

CORPORATE GOVERNANCE GROUP AGENDA

Thursday, 29th October 2020 at 7.15pm

In accordance with the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, this meeting will be held via Zoom and by the Council's YouTube channel – Braintree District Council Committees.

Members of the public will be able to view and listen to this meeting via YouTube.

To access the meeting please use the link below:

<http://www.braintree.gov.uk/youtube>

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

Membership:-

Councillor P Euesden

Councillor D Hume

Councillor H Johnson (Vice Chairman)

Councillor D Mann

Councillor Miss V Santomauro

Councillor R van Dulken (Chairman)

Councillor D Wallace

Councillor T Walsh

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
Chief Executive

INFORMATION FOR MEMBER – DECLARATIONS OF MEMBERS' INTERESTS

Declaration of Disclosable Pecuniary Interests (DPI), Other Pecuniary Interests (OPI) or Non-Pecuniary Interests (NPI).

Any Member with a DPI, OPI or NPI 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 DPI or OPI 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.

Public Question Time – Registration and Speaking:

In response to the Coronavirus the Council has implemented procedures for Public Question Time for its virtual meetings which are hosted via Zoom.

The Agenda allows for a period of up to 30 minutes for Public Question Time.

Participation will be via the submission of a written question or statement which will be read out by an Officer or the Registered Speaker during the meeting. All written questions or statements should be concise and should be able to be read **within 3 minutes** allotted for each question/statement.

Members of the public wishing to participate are requested to register by contacting the Governance and Members Team on 01376 552525 or email governance@braintree.gov.uk by midday on the working day before the day of the Committee meeting. For example, if the Committee meeting is due to be held on a Tuesday, the registration deadline is midday on Monday, (where there is a bank holiday Monday you will need to register by midday on the previous Friday).

The Council reserves the right to decline any requests to register for Public Question Time if they are received after the registration deadline.

Upon registration members of the public may indicate whether they wish to read their question/statement or to request an Officer to read their question/statement on their behalf during the virtual meeting. Members of the public who wish to read their question/statement will be provided with a link to attend the meeting to participate at the appropriate part of the Agenda.

All registered speakers are required to submit their written questions/statements to the Council by no later than 9am on the day of the meeting by emailing them to governance@braintree.gov.uk. In the event that a registered speaker is unable to connect to the virtual meeting their question/statement will be read by an Officer.

Questions/statements received by the Council will be published on the Council's website. The Council reserves the right to remove any defamatory comment in the submitted questions/statements.

The Chairman of the Committee has discretion to extend the time allocated for public question time and to amend the order in which questions/statements are presented to the Committee.

Documents: Agendas, Reports, Minutes and Public Question Time questions and statements can be accessed via www.braintree.gov.uk

Data Processing: During the meeting the Council will be collecting performance data of participants' connectivity to the meeting. This will be used for reviewing the functionality of Ms Teams/Zoom and YouTube as the Council's platform for virtual meetings and for monitoring compliance with the legal framework for Council meetings. Anonymised performance data may be shared with third parties.

For further information on how the Council processes data, please see the Council's Privacy Policy. https://www.braintree.gov.uk/info/200136/access_to_information/376/privacy_policy

We welcome comments 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 to 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 Corporate Governance Group held on 11 th August 2020 (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 Key Financial Indicators - 30th September 2020	6 - 10
Audit and Governance	
6 Internal Audit Update, Including Progress Against Audit Plan 2020/2021	11 - 21
7 Audit Charter Oct 2020/21	22 - 34
8 Updated Anti Money Laundering Policy	35 - 46
9 Treasury Management Mid-Year Report 2020/21	47 - 66
10 Monitoring Officer's Report on Standards	67 - 72
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.	

Key Financial Indicators – 30 th September 2020		Agenda No: 5
Portfolio	Finance and Performance Management	
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 30th September 2020.</p> <p>Commentary:</p> <p>a) The net General Fund revenue budget for the year is £15.226m. The net expenditure incurred in the year to 30th September was £9.718m. This represents a negative variance of £243,000 compared to the profiled budget of £9.475m. This variance results primarily from the impact of Covid on the Council's income generating services and to a lesser extent on additional unbudgeted expenditure and the extent to which this has not been fully covered by Emergency funding from Central Government.</p> <p>b) Assessments of the financial impact of Covid on the Council have been requested on a monthly basis by the Government. The latest return (6th) was submitted on 2nd October, and for this it was estimated that additional expenditure of £1.044m and a reduction in income of £2.562m are expected in 2020/21. In addition, based on the collection rates for the first six months of this year it is forecast that £2.116m of council tax and £1.539m of business rates will not be collected during the year. The Government has provided £1.724m of Emergency funding to the Council for this year and in addition has recently asked councils to submit applications for support under its Loss of Sales, Fees and Charges income compensation scheme. An application for compensation of £411,000, relating to the period April to July, was submitted on 30th September. Further applications will be submitted in December 2020 and April 2021 for the remaining months of the year.</p>		

