	Instant	15-May-15	Instant	4.00						
Pooled Funds	15.00											
CCLA Property Fund												
CCLA Property Fund	3.00	Variable	Lterm	30-Oct-14	Lterm						3.00	
Threadneedle UK Equity												
Threadneedle UK Equity	5.00	Variable	Lterm	3-Nov-14	Lterm						5.00	
M & G Global Dividend												
M & G Global Dividend	2.50	Variable	Lterm	3-Nov-14	Lterm						2.50	
M & G Extra Income Fund Sterling												
M & G Extra Income Fund Sterling	2.00	Variable	Lterm	18-Oct-16	Lterm						2.00	
Schroders Income Maximiser												
Schroders Income Maximiser	2.50	Variable	Lterm	3-Nov-14	Lterm						2.50	
	54.70					12.70	4.00	9.00	9.00	2.00	3.00	15.00



Internal Audit – Activity Report for the period to 16th August 2017		Agenda No:7
Portfolio:	Finance and Performance	
Corporate Outcome:	A high-performing organisation that delivers excellent and value-for-money services	
Report presented by:	Lesley Day, Audit, Insurance and Fraud Manager	
Report prepared by:	Lesley Day, Audit, Insurance and Fraud Manager	
Background Papers:	Public Report	
Internal Audit Assignments.	Key Decision: No	
Executive Summary:		
<p>To provide Members with details of and outcomes from the audit assignments completed during the period 13th June 2017 to 16th August 2017. This includes for each assignment:</p> <ul style="list-style-type: none"> • the key controls covered • number of recommended action points and their priority • audit opinion • brief details of the high priority recommendations (if applicable) <p>An update on the Reportable Recommendations is also attached.</p>		
Recommended Decision:		
To accept the activity report for the period 13 th June 2017 to 16 th August 2017.		
Purpose of Decision:		
To advise Members of the audit assignments completed for the period 13 th June 2017 to 16 th August 2017.		

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

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

**INTERNAL AUDIT
COMPLETED ASSIGNMENTS to 16th August 2017**

Type	Topic	Days Taken	Recommendations			Key Controls Covered	High Priority recommendations	Agreed Implementation date	Audit Opinion
			L	M	H				
Non-core system	Land Charges	5	0			<ol style="list-style-type: none"> 1. Applications are completed for all searches and each allocated a reference number 2. Payment for searches are in accordance with the Council's fees and charges 3. Income is reconciled 4. Entries to land charges register are recorded and promptly entered 5. Any amendments to the system are supported by authorised paperwork 			We are satisfied that reliance can be placed on the key controls as described.
Non-core system	Recruitment	3	0			<ol style="list-style-type: none"> 1. The Recruitment and Induction procedure is complied with including: <ul style="list-style-type: none"> • Establishment control form • Recruitment and selection programme • Short listing and interviews • Appointment • Induction process 2. Personal files containing all relevant information to employees 3. Official orders are placed for advertising costs 4. Invoices for advertising costs are approved by an authorised signatory 			We are satisfied that reliance can be placed on the key controls as described
Non-core system	Staff Related Matters	3	0			<ol style="list-style-type: none"> 1. For all vacancies filled the posts was an established post 2. Procedures are in place to ensure all new employees have the appropriate access in place prior to the start of the employment 3. Accurate HR records are maintained for all employees 4. Overtime payments are processed correctly 5. Procedures are in place for officers leaving the authority to have IT access, door access and authorised signatory access removed 			We are satisfied that reliance can be placed on the key controls as described

Corporate	Performance Indicators	3	0	<ol style="list-style-type: none"> 1. That data is held to support the stated performance figure 2. The data is captured using the stated definition for the performance indicator 3. The calculation for the performance indicators are correct 4. The figure calculated for the performance indicator is reported correctly in the quarterly performance report 			We are satisfied that reliance can be placed on the key controls as described
Non-core system	Consultants	5	0	<ol style="list-style-type: none"> 1. Consultants are appointed in accordance with the Contract Procedure Rules as detailed in the Constitution 2. Quotations Register Entry or an approved Exemption Form is completed for all appointments 3. Consultants invited to work are on the Marketplace system 4. Following receipt and recording of quotes an official order is placed via the Marketplace system 			We are satisfied that reliance can be placed on the key controls as described
Non-core system	Energy & Utilities	4	0	<ol style="list-style-type: none"> 1. That expenditure and accompanying details for gas, electricity and water usage are: <ul style="list-style-type: none"> • accurately recorded and coded • relate to locations which are the Council's responsibility 2. That meter readings are taken and used to ensure the charges are correct 3. Charges in accordance with current contracts for supply 4. Expenditure for each location is reasonable 			We are satisfied that reliance can be placed on the key controls as described

Corporate	National Fraud Initiative	12	<u>2016/2017 Council Tax Single Person Discount</u>				
				<u>Matches</u>	<u>Closed</u>	<u>Open</u>	<u>Outcome</u>
			Council Tax to Electoral Register	554	539	15	£13,626.92
			Council Tax Rising 18's	40	10	30	Nil
			<u>2016/2017 National Exercise</u>				
				<u>Matches</u>	<u>Closed</u>	<u>Open</u>	<u>Outcome</u>
				2,025	2005	20	£2,180.95
			<u>Housing Benefit, Payroll, Council Tax Support</u>				
			Matches including:				
			<ul style="list-style-type: none"> • Student Loans • Payroll • Pensions • Housing benefit • Insurance Claims • Market Traders • Taxi Drivers • Personal Alcohol Licences • DWP Deceased • Creditors • Housing waiting Lists • Amberhill Data • Right-to-Buy • Companies House (Director) 				

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

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

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

Reportable Recommendations - Update

Area of review	Reported recommendations	Status
None		

There were no RIPA applications submitted for this period.

Statement of Accounts 2016/17 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 Report
Braintree District Council's Statement of Accounts 2016/17 Accounts and Audit (England) Regulations 2015		Key Decision: No
Executive Summary:		
<p>A draft set of Statement of Accounts were signed on 30th May 2017 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 2017. This was ahead of the statutory date of 30th June and reflects the preparations made towards meeting the earlier statutory deadline of 31st May which will apply from the 2017/18 accounting year.</p> <p>The Statement of Accounts is available to view on the Council's website at: https://www.braintree.gov.uk/download/downloads/id/6420/statement_of_accounts_2016-17_unaudited.pdf</p> <p>Whilst there have been no changes to accounting policies for 2016/17, the Council has applied the new requirement to present the financial statements on the basis of how resources are managed and reported internally, rather than using the previously prescribed set of service headings. This change also introduces a new note to the accounts, the Expenditure and Funding Analysis, which reconciles how resources are controlled internally against budget and ultimately chargeable to General Fund balances, with the position reported in accordance with generally accepted accounting practices. These presentational changes have also required restatement of elements of the 2015/16 comparators.</p> <p>The Council's External Auditor, Ernst & Young LLP (EY), commenced the audit of the accounts on Monday 17 July 2017; 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.</p> <p>The External Auditor's report contains a request at Appendix D for the Council to provide a Letter of Representation to be signed by the Corporate Director and Chair 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.</p>		

The accounts were available for public inspection between 5th June and 14th July 2017. During this time no requests to inspect the accounts or any questions for the external auditor were received.

The statutory deadline for publication of the audited Statement of Accounts is 30th September 2017.

Recommended Decision:

1. To receive and note the External Auditor's Audit Results Report for the year ended 31st March 2017
2. To approve certification of the Letter of Representation by the Corporate Director and Chair of the Governance Committee
3. To approve the Council's Statement of Accounts 2016/17

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 Financial Outturn 2016/17 was reported to Cabinet on 10 th July 2017, 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 2016/17 the audited and approved Statement of Accounts must be published by 30 th September 2017.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Environment and Climate Change:	None.
Consultation/Community Engagement:	The draft Statement of Accounts was made available for public inspection over the period 5 th June to 14 th July 2017.
Risks:	None.
Officer Contact: Phil Myers	
Designation: Financial Services Manager	
Ext. No: 2810	
E-mail: phil.myers@braintree.gov.uk	

Braintree District Council
Audit results report

Year ended 31 March 2017





Private and Confidential

6 September 2017

Dear Governance Committee Members

We have substantially completed our audit of Braintree District Council (the Authority) for the year ended 31 March 2017

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.

The statutory deadline for 2016/17 is 30 September 2017. However, the Authority are aiming to approve the financial statements on 6 September 2017. As such we confirm that we also expect to issue our audit opinion on this date. This is an excellent achievement and the Council are well placed to achieve the revised 2017/18 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 look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Kevin Suter
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

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03 Audit Report

04 Audit Differences



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 September 2015)" 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, other members of the Authority 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, other members of the Authority 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, other members of the Authority 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 obtaining our written consent.



01 Executive Summary



Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to your Governance Committee meeting on the 22 March 2017, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £ 1.508million. We reassessed this using the actual year-end figures, which increased this amount to £1.522 million. The threshold for reporting audit differences has increased from £75,000 to £76,000. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross expenditure.

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

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

Status of the audit

We have substantially completed our audit of Braintree District Council's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Braintree District Council's financial statements in the form which appears in section 3 of this report. However until work is complete, further amendments may arise. The main outstanding areas at the time of drafting this report include:

- Review of the final version of the financial statements;
- Completion of subsequent events review;
- Receipt of the signed management representation letter; and
- Completion of final review procedures.

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



Executive summary (continued)

Audit differences

There are no unadjusted or adjusted audit differences arising from our audit.



Executive Summary

Executive summary (continued)

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial statements of Braintree District Council. This report sets out our observations and conclusions in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Key Audit Issues" section of this 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; and
- 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 Governance Committee.

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 Plan we identified significant risks in respect of:

- Sustainable resource deployment: We identified that over the past 18 months the Council jointly with Essex County Council, Colchester Borough Council and Tendring District Council have developed proposals for Garden Communities in North Essex. The governance and accounting arrangements around this project represented a significant risk. Our approach was to review the Council's financial and governance arrangements around the transaction and assess the findings of the peer review performed by Lord Kerslake.

We have completed our work to address this risk and have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



Executive Summary

Executive summary (continued)

Other reporting issues

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

We are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission as the Authority falls below the £350 million threshold for review as per the NAO's group instructions.

We have no other matters to report.

Control observations

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

Independence

Please refer to Appendix B for our update on Independence.





02 Areas of Audit Focus



Areas of Audit Focus

Audit issues and approach: Key issue: *Revenue Recognition*

Revenue Recognition

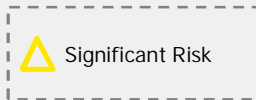
What are our conclusions?

Our testing has not identified 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.

What is the risk?

Risk of fraud in revenue recognition
Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In this 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 manipulating expenditure recognition.
One area which may be susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme



What did we do?

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



Areas of Audit Focus

Audit issues and approach: Key issue: *Management Override*

Management override

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.

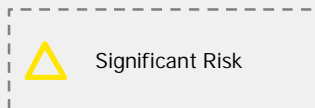
We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

What is the risk?

Risk of management override

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We believe that the risk of management override is greatest in respect of accruals, other accounting estimates.



What did we do?

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias; and
- We evaluated the business rationale for any significant unusual transactions.



Audit issues and approach: Other financial statement risks



Non-Current assets

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

The Council engages an external expert valuer who applies a number of complex assumptions. Annually, assets are assessed to identify whether there is any indication of impairment. As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk Property, Plant and Equipment assets may be misstated or the associated accounting entries incorrectly posted. 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.

This risk relates to assets that are revalued, being 'Other land and Buildings' and surplus assets. Vehicles, plant and equipment, infrastructure assets, Heritage and community assets are held at historic cost.

Our approach has focused on consideration of:

- the work performed by the Council's valuer, Wilks, Head & Eve, including the adequacy of the scope of the work performed, professional capabilities and the results of their work;
- the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- any significant changes to useful economic lives as a result of the most recent valuation;
- whether asset categories held at cost have been assessed for impairment and are materially correct; and
- whether the accounting entries have been correctly processed in the financial statements, including the treatment of impairments.

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



Areas of Audit Focus



Pension Liability – IAS19

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

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body (Essex County Council).

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

International Standards of Auditing (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.

Our approach has focused on:

- Liaising with the audit engagement team of the Essex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Braintree District Council;
- Assessing the conclusions drawn on the work and assumptions used by Barnett Waddingham (the Pension Fund actuary) by using and reviewing the work of the Consulting Actuary commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, PwC; and
- Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in Note 27 to the financial statements. However, we do consider that the methodologies used to derive the discount rate and RPI inflation assumptions are optimistic and do not take adequate account of the specific duration of the scheme's liabilities. In future years, this could potentially lead to unacceptable assumptions



Areas of Audit Focus



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

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

The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates and reflects the Council's internal financial reporting structure.

This change in the Code has required a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives has required audit review which was performed in April 2017.

Our audit approach has focused on:

- ▶ Reviewing the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the Code;
- ▶ Reviewing the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported; and
- ▶ Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.

There were no significant matters to report.



03 Audit Report



Draft audit report

Our proposed opinion on the financial statements

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

Opinion on the Authority's financial statements

We have audited the financial statements of Braintree District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the, Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, the related notes 1 to 33, and the 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 2016/17.

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.

Respective responsibilities of the Corporate Director and auditor

As explained more fully in the Corporate Director's 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



Audit Report

Draft audit report (continued)

Our proposed opinion on the financial statements

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporate Director; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Braintree District Council as at 31 March 2017 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 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.



Audit Report

Our proposed opinion on the financial statements

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.

Conclusion on Braintree District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

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.



Audit Report

Our proposed opinion on the financial statements

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 2016, as to whether the Authority 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 Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, 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 2017.

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.

..... Date:.....September 2017

*Kevin Suter (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton*



04 Audit Differences



Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and 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 audit differences

There were no uncorrected misstatements.

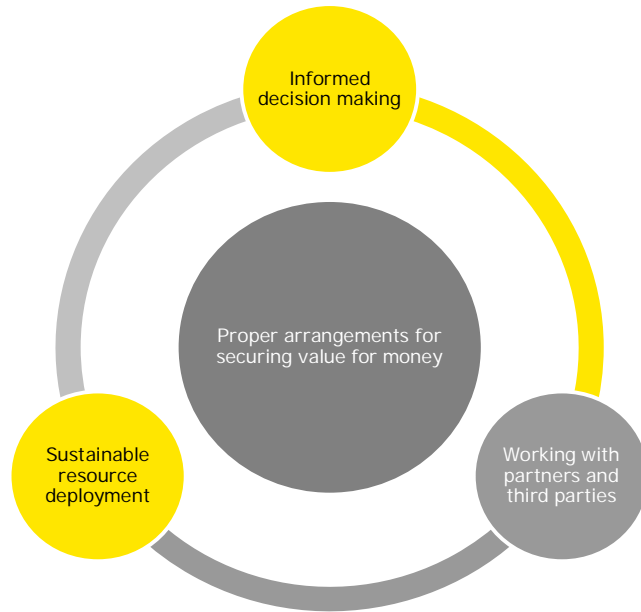
There were no corrected misstatements or other issues than in our judgement need drawing to the attention of the Committee.



05 Value for Money



Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

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

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion



Value for Money

VFM risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as:
“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”
 Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.
 The table below presents the findings of our work in response to the risks areas in our Audit Plan

What is the significant VFM risk?	What arrangements did this affect?	What are our findings?
-----------------------------------	------------------------------------	------------------------

<p>Informed Decision Making – Essex Garden Communities Project</p> <p>Over the last 18 months the Council jointly with Essex County Council, Colchester Borough Council and Tendring District Council have developed proposals for Garden Communities in North Essex.</p> <p>The aim of the Garden communities approach is to identify an agreed strategic approach to the allocation and distribution of large scale housing led mixed use development, including employment opportunities and infrastructure provision.</p> <p>The Council has sourced a peer review performed by Lord Kerslake. The review looked at the current approach to delivering Garden Communities in North Essex.</p> <p>As a new and significant arrangement there may be risks relating to the governance and accounting arrangements for the establishment of the project that affect the Council.</p>	<p>Informed decision making to effectively deliver strategic priorities.</p>	<p>We have undertaken the procedures as set out in our audit strategy which have focused on:</p> <ul style="list-style-type: none"> • Gaining an understanding of the governance structure; and • Obtaining and assessing the findings of the peer review performed by Lord Kerslake. <p>Our work demonstrates that the North Essex Garden Communities Project between Essex County Council, Braintree District Council, Colchester Borough Council and Tendring District Council is being governed appropriately and that there is a strong working relationship between the parties.</p> <p>The Authorities have responded positively and in a timely fashion to the recommendations provided in Lord Kerslake’s peer review.</p> <p>Given the early stage of the project we are likely to revisit these arrangements as the project develops.</p>
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06

Other reporting issues



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 2016/17 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.

Our findings are:

- Financial information within the Narrative Report and published with the financial statements was consistent with the Annual Accounts.
- We have reviewed the Annual Governance Statement. We can confirm it is consistent with other information from our audit of the financial statements.

We have no 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 are specified by the National Audit Office.

The Authority falls below the £350 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 Audit Committee.



Other reporting issues

Other reporting issues

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 matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process, in the following areas:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and Group audits

There are no issues to report.



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 might result in a material misstatement in your financial statements of which you are not that aware.