- c) Accountants are currently finalising work with service managers on the half-year (end of September) information to assess the impact of the COVID-19 pandemic and to predict the outturn position for the year. The outcome of this will be included in the Quarterly Performance report which will be received by the Cabinet on 23rd November 2020 and will inform the budget setting process for 2021/22.
- d) The total budget for Salaries for the year is £18.778million. Expenditure on salaries for the year to the end of September was £9.362m. This compares to a profiled budget of £9.454m. The positive variance of £92,000 is after allowing for £150,000 of the Efficiency Factor (£300,000 for the year). It should be noted that the profiled budget has been updated to incorporate the actual pay award of 2.75%, which was higher than the provision of 2% included in the original budget. The additional cost is £135,000 for the year and this is to be met from balances.
- e) The budget for the year for rental income received from commercial and industrial properties is £2.901m, which consists of 218 leases, and is net of an allowance for voids of £52,380. The actual value of rents invoiced to the end of September is £2.226m against a profiled budget of £2.215m. All properties were occupied as at 30th September.
- f) Expenditure on capital projects, to the end of September, was £10.457m against the updated Capital Programme of £39.369m, which includes estimated expenditure on: Manor Street Development of £17.579m; Horizon 120 of £12.465m; I-Construct of £1.144m; Suffolk Waste Partnership investment of £1.228m; and Pedestrianisation of Braintree town centre of £2.776m. The main schemes on which expenditure has been incurred are: Suffolk Waste Partnership investment (£1.228m), Manor Street Development (£4.506m), Horizon 120 (£3.08m) and Pedestrianisation (£0.705m).
- g) The total Council Tax collectable debit for the year is £97.83m. The collection rate as at the end of September is 57.63% (£56.38m collected), which compares to a rate of 58.80% for the same period last year.
- h) The total Business Rates (National Non-Domestic Rates) collectable debit for the year is £26.52m. The collection rate as at the end of September is 54.90% (£14.558m collected), which compares to a rate of 57.95% for the same period last year. The amount collectable is lower than in previous years due to the Government's Expanded Retail and Nursery rate relief schemes having been awarded with a total value of £19.075m.
- i) A total of 341 write-offs of Council Tax, with a value of £48,380 have been authorised in the year to 30th September: 47 in respect of the current year and 294 in respect of previous financial years.
- j) A total of 16 write-offs of Business Rates, with a net value of £20,082, have been authorised in the year to 30th September: 4 in respect of the current year and 12 in respect of previous financial years.
- k) The amount of sundry debts owed to the Council, i.e. monies other than for Council Tax and NNDR, was £3.546m, of which £1.657m was in respect of Housing Benefit overpayments, £0.421m for Asset Management and £0.289m for

Trade Waste services. Payment plans are agreed and range from payment within 14 days and payments by instalments throughout the year to plans determined under Regulations (prescribed maximum amount that can be received from a debtor's benefit award).

- l) Detail of the Council's Treasury Management activity for the first half of 2020/21 is provided in a separate report on this agenda.

Recommended Decision:

Members are asked to accept the report of the Key Financial Indicators as at 30th September 2020.

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:	Detailed in the report.
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.
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Key Financial Indicators at 30th September 2020

APPENDIX A

	Full Year Budget 2020/21	Actual 30 Sept 2020	Promise to 30 Sept 2020	Variance from Profile	
	£'000	£'000	£'000	£'000	%
General Fund - Expenditure					
Salaries	18,778	9,362	9,454	-92	-1.0%
Other Controllable Expenditure	37,639	21,538	21,464	74	0.3%
General Fund - Income					
Commercial & Industrial Property - Rental Income	-2,901	-2,226	-2,215	-11	0.5%
Other Controllable Income	-38,290	-18,956	-19,228	272	-1.4%
General Fund - Net Revenue (Controllable)	15,226	9,718	9,475	243	2.6%
Capital Programme	39,369	10,457			

	Full Year Target	Actual 30 Sept 2020	Actual 30 Sept 2019	Variance
Council Tax collection in year - %	98.30%	57.63%	58.80%	-1.17%
Council Tax collection - income collected for year - £m	£97.83	£56.38	£55.18	£1.20
Write-offs in year - £'000		£6	£9	-£3
Write-offs in year - number		47	89	-42
Write-offs all years £'000		£48	£42	£7
Write-offs all years - number		341	503	-162
Business Rates collection in year - %	98.60%	54.90%	57.95%	-3.05%
Business Rates collected for year - £m	£26.52	£14.56	£25.21	-£10.65
Write-offs in year - £'000		£5	£35	-£30
Write-offs in year - number		4	22	-18
Write-offs all years - £'000		£20	£97	-£77
Write-offs all years - number		38	45	-7
Creditors - payment of invoices within 30 days of receipt	99.25%	97.41%	98.67%	-1.26%

Debtors - Balance Outstanding	31-Mar-18	31-Mar-19	31-Mar-20	30-Sep-20
	£'000	£'000	£'000	£'000
Service Level Agreement charges - principally Tabor Academy and residents of Twin Oaks, Stisted	197	190	181	184
Capital Projects	-	-	-	-
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	7	12	12	3
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	80	43	60	103
Development & Environment	538	485	284	567
Finance	111	91	92	299
Leisure	65	189	122	77
Operations	1,219	953	1,076	593
Housing	47	51	65	63
Sub-Total - excluding Hsg. Benefits	2,264	2,014	1,892	1,889
Housing Benefits	1,745	1,719	1,673	1,657
Total	4,009	3,733	3,565	3,546

Profile by Recovery Stage:				
Invoice	2,542	2,109	1,914	1,559
Reminder	329	421	648	912
Final Notice	-	-	-	-
Pre-legal	567	366	104	324
Enforcement Agent	310	354	328	269
Tracing Agent	2	-	3	1
Charging Order	31	31	30	22
Attachment to Benefits/Earnings	228	452	538	459
Summons	-			
Total	4,009	3,733	3,565	3,546
Write offs (debits and credits) in year - value - £000	£161.4	£5.1	£7.7	£7.4
Write-offs in year - number	392	140	114	56

Progress on achieving Efficiency Savings Targets

The amount of the Efficiency Savings target included in the budget for 2020/21 is a net amount of £300,000. The underspend on salaries of £92,000, recorded above, is after offsetting £150,000 of the target.