08 Appendices



Appendix A

Required communications with the Governance Committee

There are certain communications that we must provide to the Governance Committee of UK clients. We have done this by:

		 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.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	22 March 2017 Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> • Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Any significant difficulties encountered during the audit • Any significant matters arising from the audit that were discussed with management • Written representations we have requested • Expected modifications to the audit report • Any other matters significant to overseeing the financial reporting process 	6 September 2017 Audit Results Report
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 	6 September 2017 Audit Results Report No conditions or events were identified, either individually or together to raise any doubt about Braintree DC'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 ▶ Significant corrected misstatements, in writing 	6 September 2017 Audit Results Report



Appendix A



Our Reporting to you





When and where

Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Asking the Governance Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Governance Committee responsibility. 	6 September 2017 Audit Results Report
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, where 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/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	6 September 2017 Audit Results Report We have no further matters to report
Subsequent events	<ul style="list-style-type: none"> ▶ Where appropriate, asking the Governance committee whether any subsequent events have occurred that might affect the financial statements. 	6 September 2017 Audit Results Report We have asked management and those charged with governance. We have no matters to report
Other information	<ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	6 September 2017 Audit Results Report We have no matters to report.
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. 	6 September 2017 Audit Results Report We have received all requested confirmations.



Appendix A

Our Reporting to you

Required communications	What is reported?	  When and where
Consideration of laws and/or regulations	<ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on “tipping off” ▶ Asking the Governance Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Governance Committee. 	6 September 2017 Audit Results Report We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	6 September 2017 Audit Results Report
Independence	<p>Communication of all significant facts and matters that have a bearing on EY’s objectivity and independence.</p> <p>Communicating 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 on the firm’s general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	6 September 2017 Audit Results Report
Fee Reporting	<p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p>	6 September 2017 Audit Results Report
Certification work	Summary of certification work	Certification Report



Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 22 March 2017

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 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 Governance Committee on 6 September 2017.

We confirm we have undertaken no non-audit work outside the PSAA Code requirements.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have undertaken no non-audit work outside the PSAA Code requirements.

Description	Final fee 2016/17 £'s	Scale Fee 2016/17 £'s	Final Fee 2015/16 £'s
Total Audit Fee - Code Work	59,756	59,756	59,756
Certification of Claims and Returns - Note 1	TBC	13,778	13,728



Note 1: We have not commenced our work on the Housing Benefit grant certification. We will report the outturn fee within our Certification report.



Accounting and regulatory update

Accounting update

Since the date of our last report to the Governance Committee new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on Braintree District Council 
<i>IFRS 9 Financial Instruments</i>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured • How the impairment of financial assets are calculated • Financial hedge accounting • The disclosure requirements for financial assets. <p>• Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> • Reclassify existing financial instrument assets • Remeasure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items <p>The Council is awaiting clarification of the exact requirements before investing time in the above work.</p>



Appendix C

<p><i>IFRS 15 Revenue from Contracts with Customers</i></p>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none">• Leases;• Financial instruments;• Insurance contracts; and• for local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <ul style="list-style-type: none">• There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be.	<p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to:</p> <ul style="list-style-type: none">• Disaggregate revenue into appropriate categories• Identify relevant performance obligations and allocate income to each• Summarise significant judgements <p>The Council is awaiting clarification of the exact requirements before investing time in the above work.</p>
<p><i>IFRS 16 Leases</i></p>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p> <p>The Council is has yet to commence work in this area due to the timing of implementation.</p>





Appendix C

Accounting and regulatory update (continued)

Progress report on implementation of new standards and regulations

In previous reports to the Governance, Audit and Performance Committee we highlighted the issue of new accounting standards and regulatory developments. The following table summarises progress on implementation:

Name	Summary of key measures 	Impact on Braintree District Council 
<i>Earlier deadline for production and audit of the financial statements from 2017/18</i>	<ul style="list-style-type: none"> The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July. 	<p>The Council has implemented a dry-run for 2016/17 and produced their draft accounts by the 30 May 2017.</p> <p>This is an excellent achievement, together with the lack of significant findings from our audit indicating the accounts remained of good quality.</p> <p>Through working together, and reflecting on this year, there are a number of areas where the closedown and audit processes can be further improved going forward. We do not expect the formal earlier deadline to pose a significant issue for the Council.</p>



Appendix D – Request for a Management representation letter

Trevor Wilson
Head of Finance
Braintree District Council
Causeway House
Braintree
Essex
CM7 9HB

15 August 2017

Ref:
Your ref:

Direct line:

Email:

Dear Trevor

Braintree District Council – 2016/17 financial year Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Council.

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of Braintree District Council ("the Council") for the year ended 31 March 2017.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Braintree District Council as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.



Appendix D – Request for a Management representation letter

You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent we 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, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. That you acknowledge as members of management of the Council, your 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 2016/17 and are free of material misstatements, including omissions. We have approved the council financial statements.
3. You confirm that the Responsible Officer has:
 - Reviewed the accounts
 - Reviewed all relevant written assurances relating to the accounts, and
 - Made other enquiries as appropriate.
4. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Council, we believe that the Council has 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 2016/17, that are free from material misstatement, whether due to fraud or error.



Appendix D – Request for a Management representation letter

B. Fraud

1. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. You have disclosed to us the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. That you have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, you have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements.

You have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. You have disclosed to us all known actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. You have provided us 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 as agreed in terms of the audit engagement.
- Additional information that we have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.

2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. That you have made available to us all minutes of the meetings of the Council and its relevant 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: 27 July 2017.



Appendix D – Request for a Management representation letter

4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council related parties and all related party relationships and transactions of which you 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 period 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 financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

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

F. Subsequent Events

1. That other than described in Note 33 to the Council's financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.



Appendix D – Request for a Management representation letter

G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
 - That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Expenditure Funding Analysis 5

1. That you have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.
2. You confirm that the financial statements reflect the operating segments reported internally to the Council.

I. Going Concern

1. That you have made us aware of any issues that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

J. Ownership of Assets

1. That except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet(s).



Appendix D – Request for a Management representation letter

K. Reserves

1. You have properly recorded or disclosed in the council financial statements the useable and unusable reserves.

L. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the values of the Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Council's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

2. You 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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

3. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.

4. You confirm that the disclosures made in the council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events.

6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.

7. You confirm that for assets carried at historic cost, that no impairment is required.



Appendix D – Request for a Management representation letter

M. Retirement benefits

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

N. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2016-2017.
2. You confirm that the content contained within the other information is consistent with the financial statements.

O. Specific Representations

We do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Audit Committee) on the proposed audit opinion date (currently 6 September 2017) on formal headed paper.

Yours sincerely
Kevin Suter
Executive Director
Ernst & Young LLP
United Kingdom

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Treasury Management Mid-Year Report 2017/18		Agenda No:9
Portfolio:	Finance and Performance	
Corporate Outcome:	A high-performing organisation that delivers excellent and value-for-money services	
	Delivering better outcomes for residents and businesses and reducing costs to taxpayers	
Report presented by:	Phil Myers, Financial Services Manager	
Report prepared by:	Phil Myers, Financial Services Manager	
Background Papers:	Public Report	
Treasury Management Strategy Statement 2017/18 – approved by Full Council on 22 nd February 2017	Key Decision: No	
Executive Summary:		
1. <u>Background</u>		
1.1 The Council’s treasury management activities are regulated by statutory requirements and by a Code of Practice (“the Code”) issued by the Chartered Institute of Public Finance (CIPFA).		
1.2 One of the key requirements of the Code is that, along with an annual strategy to be approved prior to the commencement of the financial year and an annual report after the financial year-end, the Council should also receive at least one mid-year report on its treasury management activities.		
2. <u>Treasury Management Strategy</u>		
2.1 The Treasury Management Strategy Statement (TMSS) is approved annually by the Council in February as part of the overall Budget and Council Tax setting for the forthcoming financial year. The TMSS approved in February 2017, was based on the following presumptions:		
<ul style="list-style-type: none"> • A fully funded capital programme, largely reliant on reserves and balances set aside for the District Investment Strategy (DIS), and capital receipts. • The availability of cash balances for investment – the assumption was that these would reduce over the medium-term as resources were applied to meet projects approved under the DIS. • No specific new borrowing would be required in 2017/18; however, the approved DIS included provision for new borrowing to be undertaken, with plans indicating this would be in 2018/19 and 2019/20. The exact timing of taking out borrowing would be kept under review in light of interest rate forecasts and capital spending profiles. 		

- Diversification and maintaining a longer-term view on investments to counter the risks associated with both a prolonged period of low interest rates and changes in the banking regulatory framework.

3. External Context

3.1. **Appendix A** to the report provides an economic and market commentary covering the current financial year (as at 15th August 2017) written by Arlingclose, the Council's treasury management advisors.

3.2. In summary:

- Inflation as measured by the Consumer Price Index (CPI) remains above the target set by the Government.
- Gross Domestic Product data showed economic growth at a much slower pace with the services sector providing the main boost to growth. Concerns persist that growth will be further limited in the second half of the year.
- The Bank of England's Monetary Policy Committee (MPC) has made no change to monetary policy at its meetings this year, although opinions have been divided.
- It is expected that the MPC will look through periods of high inflation and maintain its low-for-longer stance on policy interest rates for an extended period.
- Gilt yields have displayed significant volatility over the period, whereas the FTSE 100 powered away reaching a record high of 7548 in May before marginally dropping off. Money market rates have remained low.

4. Capital Expenditure and Financing

4.1. The capital programme is currently expected to be £6.897million, which is £4.722m lower than set out in the TMSS. This is mainly due to a number of schemes within the broad plans of the DIS still being subject to a business case and formal approval. This is also reflected in changes to the proposed financing mix with less being drawdown from the DIS reserve.

4.2. The Council received £378,000 more Better Care Funding which is being used to increase the Disabled Facilities Grant programme.

4.3. The updated capital expenditure and financing plans show £356,000 of unfinanced expenditure which is being met from "internal borrowing". This amount relates to expenditure on replacement vehicles and is part of a larger replacement programme which was substantially completed in 2016/17. However, two vehicles were held over pending a review of the vehicle specification by the service.

5. Capital Financing Requirement

5.1. The Capital Financing Requirement (CFR) is a balance sheet derived amount which indicates the extent to which the Council has previously invested in capital but not financed the spending from its own capital resources. It is therefore an indicator of the amount of borrowing the Council could potentially justify as being required to meet expenditure with lasting benefits. The CFR is also used to

determine the amount of Minimum Revenue Provision (MRP) the Council is required to set aside from its General Fund revenue account.

5.2. The estimated CFR at 31 March 2018 is expected to be £8.817million which is broadly in line with that originally forecast in the TMSS of £8.738million. Actual borrowing and other liabilities are projected to be £9.861million. This excess borrowing is the result of legacy debt, although the difference has reduced over recent years as the Council has implemented “invest to save” property acquisitions and other similar projects.

6. Borrowing and Other Liabilities

6.1. The only movement in the year expected is the annual repayment of some finance leases. The Council approved limits on borrowing which at present remain sufficient. In the TMSS the Authorised Limit was increased for future years in anticipation of new borrowing to support the DIS. In addition, limits will be subject to further review and potential future increase as the Council considers reports on the setting up of a Housing Development Company and on progress of the North Essex Garden Communities.

7. Investment Activity

7.1. The TMSS included the Annual Investment Strategy (AIS) approved by Council in accordance with statutory guidance issued by the Department for Communities and Local Government. The AIS sets out the parameters used for selecting suitable investment counterparties and related exposure limits (duration/ amounts).

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

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

7.4. At 31st March 2017, cash balances were £38.92million, which was higher than originally anticipated in the TMSS (£36.064million) due to a combination of higher earmarked reserves; increased amounts held in relation to the Collection Fund (Council Tax and business rates); a higher underspend on the General Fund revenue account for 2016/17; and reprofiling of capital expenditure.

7.5. For the period April to end July 2017, cash balances for investment have averaged £52.696million, and operated within a range of daily totals of between £39.31million and £57.559million. Cash balances typically peak around August/ September before reducing over the remainder of the year.

7.6. The current forecast is for cash balances to be £39.285million at 31st March 2018 – i.e. no significant change from that at the start of the year. However, this is £9.29million higher than previously assumed in the TMSS due mainly to the reprofiling of scheme within the DIS; but also due to higher balances on capital and revenue reserves as a result of the 2016/17 outturn.

- 7.7. Funds managed to date this year have been invested in a mixture of fixed term deposits and call accounts with UK and non-UK financial institutions; money market funds; lending to other local authorities; and pooled funds.
- 7.8. Up to the end of July investment balances had increased by a net £15.789million to £54.709million. This included a further £1million being added to the M&G Extra Income Fund (an equity fund) taking the total invested in pooled funds to £15million, which is the maximum permitted by the Council under the current TMSS.
- 7.9. The overall return to the end of July was £315,825 or 1.79% (annualised). Interest earned on short-term investments was £49,740 equating to a return of 0.39% which reflects the continued prevailing low level of money market interest rates. Dividends from long-term pooled funds are paid quarterly and can vary quarter on quarter. Up to the end of July dividends received/ declared were £266,085 or 5.3%.
- 7.10. The value of the Council's investments in pooled funds can fluctuate in response to changing market sentiment. Under current accounting rules these changes in value are unrealised and have no effect on the General Fund revenue account until such time investments are sold. At the 31st July 2017 the overall valuation of funds was £16.412million, representing an unrealised gain of £1.412million (1.422million at 31st March 2017).

8 Credit Developments and Credit Risk Management

- 8.1. The price of UK bank credit default swaps (insurance against default) have continued their downward trend, reaching three year lows by the end of June. There have been a few credit rating changes but nothing impacting negatively on the Council's activities.
- 8.2. Ring-fencing, which requires the larger UK banks to separate their core retail banking activity from the rest of their business, is expected to be implemented within the next year. This has led Arlingclose to recommend clients reduce maximum duration limits from 13 months to 6 months for certain institutions as a precautionary measure whilst details are yet to be confirmed.
- 8.3. The new European Union (EU) regulations for Money Market Funds (MMFs) were finally approved and published with funds required to be compliant by no later than January 2019. The key features include Low Volatility Net Asset Value (LVNAV) MMFs which will be permitted to maintain a constant dealing NAV. Arlingclose expects most of the short-term MMFs it recommends to clients will convert to the LVNAV structure but it remains to be seen how each fund manager reacts to the final regulations.
- 8.4. New rules come into effect from 3rd January 2018, under the EU second Markets in Financial Instruments Directive (MiFID II). This will mean from this date the default position will be that local authorities will be treated as "retail clients" for investment purposes, the same as individuals and small-medium enterprises. Whilst this may entail some increased protection, this is likely to be at the expense of higher fees, increased paperwork, and reduced market access. The protections do not include exemption from potential bail-ins, and local authorities

are specifically excluded from the Financial Services Compensation Scheme.

8.5. The current intention is that the Council would seek to “opt-up” to be treated as a professional client, as is the current position. This is subject to the Council being able to meet certain criteria around level of activity, knowledge, expertise and experience. To aid this process the Council has been registered with the CIPFA online workflow solution, Public Sector Link, which has been developed in consultation with financial institutions.

9 Outlook for remainder of 2017/18

9.1. Following the UK vote to leave the EU there is still a great deal of uncertainty on Brexit negotiations, even after Article 50 was triggered in April. This is further complicated by the outcome of the general election held in June.

9.2. The Bank of England’s Monetary Policy Committee (MPC) expects inflation to rise further in the coming months, staying above the MPC’s target over their forecast period. At present the MPC is likely to look beyond this inflationary pressure but will look to tighten monetary policy in the future. However, all members of the MPC seem to agree that increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

9.3. The likely path for the Bank Rate for the foreseeable time is therefore to remain flat at 0.25%. However, there is a downside risk for rates to be cut to zero in the short-medium term, and scope for rates to be increased from 2019 onwards, albeit modestly to 0.50%.

Recommended Decision:

1. To recommend to Cabinet acceptance of the Treasury Management Mid-Year Report 2017/18 prior to its submission to Full Council.
2. To note the intention of the Corporate Director (Finance) to opt-up to professional status for the Council in dealing with investment counterparties.

Purpose of Decision:

The Council has adopted the CIPFA Code of Practice for Treasury Management in Public Services which requires the Council to receive at least one mid-year report on its treasury management activities. This report is to be considered first by the Governance Committee before being recommended on to Cabinet and then Full Council.