Internal Audit Update, Including Progress Against Audit Plan 2020/2021		Agenda No: 6
Portfolio	Finance and Performance Management	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Angela Mitchell, Audit, Insurance & Fraud Manager	
Report prepared by:	Angela Mitchell, Audit, Insurance & Fraud Manager	
Background Papers:		Public Report
None.		Key Decision: No
Executive Summary:		
<p>The Internal Audit Plan for 2020/21 was approved by Members on 23rd July 2020. This report provides Members with an update on progress and performance against planned work and any other matters affecting the provision of the Internal Audit Service.</p>		
Recommended Decision:		
<p>Members are asked to note the progress and performance against the Internal Audit Plan 2020/21.</p>		
Purpose of Decision:		
<p>The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit activity to report functionally to the Corporate Governance Group, being the committee charged with independent assurance on the adequacy of the risk management framework and the associated internal control environment.</p> <p>This report provides an update on Internal Audit activity, and progress and performance against the approved Internal Audit Plan in accordance with the Corporate Governance Group role and the requirements of the PSIAS.</p>		

Any Corporate implications in relation to the following should be explained in detail.	
Financial:	None.
Legal:	None.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Environment and Climate Change:	None.
Consultation/Community Engagement:	None.
Risks:	None.
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1. INTRODUCTION

This report identifies progress against planned work, the outcome of audits completed since the last report to the Corporate Governance Group, and other work completed.

2. PROGRESS AGAINST THE INTERNAL AUDIT PLAN 2020/21

The progress against the 2020/21 Internal Audit Plan is detailed in **Appendix 1** to this report.

The following audits have been completed since the last report to the Corporate Governance Group (23 July 2020). Appendix 3 provides a summary of the outcomes of these audits:

- Debtors – **Significant Assurance**
- Payments & procurement – **Significant Assurance**
- Building Control Financial Processes – **Full Assurance**
- Health & Wellbeing Grants – **Significant Assurance**
- Publishing Statutory Decisions – **Significant Assurance**

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

- The majority of the Audit Manager's time since the last report to the Corporate Governance Group has been spent on Insurance matters, including the following. During this time, the Senior Auditor and Trainee Auditor have continued to progress audit work in line with the approved Internal Audit Plan:
 - Collation of information to support the Insurance tender, working with the broker and BDC Procurement lead for preparation of the Insurance Tender Document, response to tender clarifications, and in evaluating tender responses
 - Claims handling (insurance claims made to the Council)
 - Collation of Insurance Building Valuation requirements for the Asset Valuation tender processes, including preparation of the tender document and evaluation of tender responses
- The Audit Manager also spends some time on Fraud work.
- The Senior Auditor acted as Investigating Officer in respect of a disciplinary investigation (with some support from the Audit Manager)
- Additional ad hoc advice and consultancy services have been provided in the areas summarised in Appendix 1.

The Internal Audit Plan is prioritised, and Audits are assigned based on their relative priority with consideration to Auditor experience and auditee preferred timescales. Progress of and any changes to planned work is reported to the Corporate Governance Group.

3. REGULATION OF INVESTIGATORY POWERS ACT (RIPA) and INVESTIGATORY POWERS ACT (IPA) APPLICATIONS

There have been no RIPA / IPA applications in 2020/21 to date.

APPENDIX 1 – PROGRESS AGAINST THE 2020/21 INTERNAL AUDIT PLAN

This Appendix summarises the work completed in respect of the 2020/21 Internal Audit Plan (approved by the Corporate Governance Group in July 2020).

	Audit Priority		Current Status	Date Report to Corporate Governance Group
2019/20 Internal Audit Plan – Audits In Progress At July 2020				
	Online Payments Systems	1	In Progress (near completion)	
2020/21 Internal Audit Plan – All Audits				
1	Core Financial Systems – Back to Basics reviews - Debtors - General Ledger - Investments	1	Completed In progress In progress	29 October 2020
2	Payments & Procurement	1	Completed	29 October 2020
3	Contract Management – Major Contracts	1		
4	Online Payments System	2	In progress	
5	Corporate Credit Cards	2		
6	Contract Procedure Rules & Financial Regulations	2		
7	Building Control Financial Processes	2	Completed	29 October 2020
8	Debtors Recovery	2		
9	BACS system	3		
10	Business Grants		In Progress	
11	Joint Delivery Bodies	2		
12	Housing Application Document Verification	1		
13	Health & Wellbeing Grants	2	Completed	29 October 2020
14	Use & Distribution of Vouchers	2	TOR Drafted	
15	Contract Management	1		
16	Landlord Safety Checks	2		
17	Organisational Learning	3		
18	Pest Control	3		
19	Commercial Rents	2		
20	Risk Management	1		
21	Business Resilience	2		
22	Information Management	1	In Progress	
23	Publishing Statutory Decisions	1	Completed	29 October 2020
24	Cyber Security	1	In progress (near completion)	
25	Information Technology Governance	2		
26	Culture & Ethics	2	In Progress	
27	GDPR – Document Retention	2	In progress	
28	PCI DSS Compliance	2	In Progress	
29	Uniform – Street Scene Protection Scheme	3		
30	Performance Management	3	Complete	29 October 2020
31	Manor Street Review	1		

32	Capital Sales & Purchase and Related Contracts	1		
33	Strategic Investment	2		
34	Climate Change	2	In Progress	

ADDITIONAL WORK COMPLETED

Since the last report to the Corporate Governance Group the function has provided ad hoc advice and guidance in a number of areas, including the following. No assurance levels are assigned to this work:

- Advice on provision of information from the Payments System for the External Auditor
- Conducted disciplinary investigation
- Preparation and submission of data for the NFI Data Matching exercise in line with Cabinet Office requirements
- Support to Benefits team relating to Track and Trace scheme
- Preparation for review of controls associated with payment cards

APPENDIX 2 - OUTCOME OF AUDITS COMPLETED SINCE PREVIOUS REPORT TO CORPORATE GOVERNANCE GROUP (23rd July 2020)

Recommendations reflect only High and Medium priority matters raised:

Audit	Overview of Scope	Summary of Findings	High / Medium Priority Recommendation(s)	Priority	Agreed / Responsible Officer / Action Date
Debtors Significant Assurance	The Audit reviewed the following: <ul style="list-style-type: none"> - Identification of income sources and invoice raising - Automation of invoice raising - Payment receipting - Debt collection, recovery and write off procedures - IT system access 	Areas of good practice: <ul style="list-style-type: none"> - Invoice requests were initiated by either single invoice request form or periodic income schedule - Charges were levied in accordance with the approved schedule of fees and charges or lease / rental agreement - Procedures exist and are followed for setting up debtor accounts - Recovery schedules prompt reminders, and legal letters, and where appropriate cases are passed to a collection agency. Accounts with suppressed recovery are monitored by the manager - IT access controls are applied 	Ensure credit note authorisation is in accordance with authorised signatory limits Ensure write offs are processed in accordance with the approval levels defined in Financial Procedure Rules	Medium Medium	Agreed – Revenues and Recovery Manager Action date: November 2020
Payments & Procurement Significant Assurance	The Audit reviewed the following: <ul style="list-style-type: none"> - Use of official orders for supply of goods and services - Adherence to Contract Procedure Rules, including obtaining quotations - Supplier payments correlates with 	Areas of Good Practice: <ul style="list-style-type: none"> - Official orders were placed for goods and services received - Supplier invoices accorded with the official order details of goods and services - Invoices were approved by an authorised signatory, and new remote working arrangements were in place for the authorisation of invoices 	Officers to be reminded of the requirements to obtain and record quotations where the value of work exceeds £1,500	Medium	Agreed – Senior Procurement Consultant Action date: January 2021

	<p>official order value and details</p> <ul style="list-style-type: none"> - Payments approved by an authorised signatory - Supplier payments terms are met 	<ul style="list-style-type: none"> - Suppliers were paid promptly (unless the invoice was in dispute or there was an ongoing query with the supplier) 			
<p>Building Control Financial Processes</p> <p>Full Assurance</p>	<p>The Audit reviewed the following:</p> <ul style="list-style-type: none"> - Whether Building control fees were recorded, transparent and approved - If fees charged were in accordance with approved fee scales - If fees charged were appropriate for the work required for each job - Monitoring of income to ensure payments received 	<p>Areas of good practice:</p> <ul style="list-style-type: none"> - Building control fees were authorised, and the fee structure published on the Council's website - Plan fees and inspection charges were checked, and charges were made in accordance with the approved rates - Aged debt reports were produced and monitored, and quarterly reports were provided for the review of service income and expenditure 	<p>There were no required actions arising from this review</p>	N/A	N/A
<p>Health & Wellbeing Grants</p> <p>Significant Assurance</p>	<p>The Audit reviewed the following:</p> <ul style="list-style-type: none"> - Clarity and approval of Braintree District Council (BDC) and Essex County Council (ECC) grant policies 	<p>Areas of good practice:</p> <ul style="list-style-type: none"> - BDC, ECC, and other local bodies and health care providers were represented on the Health and Wellbeing Panel - Grants paid were in accordance with scheme terms and conditions - Application forms were completed in all cases, and applicants signed to agree the scheme terms and conditions 	<p>Retain all documents electronically to enable officers to view the status of applications</p>	Medium	<p>Agreed - Leisure & Contracts Manager</p> <p>October 2020</p>

	<ul style="list-style-type: none"> - Payment of grants in accordance with scheme terms - Grant spend in accordance with application - Evidence held demonstrating compliance with grant terms - 	<ul style="list-style-type: none"> - Applications were checked to ensure scheme requirements were met - Applications provided post grant monitoring information to demonstrate how the grant was used, who benefited and opportunities for the project to seek future funding 			
Publishing Statutory Decisions Significant Assurance	The Audit reviewed the following: <ul style="list-style-type: none"> - Decisions were published where required to be published - Departments were aware of publishing requirements - Information published was accurate 	Areas of good practice: <ul style="list-style-type: none"> - Majority of items are published as required by the Local Government Transparency Code 2015 - Departments were aware of publishing requirements - Published information was accurate and reflected records held by relevant departments 	Some documents required updating, and some information was not published – officers to review publication requirements and ensure information is either available via the website or in hard copy on request	Medium	Agreed: Environmental Health Managers (Food Safety & Licensing, and Housing & Pollution), and Building Control Manager Action date: November 2020
Performance Management Significant Assurance	The Audit reviewed the following in respect of 8 indicators: <ul style="list-style-type: none"> - The robustness of data collection arrangements 	Areas of good practice: <ul style="list-style-type: none"> - Waste sent for reuse, recycling and composting – robust checks made on the data by BDC which is also confirmed by ECC - Clear defined guidance for collation of the Litter cleanliness indicator 	The formula for the collation of data for the Disabled Facilities Grant to be standardised.	Medium	Agreed: Environmental Health Manager (Housing & Pollution)

	<ul style="list-style-type: none"> - The accuracy of presentation of results 	<ul style="list-style-type: none"> - Robust data collection for the planning permission indicator - Accurate and efficient data provision relating to the collation of data relating to the processing of benefit new claims and changes - Accurate records for collation of complaint response indicator 	<p>The Fly Tipping indicator was not measurable due to system limitations, however these limitations have been resolved</p>	<p>Implemented immediately</p> <p>Agreed Operations Strategy & Policy Manager</p> <p>Implemented immediately</p>
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Updates for Matters Previously Notified to the Corporate Governance Group (CGG)

2019/20 – Safeguarding (Significant Assurance)

- 1 high priority recommendation
 - o Ensure all staff complete the required safeguarding training
- Reported to the CCG on 16 January 2020, at which point the Community Services Manager was to advise action and timescales
- Update 29 October 2020 – The paper based questionnaire is being updated, and the service is liaising with the HR team to enhance the E-Learning module and processes for ensuring completion of the Safeguarding training (Action date: 31 December 2020)

2019/20 – Payroll (ordering procedures for Consultant pay) (Significant Assurance)