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

Any Corporate implications in relation to the following should be explained in detail.	
Financial:	No new financial implications – the report is a summary of activity so far this year.
Legal:	The Council's treasury management activities are subject to regulation by a number of professional codes, statutes, and related guidance. Changes from January 2018 following implementation of the European Union second Markets in Financial Instruments Directive (MiFID II) means the Council will automatically be treated as a retail client by regulated counterparties. Whilst this may afford the Council with some additional protections these are likely to be at the expense of increased fees, increased paperwork, and reduced market access. The rules would not protect the Council from potential bail-in of a failing institution, nor bring it within the scope of the Financial Services Compensation Scheme. Therefore, the report indicates that it is the intention of the Corporate Director (Finance) to seek to opt-up the Council to "professional client" status.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Environment and Climate Change:	None.
Consultation/Community Engagement:	None.
Risks:	The objective of the TMSS is to manage the risks inherent within the Council's treasury management activities. Rules implemented under MiFID II from January 2018, could provide some enhanced protection to the Council; however, these could limit future treasury management activities. Therefore it is the intention of the Corporate Director (Finance) to seek to opt-up the Council to "professional client" status which would mean these additional protections would not apply.
Officer Contact:	Phil Myers
Designation:	Financial Services Manager
Ext. No:	2810
E-mail:	phil.myers@braintree.gov.uk

Treasury Management Mid-Year Report 2017/18

1. Background

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

2. Treasury Management Strategy

- 2.1. The Treasury Management Strategy Statement (TMSS) is approved annually by the Council in February as part of the Budget and Council Tax Setting for the forthcoming financial year.
- 2.2. The TMSS approved in February 2017, was based on the following presumptions:
 - A fully funded capital programme, largely reliant on reserves and balances set aside for the District Investment Strategy (DIS), and capital receipts.
 - The availability of cash balances for investment – the assumption was that these would reduce over the medium-term as resources were applied to meet projects approved under the DIS.
 - No specific new borrowing would be required in 2017/18; however, the approved DIS included provision for new borrowing to be undertaken, with plans indicating this would be in 2018/19 and 2019/20. The exact timing of taking out borrowing would be kept under review in light of interest rate forecasts and capital spending profiles.
 - Diversification and maintaining a longer-term view on investments to counter the risks associated with both a prolonged period of low interest rates and changes in the banking regulatory framework.

3. External Context

- 3.1. **Appendix A** provides an economic and market commentary covering the current financial year (as at 15 August 2017) written by Arlingclose, the Council's treasury management advisors.
- 3.2. In summary:
 - Inflation as measured by the Consumer Price Index (CPI) remains above the target set by the Government with the data for May showing CPI at

2.9%, its highest since June 2013, although thereafter CPI has fallen back to 2.6% in July which is in line with the Bank of England's estimate published in its August *Inflation Report*.

- Q1 and Q2 Gross Domestic Product (GDP) data showed economic activity growing at a much slower pace of 0.2% and 0.3% respectively, with the services sector providing the main boost to growth. With the dominant services sector accounting for 79% of GDP, the strength of consumer spending remains vital to growth, but with household savings falling and real wage growth negative, there are concerns that these constraints will limit growth in the second half of calendar 2017.
- The Bank of England's Monetary Policy Committee (MPC) has made no change to monetary policy at its meetings this year, although the vote to keep Bank Rate at 0.25% narrowed to 5-3 in June highlighting that some MPC members were more concerned about rising inflation than the risks to growth.
- In the face of a struggling economy and Brexit-related uncertainty, Arlingclose expects the Bank of England will look through periods of high inflation and maintain its low-for-longer stance on policy interest rates for an extended period.
- Gilt yields displayed significant volatility over the period: the yield on 5 year gilts rose from 0.51% to 0.72% over the period before falling back to 0.51%, 10-year gilts rose from 1.06% to 1.31% then falling to 1.15% and the yield on 20-year gilts rising from 1.58% to 1.85% then falling back to 1.65%.
- The FTSE 100 nevertheless powered away reaching a record high of 7548 in May but dropping off marginally to 7428 at the time of writing. Money market rates have remained low: 1-month, 3-month and 12-month LIBID rates have averaged 0.24%, 0.32% and 0.65% over the period April to end July.

3.3. The table below summarises the level of market interest rates for the period 1st April to 31st July 2017:

	Bank Rate	Overnight LIBID	7-day LIBID	1-MTH LIBID	3-MTH LIBID	6-MTH LIBID	12-MTH LIBID
Average	0.25	0.13	0.21	0.24	0.32	0.45	0.65
Maximum	0.25	0.21	0.31	0.32	0.38	0.54	0.80
Minimum	0.25	0.00	0.15	0.12	0.20	0.36	0.54
Spread	0.25	0.21	0.16	0.20	0.18	0.18	0.26

LIBID = London Interbank Bid Rate

4. Capital Expenditure and Financing

4.1. The following table shows the original estimated capital expenditure and financing as set out in the TMSS approved by Council for 2017/18 alongside an update for the current year:

Capital Expenditure & Financing 2017/18

	TMSS £000	Revised £000	Change £000
Capital programme	4,771	4,995	224
District Investment Strategy	6,848	1,902	(4,946)
Total Expenditure	11,619	6,897	(4,722)
<i>Funded by:</i>			
Capital receipts	(3,973)	(3,896)	77
District Investment Strategy reserve	(6,648)	(1,061)	5,587
Better Care Funding	(418)	(796)	(378)
Growth Area Funding	(405)	(337)	68
Third party contributions	(175)	(351)	(176)
Revenue and reserves	0	(100)	(100)
Total Finance	(11,619)	(6,541)	5,078
Unfinanced Expenditure	0	356	356

- 4.2. The above table shows that the capital programme is currently expected to be £4.722 million lower than was originally set out in the TMSS. This is mainly due to a number of schemes which had previously been outlined within the broad plans of the District Investment Strategy (DIS), and reflected in the TMSS, but which are still subject to a business case and Member approval. Once formal approval is given the capital programme and financing will be updated accordingly.
- 4.3. The change in planned financing also reflects the position regarding the DIS whereby a lower level of drawdown from the reserve is expected. The change does not exactly match the difference in spending as some re-profiling of existing DIS projects (and their associated financing) has been made, as well as some additions to planned spending, e.g. the inclusion of a proportion of the cost of additional Economic Development and Project Delivery staff who will now support delivery of DIS projects.
- 4.4. The Council has also received a higher level of grant through the Better Care Funding which has been applied to increase the resources available for the Council's Disabled Facilities Grant programme.
- 4.5. Whilst the TMSS was approved on the basis of a fully funded programme, the updated plans now show £356,000 of unfinanced expenditure which is effectively being met from "internal borrowing" i.e. using cash held in respect of the Council's balances/ reserves. This amount relates to expenditure on replacement vehicles which was originally planned in 2016/17. Previously, the Corporate Director for Finance agreed a switch in funding for £1.543million of vehicle replacements, which would save the Council future interest costs. Whilst most of the replacements (£1.187million) were acquired in 2016/17, two vehicles were held over whilst the service undertook a review of the final vehicle specifications.

5. Capital Financing Requirement

- 5.1. The Capital Financing Requirement (CFR) is a balance sheet derived amount which indicates the extent to which the Council has previously invested in capital but not financed the spending from its own capital resources. It is therefore an indicator of the amount of borrowing the Council could potentially justify as being required to meet expenditure with lasting benefits. Actual borrowing may differ from the CFR, e.g. if the Council has internally borrowed (as per para. 4.5 above). However, generally internal borrowing is only a short-medium term option as should the Council need to spend its balances/ reserves this would result in a cash shortfall that would then need to be met from external borrowing.
- 5.2. The CFR is also used to determine the amount of Minimum Revenue Provision (MRP) the Council is required to set aside from its General Fund revenue account. It is through this requirement that the Council ensures that its external borrowing is prudent, affordable, and sustainable as any MRP ultimately impacts on the amount of Council Tax to be raised to set a balanced budget.
- 5.3. The following table shows the planned movement in the CFR and expected amount at the end of the year.

Capital Financing Requirement (CFR) 2017/18

	TMSS £000	Revised £000	Change £000
CFR at start of the year	9,472	9,130	(342)
Increase due to unfinanced capital expenditure	0	356	356
Minimum Revenue Provision	(394)	(329)	65
Finance leases annual principal repaid	(340)	(340)	0
	(734)	(669)	65
Est. net change in CFR	(734)	(313)	421
Est. CFR at end of the year	8,738	8,817	79

- 5.4. The table shows that the end of year CFR is expected to be broadly in line with that originally forecast in the TMSS, the main difference being the re-profiling of expenditure on replacement vehicles (see para. 4.5 above) and the consequential reduction in MRP due for this year. MRP on this expenditure will now commence from 2018/19.
- 5.5. Borrowing and Other Liabilities at the end of the year are projected to be £9.861million (see section 6 below) which is higher than the CFR. This has typically been the position for a number of years as the Council continues to hold legacy borrowing for which sufficient resources had previously been set aside as provision for repayment under rules set by government. In more recent years the difference has reduced as the Council has implemented “invest to save” property acquisitions and other similar projects which have

effectively used the cash set aside pending opportunity to either refinance or repay the legacy debt.