- 1 high priority recommendation: New order to be raised for each project, and identify cost and consultant time
- Reported to the CGG on 23 July 2020, at which point the Development Manager had not provided a timescale for implementation
- Update 29 October 2020 – **timescale still pending**

2019/20 – Manor Street Project (Limited Assurance)

- The review identified a number of areas of improvement in controls and project governance arrangements
- Reported to the CCG on 23 July 2020 that Senior Management were working to resolve the issues raised, and a further update would be provided to the 29 October meeting
- Update 29 October 2020 – **Action plan to respond to report findings is pending management approval and therefore the full management response to recommendations, and timescale for resolving actions remains pending.** The report identified the following areas of improvement:

- **Procurement of Consultants (high):** There was a lack of documentation justifying an appointment via a framework, recommendation was for single tender actions or appointments from a framework to be authorised by two officers and documentation to be held
- **Cost Plan Assumptions (high):** recommended consultants detail all assumptions made in developing cost plans, and formal challenge of financial data is conducted
- **Inflation / Future Price Movements (medium):** The cost plan made no allowance for future price movements, recommendation was to determine Council policy on whether inflation factor to be included in Council projects with long lead time and duration
- **Review of Tender Documents (high):** tender adjustments for provisional sums indicated a degree of ambiguity in the tender documents, recommended that tender documents prepared by consultants are reviewed by the project team to ensure they are clear, fit for purpose, and reflect Council requirements
- **Documentation & Standardisation of Project processes (high):** recommended the reports to Senior Management team include risk registers, issues, decision logs, assumptions and dependencies
- **Gateway Review arrangements (high):** recommended Gateway review processes are established to confirm if the project can progress to the next stage
- **Recording decisions and supporting documentation (high):** recommended supporting reports and documentation are required to support all uses of the Corporate seal and decisions made under delegated authority, and all project decisions recorded in the decisions log for presentation to the project Board
- **Documentation of Roles & Responsibilities (high):** recommended roles and responsibilities are defined and documented, with a formal Terms of Reference for each Project Board (setting out the standard documents the Board is to receive, and the meeting frequency)
- **Stakeholder Communications (medium):** recommended projects include a formal communication plan for stakeholder engagement
- **SMART outcome and Benefit tracking (high):** recommended project benefits are clearly defined (ideally SMART), and benefit tracking arrangements implemented and reported to each Project Board
- **Monitoring Supplier and Consultant expenditure (low):** recommended Finance and Procurement Teams consider feasibility of monitoring spend by consultants across all projects
- **Lease Obligations and Risks (high):** recommended specific lease related risks are detailed, assessed and recorded in the project risk register
- **Late completion and Cost overrun risks (high):** recommended the risks of late completion and costs exceeding the contract sum are added to the Project Risk Register
- **Covid-19 risk (high):** recommended the risks of late completion and additional costs relating to C-19 are determined for the construction contract and lease, and reflected in the Risk Register

Key:

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

Full Assurance

Internal controls meet acceptable standards and are consistently applied.

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

Internal Audit Charter – 2020/21		Agenda No: 7
Portfolio	Finance and Performance	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Angela Mitchell, Audit, Insurance & Fraud Manager	
Report prepared by:	Angela Mitchell, Audit, Insurance & Fraud Manager	
Background Papers:	Public Report	
Public Sector Internal Audit Standards (PSIAS)	Key Decision: No	
Executive Summary:		
<p>The Public Sector Internal Audit Standards (PSIAS) came into effect on 1st April 2013 and were revised March 2017. These standards form the proper practices for Internal Audit required by the Accounts and Audit Regulations 2015.</p> <p>The PSIAS require an Audit Charter to be in place which will be reviewed periodically and presented to the Corporate Governance Group for approval.</p> <p>This Charter sets out the purpose, authority and responsibility of the Council’s Internal Audit function.</p> <p>The Internal Audit Charter has been updated, including to reflect the revised Committee structure, and reflects requirements of the PSIAS.</p>		
Recommended Decision:		
To approve the updated Internal Audit Charter.		
Purpose of Decision:		
To ensure that there is an Internal Audit Charter which complies with the Public Service Internal Audit Standards.		

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

Financial:	None.
Legal:	<p>The Accounts and Audit (England) Regulations 2015 require the Council to ensure it has a sound system of internal control. In particular, Section 5 refers specifically to Internal Audit, requiring that the Council ‘...must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account <i>Public Sector Internal Auditing Standards or guidance.</i>’</p> <p>The PSIAS require an Audit Charter to be in place, reviewed periodically and presented to the Corporate Governance Group (being the body charged with oversight of the organisation’s governance arrangements) for approval.</p>
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Environment and Climate Change:	None.
Consultation/Community Engagement:	None.
Risks:	None.
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INTERNAL AUDIT CHARTER

2020/21

Braintree District Council Internal Audit Charter

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INTERNAL AUDIT CHARTER

1. Introduction

The purpose, authority, and responsibility of the Internal Audit activity must be formally defined in an Internal Audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

The Internal Audit Charter establishes Internal Audit's position within Braintree District Council, including the Chief Audit Executive's reporting lines, authorisation to access to records, staff and physical properties relevant to the performance of engagements, and also defines the scope of Internal Audit activities. It is also a reference point for measuring the effectiveness of Internal Audit.

The Charter will be reviewed annually and presented to the Corporate Governance Group for approval.

2. Purpose and Mission

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of the Internal Audit function is to provide independent, objective assurance and consulting services to the Council to add value and improve the Council's operations.

The Internal Audit mission is to *Enhance and protect organisational value by providing risk based and objective assurance, advice and insight.*

Internal Audit helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. The Council's response to Internal Audit activity should also lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

3. Standards and Statutory Requirements

The Accounts and Audit (England) Regulations 2015 require the Council to ensure it has a sound system of internal control which:

- Facilitates effective exercise of its functions and achievement of its aims and objectives
- Ensures effective financial and operational management
- Includes effective arrangements for risk management
- Requires review of effectiveness of Controls, AGS, and Statement of Accounts, by a Committee or Full Council

Section 5 of the Accounts & Audit Regulations refers specifically to Internal Audit:

- A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account *Public Sector Internal Auditing Standards or guidance*

Section 151 of the Local Government Act 1972 also states that “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”. The Corporate Director is the Council’s S151 Officer.

The CIPFA Statement of the Role of Chief Financial Officer in Local Government also states that the Chief Financial Officer must:

- Ensure an effective Internal Audit function is resourced and maintained
- Ensure that the authority has put in place effective arrangements for Internal Audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA’s Code of Practice on Local Authority Accounting in the United Kingdom.

The Public Sector Internal Audit Standards (PSIAS) defines core principles, adoption of which enables the Audit function to be effective, and also provides additional Practice Advisories, Practice Guides and Position Papers to support Auditors in their role.

In addition to the PSIAS, the Internal Audit section will operate in accordance with mandatory elements of the Institute of Internal Auditors’ International Professional Practices Framework (IPPF), including the:

- Core Principles for the Professional Practice of Internal Auditing
- Code of Ethics
- International Standards for the Professional Practice of Internal Auditing
- Definition of Internal Auditing

The Audit Manager will report periodically regarding conformance to standards and requirements. (See also 13. *Quality Assurance and Improvement Programme* below)

4. Definitions

For the purposes of this charter, the following definitions apply:

Board	The governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At Braintree District Council this shall mean the Corporate Governance Group.
Senior Management	Those responsible for the leadership and direction of the Council. At Braintree District Council this shall mean the Chief Executive, and the Management Team including Corporate Directors and Heads of Service. The Corporate Director (Finance) is also the S151 Officer.
Chief Audit Executive	The Chief Audit Executive (CAE) is the person tasked with directly managing the Internal Audit function. At

	Braintree District Council this role is performed by the Audit, Insurance & Fraud Manager.
Consulting Activities	Internal Audit advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary.
Standards	Public Sector Internal Audit Standards (PSIAS), and the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing.

5. Professionalism & Ethics

Compliance with the Code of Ethics is mandatory, this code includes the following Principles relevant to the profession and practice of Internal Auditing:

Integrity:

- The integrity of auditors establishes trust and thus provides the basis for reliance on their judgement

Objectivity:

- Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined
- Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements

Confidentiality:

- Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so

Competency:

- Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services

All records, documentation and information accessed in the course of undertaking internal audit duties shall be used solely for the conduct of internal audit activities. The Internal Audit Manager and individual audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during their audit work.

6. Authority

The Audit Manager reports functionally to the Corporate Governance Group, and organisationally to the Head of Finance, and also has access to Corporate Directors and the Chief Executive who carry the responsibility for the proper

management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

Where considered necessary to the proper discharge of Internal Audit function, the Audit Manager has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Corporate Governance Group). The Audit Manager will communicate and interact directly with the Corporate Governance Group as appropriate.

To establish, maintain and assure that Braintree District Council's Internal Audit section has sufficient authority to fulfil its duties, the Corporate Governance Group will:

- Approve Internal Audit's charter
- Approve the risk-based audit plan
- Approve Internal Audit's strategy and resource plan
- Receive communications from the Audit Manager on Internal Audit's performance relative to its plan and the results of the quality assurance programme, and other matters, such as significant findings and/or emerging risks.
- Make appropriate enquiries of management and the Audit Manager to determine whether there is inappropriate scope or resource limitations

The authority of internal audit is set out in the Council's Financial Procedure Rules. There are no limits to Internal Audit's right of access to Braintree District Council premises, property, documents and assets, and auditors may receive from any Council officer, agent or contractor appointed by the Council such information and explanations which it considers necessary for the purpose of the audit and to fulfil its responsibilities. In addition the Corporate Governance Group authorises internal audit to:

- Allocate resources, set frequencies, select subjects, determine scope of work and apply techniques required to accomplish audit objectives and issue reports
- Obtain assistance from the appropriate personnel within the District Council and other specialised services in order to complete engagements

7. Scope of Internal Audit Activity

The scope of internal audit encompasses, but is not limited to the objective examination of evidence for the purpose of providing independent assessment to the Corporate Governance Group, management and other parties such as External Audit on the adequacy and effectiveness of governance, risk management and control processes for Braintree District Council. This extends to any services provided through partnership arrangements or external providers.

A range of internal audit services are provided to form the annual opinion. The approach is determined by the Audit Manager giving consideration to the assurance required, the significance of the objectives under review, inherent risks, and the level of confidence that controls are operating as intended. Internal audit assessments include evaluation of whether:

- Risks relating to the achievement of Braintree District Council's strategic objectives are appropriately identified and managed
- Actions of Officers, Directors, employees and contractors are in compliance with Council policies, procedures, applicable laws, regulations and governance standards
- Results of operations or programmes are consistent with established goals and objectives
- Business systems and process are carried out effectively and efficiently, and whether there is opportunity for performance improvement
- Established processes and systems enable compliance with the policies, procedures, laws and regulations that could significantly impact the Council
- Information and the means used to identify, measure, analyse, classify and report such information are reliable and have integrity
- Resources and assets are acquired economically, used efficiently and protected adequately

Internal Audit may also perform consulting activities (providing independent advice and guidance on governance, risk management and control issues) as appropriate for the organisation, and may evaluate specific operations at the request of the Corporate Governance Group or management, for example in respect of major projects and in the development of new systems and processes.

8. Independence & Objectivity

Internal Audit must be free from interference in determining the scope of activity, performing work and communicating results, and shall be free to review any aspect of service delivery, finance or governance irrespective of whether those arrangements are provided directly or indirectly (via partnerships, contracts or any other business arrangement)

The Internal Audit function is located within the Financial Services department. The Audit Manager reports to the Head of Finance who in turn reports to the Corporate Director (S151 Officer). The Audit Manager has a right of access to the Management Board, Chief Executive and Members.