6. Borrowing and Other Liabilities

6.1. The following table shows the expected movement on borrowing and other liabilities in 2017/18:

Borrowing and Other Long-Term Liabilities

	Borrowing £000	Finance Leases £000	Other Long- Term £000	Total £000
Amounts owed 1 April 2017	6,000	3,201	1,000	10,201
Additions	-	-	-	-
Repayments	-	(340)	-	(340)
Est. amounts owed 31 March 2018	6,000	2,861	1,000	9,861

6.2. The Council approved borrowing limits within the TMSS: an Operational Limit of £11 million (reflecting expected borrowings); and an Authorised Limit of £25 million (the maximum level of borrowing). At present these limits remain sufficient for the Council's capital expenditure plans. The TMSS did set out higher Operational Limits in future years as the Council expects to increase its borrowing activity to support the DIS. In addition, borrowing limits will also be subject to review and potential increase in the future as the Council considers reports on the setting up of a Housing Development Company and on the progress of the North Essex Garden Communities.

7. Investment Activity

7.1. The TMSS included the Annual Investment Strategy (AIS) approved by Council in accordance with statutory guidance issued by the Department for Communities and Local Government. The AIS sets out the parameters used for selecting suitable investment counterparties and related exposure limits (duration/ amounts).

7.2. The AIS is based on the investment priorities being:

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

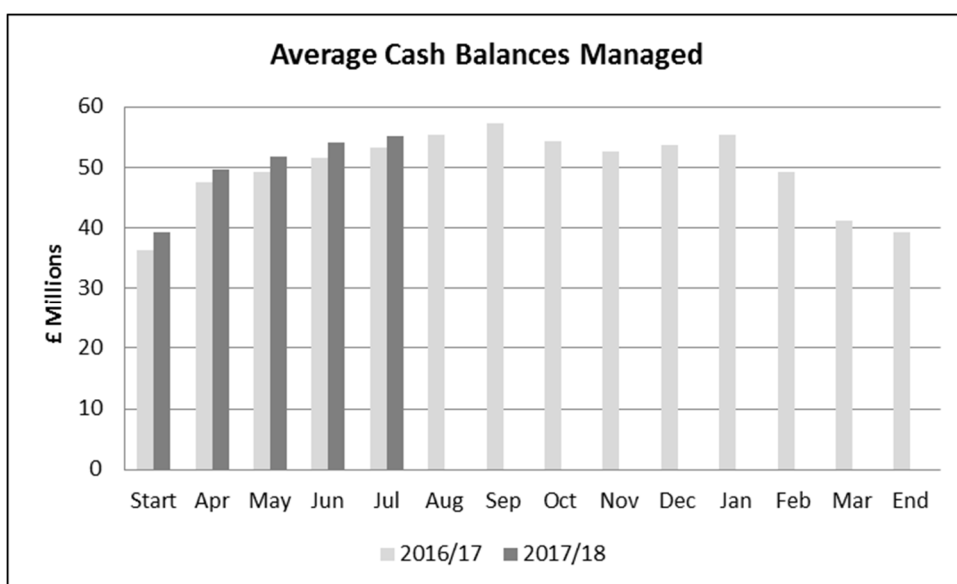
7.3. Only when having ensured these two priorities are met is highest yield considered.

Cash Balances for Investment

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

7.5. At 31st March 2017, cash balances were £38.92million, which was higher than originally anticipated in the TMSS (£36.064million). The additional £2.856million was due to a combination of higher earmarked reserves; increased amounts held in relation to the Collection Fund (Council Tax and business rates); a higher underspend on the General Fund revenue account for 2016/17; and reprofiling of capital expenditure.

7.6. For the period April to end July 2017 cash balances for investment have averaged £52.696million, and operated within a range of daily totals of between £39.31million and £57.559million. Cash balances typically peak around August/ September before reducing over the remainder of the year.



7.7. The current forecast is for cash balances to be £39.285million at 31st March 2018 – i.e. no significant change from that at the start of the year. However, this is £9.29million higher than previously assumed in the TMSS due to the following factors:

- Reprofiling of scheme within the DIS;
- Carry over of higher receipts due in 2016/17 from Greenfields Community Housing in respect of Right-to-Buy sales and the VAT shelter arrangement;
- The cumulative effect of a higher under spend on the General Fund revenue account in 2016/17 and projected underspend in the current year; and
- Increased amounts held in earmarked reserves.

Investment Policy and Activity

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

- Fixed term deposits with major UK and non-UK banks and building societies, which meet the Council's credit criteria as set out in the TMSS.
- Deposits on call or instant access accounts with major UK banks meeting the Council's credit criteria.
- AAA rated constant Net Asset Value (NAV) Money Market Funds (MMFs), where the value of principal invested is expected to remain constant. Funds used are: Standard Life Liquidity, Deutsche Managed Sterling, and Goldman Sachs Asset Management.
- A variable NAV MMF where small fluctuations in the value of the fund can occur – the fund used is managed by Royal London Asset Management.
- Pooled Funds – equity funds and a property fund which represent the Council's long-term investments
- Lending to other local authorities.
- Lloyds Bank current account.

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

Investment Activity 1 April to 31 July 2017

	Balance 01/04/17 £000	Investments:		Balance 31/07/17 £000
		Made £000	Matured/ Sold £000	
Long-Term Investments				
Equity funds	11,000	1,000	-	12,000
Property fund	3,000	-	-	3,000
Sub-Total Long-Term	14,000	1,000	0	15,000
Short-Term Investments				
UK Banks & Building Societies	7,000	5,000	-	12,000
Non UK Banks	3,000	3,000	-	6,000
Other Local Authorities	6,000	3,000	-	9,000
Money Market Funds – CNAV	5,000	19,500	(16,500)	8,000
Money Market Funds – VNAV	4,000	-	-	4,000
Sub-Total Short-Term	25,000	30,500	(16,500)	39,000
Long and Short-Term Investments	39,000	31,500	(16,500)	54,000
Lloyds Bank current account *	(95)	798	-	703
Impaired Deposit #	15		(9)	6
Total Investment Balances	38,920			54,709

* Net movement # Recovered debt

7.10.

A further £1million was added to the M&G Extra Income Fund (an equity fund) in April taking the total amount held in Pooled Funds to £15million which is the maximum permitted under the current approved strategy, and distributed as shown in the table below.

Pooled Funds at 31 July 2017

Fund	Invested £000
Schroder UK Income Maximiser Seeks to provide income and capital growth with target income of 7% p.a. by investing in mainly UK equities	2,500
Threadneedle UK Equity Income Steady growth in income and acceptable capital growth. Aims for a yield greater than 110% of the FTSE All Share Index	5,000
M&G Global Dividend Fund Aims to: deliver an income stream that increases every year; deliver a yield above that available from the MSCI All Countries World Index over any five year period; and deliver a higher total return over the MSCI All Countries World Index over any five year period	2,500
M&G UK Income Distribution Fund Aims to increase income distributions over time and targets a yield greater than the FTSE All-Share Index. The investment manager will also aim for capital growth.	2,000
CCLA Local Authorities Property Fund Aims to provide long-term capital and income return. The fund must pay out the income it generates.	3,000
Total	15,000

Investment Returns and Fair Values

7.11.

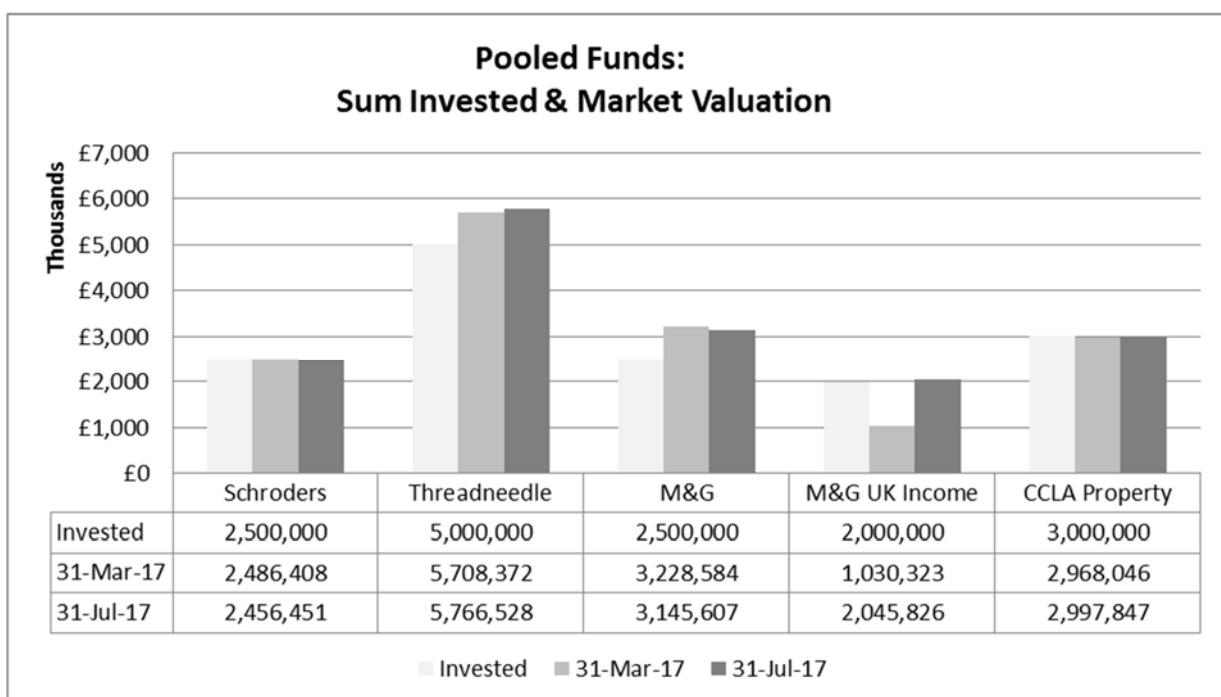
The overall return to the 31st July 2017 was £315,825 or 1.79% (annualised). Interest earned on short-term investments was £49,740 equating to a return of 0.39% which reflects the continued prevailing low level of money market interest rates. Dividends from long-term pooled funds are paid quarterly and can vary quarter on quarter. Up to the end of July dividends received/declared were £266,085 or 5.3%.

Investment Returns 1 April to 31 July 2017

	Average Invested £000	Interest/ Dividends £	Return (annualised) %
Long-Term Investments			
Equity Funds	11,959	231,198	3.5%
Property Fund	3,000	34,887	5.8%
Sub-Total Long-Term	14,959	266,085	5.3%
Short-Term Investments			
UK Banks & Building Societies	10,951	21,452	0.59%
Non UK Banks	3,516	4,667	0.40%
Other Local Authorities	8,877	12,270	0.41%
Money Market Funds – CNAV	9,070	6,540	0.22%
Money Market Funds – VNAV	4,000	4,148	0.31%
Lloyds Bank current account	1,323	663	0.15%
Sub-Total Short-Term	37,737	49,740	0.39%
Long and Short-Term Investments	52,696	315,825	1.79%

7.12.

The value of the Council's investments in Pooled Funds can fluctuate in response to changing market sentiment. Under current accounting rules these changes in value are unrealised and have no effect on the General Fund revenue account until such time investments are sold. At the 31st July 2017 the overall valuation of funds was £16.412million representing an unrealised gain of £1.412million (1.422million at 31st March 2017).



Note: £1m was added to M&G UK Income in April 2017

8. Credit Developments and Credit Risk Management

- 8.1. Counterparty credit quality is assessed and monitored with reference to credit ratings; credit default swaps; Gross Domestic Product (GDP) of the country in which the institution operates; the country's net debt as a percentage of GDP and share price. The minimum long-term counterparty credit rating set by the Council has been A- based on the three leading rating agencies: Fitch, Standard & Poor's (S&P), and Moody's. This is supplemented by other market intelligence.
- 8.2. UK bank credit default swaps have continued their downward trend, reaching three year lows by the end of June. Bank share prices have not moved in any particular pattern. There have been a few credit rating changes up to mid-August. Moody's downgraded Standard Chartered Bank's long-term rating to A1 from Aa3 on the expectation that the bank's profitability will be lower following management's efforts to de-risk their balance sheet. The agency also affirmed Royal Bank of Scotland's and NatWest's long-term ratings at Baa1, placed Lloyds Bank's A1 rating on review for upgrade, revised the outlook of Santander UK plc, and Nationwide and Coventry building societies from negative to stable following improvement to their asset quality, but downgraded the long-term rating of Leeds Building Society from A2 to A3. Moody's downgraded the ratings of the large Australian banks to Aa3 from Aa2 reflecting the agency's view of the rising risks from the banks' exposure to the Australian housing market and the elevated proportion of lending to residential property investors.
- 8.3. Ring-fencing, which requires the larger UK banks to separate their core retail banking activity from the rest of their business, is expected to be implemented within the next year. In May, following Arlingclose's advice, the maximum duration limits for deposits with Bank of Scotland, HSBC Bank and Lloyds Bank were reduced from 13 months to 6 months as there is some uncertainty surrounding which banking entities local authorities will be dealing with once ring-fencing is implemented.
- 8.4. The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July and existing funds will have to be compliant by no later than 21 January 2019. The key features include Low Volatility Net Asset Value (LVNAV) MMFs which will be permitted to maintain a constant dealing NAV, providing that the fund's market NAV does not deviate from the dealing NAV by more than 20 basis points, alongside other criteria including 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 but it remains to be seen how each fund manager reacts to the final regulation.
- 8.5. New rules come into effect from 3rd January 2018, under the European Union (EU) second Markets in Financial Instruments Directive (MiFID II) which aims to improve the functioning of financial markets in light of the previous financial crisis and to strengthen investor protection. Among many other changes, MiFID II seeks to provide additional protections to "municipalities and local public authorities" due to "limits in [their] ability...to appreciate the risk of their investments". The Financial Conduct Authority (FCA), the UK regulator of financial services, has some discretion on the implementation of this in the UK, and consulted on proposed rules in late 2016. The FCA's final rules were published in a policy

statement issued on 3rd July 2017.

8.6. Local authorities are currently all treated by financial services firms as “professional clients”, the middle of three categories. But, from January 2018 the default position will be that local authorities are to be treated as “retail clients”, the same as individuals and small-medium sized enterprises. Whilst this may entail some increased protection, this is likely to be at the expense of higher fees, increased paperwork, and reduced market access.

8.7. The main protection for retail clients includes a requirement for firms to ensure that investments are suitable for the client. This protection does not extend to exemption from bank bail-ins, or protection under the Financial Services Compensation Scheme, since these are covered by separate EU directives. However, in the case of the compensation rules local authorities are specifically excluded from this scheme unless they have an annual budget of less than €500,000. In addition, the Financial Ombudsman does not accept complaints from local authorities.

8.8. Local authorities will be permitted to “opt-up” to professional client status, providing they meet the following criteria:

- The authority holds an investment balance of at least £10 million (including cash deposits);
- The person making the investment decisions on behalf of the authority has at least one year’s experience of either providing or receiving financial services in a similar role OR the authority has made 40 trades in the past year in similar investments to those for which services are to be provided;
- The firm assesses that the authority’s staff have the expertise, experience and knowledge to make investment decisions on behalf of the authority and understands the risks involved; and
- The authority requests the firm to treat it as a professional client which would require acknowledgement from the authority that it is aware of the consequences of losing the protections afforded to retail clients.

8.9. In its policy statement the FCA gives some guidance on assessing the “expertise, experience, and knowledge” in the second bullet point above. It notes that governance and advice arrangements can contribute to this assessment. Adherence to CIPFA Codes or undertaking relevant training or qualifications may also assist in demonstrating knowledge and expertise.

8.10.

As the Council meets the first two criteria at 8.8 above it is intended that the Council would elect to “opt-up” to be treated as a professional client by its counterparties. Indications are that the opting-up process could be challenging for local authorities to implement manually in the timescale required, which would involve collecting data, sending to multiple financial institutions, and responding to ad hoc queries. The Council has, therefore, registered to use the free of charge CIPFA online workflow solution, Public Sector Link, which has been developed in consultation with financial institutions to manage the opting-up process and the

ongoing classifications. Data requirements will reflect agreed standards currently under discussion between CIPFA, the Local Government Association, and representative industry bodies.

9. Outlook for remainder of 2017/18

- 9.1. Following the UK vote to leave the EU there is still a great deal of uncertainty on Brexit negotiations, even after Article 50 was triggered in April. This is further complicated by the outcome of the general election held in June.
- 9.2. The MPC's overall assessment of the outlook for inflation and activity as set out in the Bank of England's (BoE) August Inflation Report is broadly similar to that in May. In the MPC's central forecast, GDP growth remains sluggish in the near term as the squeeze on households' real incomes continues to weigh on consumption. The MPC expects inflation to rise further in the coming months and to peak around 3% in October, as the past depreciation of sterling continues to pass through to consumer prices. Conditional on the current market yield curve, inflation is projected to remain above the MPC's target throughout the BoE's forecast period.
- 9.3. The MPC judges that some tightening of monetary policy would be required in the future to achieve a sustainable return of inflation to the target. Specifically, if the economy follows a path broadly consistent with the August central projection, then monetary policy would need to be tightened. In light of these considerations, at the MPC meeting held on 2nd August 2017, six members thought that the current policy stance remained appropriate to balance the demands of the MPC's remit. Two members considered it appropriate to increase Bank Rate by 25 basis points (5:3 at the meeting in June). All members agreed that any increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- 9.4. The likely path for the Bank Rate for the foreseeable time is for it to remain flat at 0.25%. However, there is a downside risk for rates to be cut to zero in the short-medium term, and scope for rates to be increased from 2019 onwards, albeit modestly to 0.50%.
- 9.5. Arlingclose believe that the Government and the Bank of England have both the tools and the willingness to use them to prevent any immediate market-wide problems leading to bank insolvencies. The cautious approach to credit advice means that the banks currently on the Council's counterparty list have sufficient equity buffers to deal with any localised problems in the short term.