The Audit Manager is responsible for ensuring Internal Audit remains free from conditions that threaten the ability of Auditors to carry out their responsibilities in an unbiased manner, including matter of audit selection, scope, procedures, frequency, timing and report content. If the Audit Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Where Audit staff have roles and/or responsibilities that fall outside the scope of Internal Audit, safeguards will be established to limit impairments to independence or objectivity. Internal Auditors, including the Audit Manager will:

- Disclose any impairment of independence or objectivity in fact or appearance, to appropriate parties
- Exhibit professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

Internal Auditor staff do perform some non-audit operational functions:

- The Audit Manager is also operationally responsible for the Insurance and Fraud functions. Responsibility for these operational areas is recognised by senior management and the Corporate Governance Group. The Audit Manager is not involved in audit reviews of these areas and to maintain independence will accept any recommendations arising from independent reviews. In addition, the Council employs the services of a broker to advise on the scope of cover and insurance arrangements, and in 2019/20 the Insurance function was subject to an independent review by a Productivity Expert, the outcome of which was reported directly to senior management.
- The Senior Auditor performs the following non-audit operational activities, and will therefore not perform any audit in these areas:
 - Provides ad hoc support for Barclaycard administration (the Corporate Director / S151 Officer and Head of Finance are the primary administrators)
 - DWP/CIS System user administration (supporting Benefit team System Administrators to provide resilience – as changes require approval of a second administrator)
- The Senior Auditor and Trainee Auditor perform the following non-audit operational activities and will therefore not perform any audit in this area:
 - Equifax passwords user administration (this system is used by both Fraud and Benefits staff).
- The Senior Auditor was formerly responsible for the following functions which were transferred to other services in 2020/21. *In line with requirements of the PSIAS he will not conduct reviews in this area until at least one year has passed since transfer:*
 - Responsibility for the issue and recording of door card access for the Council building was transferred to the IT Team.
 - Responsibility for the EPay BACS user administration was transferred to the Accountancy team in 2020/21 (when the system, reverted to a cloud based system)

Internal Auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Auditors will have no direct operational responsibility or authority over any of the activities they audit and therefore will not:

- implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment
- Assess operations for which they had responsibility within the previous year (with the exception of follow ups)

The Audit Manager will confirm to the Corporate Governance Group, at least annually:

- The organisational independence of Internal Audit
- Any interference and related implications in determining the scope of Internal Auditing, performing work and/or communicating result

9. Reporting

Assignment Reporting:

Terms of Reference are agreed for each assignment, and a report is produced on completion of the assignment, including management responses to specific findings and recommendations. Heads of Service / Managers are responsible for providing prompt response to recommendations and for ensuring agreed recommendations are implemented in the timescales agreed with the auditor.

Internal Audit will follow up implementation of high and medium priority recommendations.

Senior Management / Corporate Governance Group Reporting:

The Audit Manager reports periodically on:

- Internal Audit's purpose, authority and responsibility
- Internal Audit's plan and performance relative to the plan
- Internal Audit's conformance with the IIA Code of Ethics and Standards, and action plans to address any significant conformance issues
- Significant risk exposure and control issues including fraud risks, governance issues and other matters requiring the attention of the Corporate Governance Group
- Results of audit engagements or other activities, including opportunities for improving governance, risk management and control processes.
- Any response to risk by management that may be unacceptable to the Council

The Audit, Insurance & Fraud Manager is also responsible for delivery of an annual audit opinion and report that can be used to inform the Council's Governance Statement, the annual opinion will conclude on this overall adequacy and effectiveness of the Council's framework of governance, risk management and control, based on:

- The internal audit work carried out
- Follow up on the implementation of high and medium priority recommendations
- Any significant governance issues (as reported within the Council's Annual Governance Statement)
- The annual review of effectiveness of Internal audit (see QAIP)

Annual Governance Statement:

The Audit Manager's annual overall opinion on the Council's internal; control environment, risk management arrangements and governance framework supports the Council's Annual Governance Statement.

10. Resources

The Corporate Director (S151 Officer) and Head of Finance will provide the Audit Manager with the resource necessary to fulfil the Council requirements and expectations for a robust and adequately scoped Internal Audit opinion. The Audit Manager will, at least annually, submit to Senior Management and the Corporate

Governance Group an Internal Audit Plan for review and approval, the plan will take into account the requirement to produce an annual Internal Audit Opinion and the assurance framework, and will be developed based on a prioritisation of potential audit activities. Significant matters affecting delivery of the plan will be discussed with senior management and the Corporate Governance Group. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

The Audit Manager is responsible for delivery of the plan and will ensure the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience. The level and nature of resources required to deliver an adequate level of coverage of the Internal Audit Plan will be determined with due consideration to the content and complexity of audits and auditor experience. Any significant imbalance and proposed solutions will be reported to senior management and the Corporate Governance Group.

Internal audit services are provided by staff employed directly by the Council, additional resources would be achievable by working with a partner or external contractor.

11. Fraud and Corruption

Internal auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.

The Council's Constitution requires Heads of Service and Corporate Directors to immediately notify the Corporate Director (Finance) immediately of any circumstances which may suggest the possibility of financial irregularity. The Audit Manager will determine the audit response to allegations on the basis of risk, and the Council's Disciplinary Rules and Procedure will be applied as appropriate.

The Council's Counter Fraud Strategy and the Fraud Corruption and Dishonesty Policy confirm these arrangement.

12. Relationship with External Audit and Other Assurance Activities

Internal Audit will establish and maintain an open relationship with the external auditor and any other assurance provider, and will plan work to ensure adequate coverage and to minimise duplication of the assurance effort. External Audit will have unrestricted access to all Internal Audit strategies, plans, working papers and reports.