Appendix A – Economic and Market Commentary (as at 15th August 2017) by Arlingclose

Commodity prices slid back over the past six months with oil falling below \$45 a barrel before inching back up to \$50.6 a barrel. The primary factor in the oil price fall was oversupply and a lack of belief in OPEC's (Organisation of Petroleum Exporting Countries) ability to deliver on agreed production caps of members.

UK Consumer Price Inflation (CPI) index rose with the data for May showing CPI at 2.9%, its highest since June 2013 as the fall in the value of sterling following the June 2016 referendum result continued to feed through into higher import prices. Thereafter, however, CPI has fallen back to 2.6% in July which is in line with the Bank of England's estimate published in its August *Inflation Report*. The new inflation measure CPIH, which includes owner occupiers housing costs, was also 2.6%. The latest statistics released by the Office for National Statistics (ONS) for the three months to June 2017 show that the number of people in work increased and both the number of unemployed and economically inactive people fell. The unemployment rate dropped to 4.4% and the employment rate increased to 75.1%, this is the highest since records began in 1971, but the squeeze on real wages (i.e. after inflation) is intensifying with average earnings growing at 2.1%. Q1 and Q2 Gross Domestic Product (GDP) data showed economic activity growing at a much slower pace of 0.2% and 0.3% respectively, the services sector providing the main boost to growth. With the dominant services sector accounting for 79% of GDP, the strength of consumer spending remains vital to growth, but with household savings falling and real wage growth negative, there are concerns that these constraints will limit growth in the second half of calendar 2017.

Understandably, the Bank of England made no change to monetary policy at its meetings this year, although the vote to keep Bank Rate at 0.25% narrowed to 5-3 in June highlighting that some MPC members were more concerned about rising inflation than the risks to growth.

Having raised rates in March, the US Federal Reserve ("the Fed") made no change to monetary policy at the conclusion of its meeting in May. The weakness witnessed in first quarter US GDP of 1.2% annualised was overhauled by a more decent 2.6% annualised growth rate in the second quarter. The US Federal Reserve increased its target range of official interest rates in June for the second time in 2017 by 25bps (basis points) to between 1% and 1.25% and, despite US inflation hitting a soft patch with core CPI at 1.7%, a further similar increase is expected during the second half of 2017. There is also expectation that the Fed will announce at its September meeting its intention on unwinding the size of its balance sheet.

Geopolitical tensions escalated in August as the US and North Korea exchanged verbal threats over reports about enhancements in North Korea's missile programme. The provocation from both sides helped wipe off nearly \$1 trillion from global equity markets but safe-haven assets such as gold, the US dollar and the Japanese yen benefit. As we write there are signs of tensions easing but, with the US and South Korea preparing for joint military exercises, North Korea's threat to fire missiles towards Guam [which is a US naval base] cannot be entirely dismissed.

Prime Minister Theresa May called an unscheduled General Election in June, to resolve uncertainty and in the hope of gaining an enhanced mandate to enter the forthcoming Brexit negotiations. The surprise result has led to a minority

Conservative government in a confidence and supply arrangement with the Democratic Unionist Party. This political impasse clearly results in an enhanced level of political uncertainty. Although the potential for a so-called hard Brexit is now diminished, lack of clarity over future trading partnerships, in particular future customs agreements with the rest of the EU block, is denting business sentiment and investment.

The reaction from the markets on the UK election’s outcome has been fairly muted, business confidence now hinges on the progress (or not) on Brexit negotiations, the ultimate ‘divorce bill’ for the exit and whether new trade treaties and customs arrangements are successfully concluded to the UK’s benefit.

In the face of a struggling economy and Brexit-related uncertainty, Arlingclose expects the Bank of England will look through periods of high inflation and maintain its low-for-longer stance on policy interest rates for an extended period.

Financial markets: Gilt yields displayed significant volatility over the period with the push-pull from expectations of tapering of Quantitative Easing (QE) in the US and Europe and from geopolitical tensions, which also had an impact on gilts. The yield on 5 year gilts rose from 0.51% to 0.72% over the period before falling back to 0.51%, 10-year gilts rose from 1.06% to 1.31% then falling to 1.15% and the yield on 20-year gilts rising from 1.58% to 1.85% then falling back to 1.65%.

The FTSE 100 nevertheless powered away reaching a record high of 7548 in May but dropping off marginally to 7428 at the time of writing (15th Aug). Money market rates have remained low: 1-month, 3-month and 12-month LIBID rates have averaged 0.24%, 0.32% and 0.65% over the period April to end July.

Money Market Data

Table: Bank Rate, Money Market Rates

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/4/2017	0.25	0.00	0.25	0.27	0.38	0.48	0.67	0.62	0.70	0.85
30/4/2017	0.25	0.00	0.20	0.21	0.28	0.37	0.57	0.56	0.63	0.79
31/5/2017	0.25	0.21	0.23	0.30	0.36	0.47	0.58	0.52	0.60	0.76
30/6/2017	0.25	0.02	0.20	0.22	0.35	0.52	0.73	0.69	0.80	0.99
31/7/2017	0.25	0.18	0.18	0.22	0.20	0.40	0.57	0.59	0.69	0.88
Average	0.25	0.13	0.21	0.24	0.32	0.45	0.65	0.57	0.65	0.81
Maximum	0.25	0.21	0.31	0.32	0.38	0.54	0.80	0.69	0.80	0.99
Minimum	0.25	0.00	0.15	0.12	0.20	0.36	0.54	0.44	0.49	0.63
Spread	0.25	0.21	0.16	0.20	0.18	0.18	0.26	0.25	0.31	0.36

Forward Look – Twelve months to October 2018		Agenda No:10
Portfolio:	Finance and Performance	
Corporate Outcome:	A high-performing organisation that delivers excellent and value-for-money services Delivering better outcomes for residents and businesses and reducing costs to taxpayers	
Report presented by:	Trevor Wilson, Head of Finance	
Report prepared by:	Trevor Wilson, Head of Finance	
Background Papers:	Public Report	
None.	Key Decision: No	
Executive Summary:		
<p>To present to Governance Committee the report schedule for the year with a brief summary of each report so that Members can see the routine audit and accounts business that will come before the Committee in each cycle together with the annual cycle of governance reports.</p> <p>There may be ad-hoc reports added, either at the request of Members, the external auditor or from officers, during the year.</p>		
Recommended Decision:		
Members are asked to note the report schedule for the next twelve-month period.		
Purpose of Decision:		
To agree the work and reports which will be undertaken and presented to the Governance Committee over the coming twelve months.		

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

Financial:	None.
Legal:	None.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Environment and Climate Change:	None.
Consultation/Community Engagement:	None.
Risks:	None.
Officer Contact: Trevor Wilson	
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Report Schedule

Date	Report	Summary
10th January 2018	Annual Audit Letter 2016/17	To present the Annual Audit Letter covering the Council's financial audit. The Committee receives the report on behalf of the Council and may make observations to Cabinet who can decide to take action to make improvements based on the external auditor's assessment.
	Grant Claim Certification for year ended 31 st March 2017	To receive external auditors report.
	Draft Treasury Management Strategy 2018/19	To present the draft Treasury Management Strategy for 2018/19. The Governance Committee to review and make observations on the draft to the Cabinet, which will then present the Strategy to Full Council for approval in February 2018.
	Internal Audit Activity report	To present details of the completed audit assignments.
	Effectiveness of the Internal Audit function report	Outcome of the external quality assessment on the effectiveness of the Council's Internal Audit function.
	Financial Indicators report	To present details of key financial indicators for the year to end of November 2017.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report advising of progress on projects, performance indicators and the forecast position on revenue spending and the capital programme.
	Risk Management – Strategic Risks Report	To provide a copy for information of the Cabinet Report on the Council's Strategic Risk Register which details significant business risks being monitored and managed by Management Board in line with the Council's Risk Management Strategy.
	Standards Annual Monitoring Officers Report on the Standards Framework	Report from the Head of Governance on the activity of the Standards Sub-Committee for 2017.

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

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

October 2018	Report	Cabinet Report advising of progress on projects, performance indicators and the forecast position on revenue spending and the capital programme.
	Internal Audit Activity report	To present details of the completed audit assignments.
	Treasury Management Strategy	To present a mid-year report on the delivery and performance of the Treasury Management Strategy for 2018/19.
	Financial Indicators report	To present details of key financial indicators for the year to September 2018.