13. Quality Assurance & Improvement Programme (QAIP)

The Chartered Institute of Internal Auditors has defined mandatory Core Principles, which taken as a whole articulate internal audit effectiveness. For an internal audit function to be considered effective and achieve its mission, all Principles must be present and operating effectively. The Core Principles are:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive and future-focussed
- Promotes organisational improvement

Internal Audit will maintain a QAIP which covers all aspects of the Internal Audit activity. The programme will include an evaluation of Internal Audit's conformance with the Principles, the Standards, and an evaluation of whether Internal Auditors apply the IIA's Code of Ethics (see 5. *Professionalism and Ethics* above). The programme will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement.

The programme includes:

- An annual internal self-assessment of conformance with the Public Sector Internal Audit Standards (including the Principles, Standards and Code of Ethics). The results of this assessment will be communicated to senior management and the Corporate Governance Group.
- An external quality assessment will be conducted at least once in every 5 years and may be a full external assessment or a self-assessment with validation by a qualified independent assessor. The results of this assessment will also be communicated to senior management and the Corporate Governance Group.
- The Audit Manager defines the Internal Audit approach and conducts assignment reviews to ensure consistent application of the standards.

Instances of non-conformance with the Standards will be included in the annual Internal Audit report. If there is significant non-conformance this will be included in the Council's Annual Governance Statement.

Angela Mitchell
Audit, Insurance & Fraud Manager
October 2020

Updated Anti Money Laundering Policy		Agenda No: 8
Portfolio	Finance and Performance Management	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Angela Mitchell, Audit, Insurance & Fraud Manager	
Report prepared by:	Angela Mitchell, Audit, Insurance & Fraud Manager	
Background Papers:		Public Report
None.		Key Decision: No
Executive Summary:		
This report presents the revised Anti Money Laundering Policy. The policy identifies Council and staff responsibilities under Money Laundering Regulations, and protocols for record keeping and reporting.		
Recommended Decision:		
Members are requested to approve the revised Anti Money Laundering Policy.		
Purpose of Decision:		
The Corporate Governance Group functions include monitoring the Council’s counter fraud and corruption arrangements. Money laundering involves the ‘cleaning’ of illegal proceeds to disguise their criminal origin; this policy defines the Council’s responsibilities under Money Laundering Regulations and the commitment to the prevention of money laundering, and provides a mechanism for reporting concerns.		

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.
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ANTI MONEY LAUNDERING POLICY GUIDANCE & FORMS



Author:

- Angela Mitchell, Audit Insurance & Fraud Manager

Internal Consultees:

- Trevor Wilson, Head of Finance
- John Lamb, Interim Corporate Director for Growth
- Phil Myers, Financial Services Manager
- Andrew Epsom, Head of Asset Management
- Ian Hunt, Former Monitoring Officer / Head of Governance
- Kim Cole, Monitoring Officer / Head of Governance

Background / Purpose of Policy:

This policy identifies Council and staff responsibilities under Money Laundering Regulations, and protocols for record keeping and reporting. The Council is responsible for:

- Appointing a Money Laundering Reporting Officer to receive disclosures from Members or employees
- Implement a procedure to enable the reporting of suspicions of money laundering
- Maintain client identification procedures in certain circumstances
- Maintain records

Version Control:

This version supersedes 'Prevention of Money Laundering Procedures' (June 2009)

V1. January 2020

- Policy updated to reflect current legislation (Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017)

Policy Approval – Officer Level:

- Chris Fleetham, Corporate Director

Policy Approval – Member level:

- Corporate Governance Group

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1. INTRODUCTION

- 1.1. Although Local Authorities are not directly covered by the requirements of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) indicates that they should comply with the underlying spirit of the legislation and regulations.
- 1.2. Braintree District Council is committed to the prevention of money laundering and to working with the appropriate authorities to apprehend those who commit offences under the anti-money laundering regulations.

2. SCOPE OF THE POLICY

- 2.1. This policy applies to all employees (permanent and temporary), contractors and Members of the Council. The aim of the policy is to enable employees to respond to any concern they have in the course of their duties.

3. MONEY LAUNDERING DEFINITION

- 3.1. Money Laundering involves the 'cleaning' of illegal proceeds in order to disguise their criminal origin. The proceeds of criminal activity, usually cash but also other illegally gained assets, could be introduced in to the organisation's systems and processed, enabling them to leave the systems appearing to come from a legitimate source.
- 3.2. Money Laundering occurs when funds from a crime are paid into a bank account or used to buy an asset - layers of complex and numerous transactions are then carried out to conceal the source of the proceeds of crime, and once sufficiently hidden the funds are integrated back into the financial system.

4. COUNCIL OBLIGATIONS

- 4.1. The main requirements of Money Laundering Legislation are:
 - To appoint a Money Laundering Reporting Officer (see section 5 below)
 - Maintain client identification procedures in certain circumstances (see Section 6 below)
 - Implement a procedure to enable the reporting of suspicions of money laundering
 - Maintain record keeping procedures
- 4.2. Not all areas of Council operations are likely to encounter money laundering risks, however the safest way to ensure compliance is to apply these requirements to all staff and work areas. The obligations on the Council are to establish and maintain appropriate and risk sensitive policies and approaches for the following:
 - Customer due diligence measures and ongoing monitoring
 - Reporting
 - Record-keeping

- Internal control
- Risk assessment and management
- Monitoring and management of compliance with, and the internal communication of relevant policies and procedures

4.3. All employees, contractors and Members are required to follow the procedures set out in this policy. This will enable the Council to properly discharge its obligations under the Money Laundering regime. Failure by an employee to comply with the procedures set out in this policy may lead to disciplinary action being taken against them, and failure to comply with legislation may also result in an individual being fined or imprisoned.

4.4. The primary duty of any employee, member or third party under this policy is to ensure that any suspicions or concerns that money laundering has occurred or is likely to occur are reported to the MLRO as soon as the suspicion arises. The disclosure should be within hours rather than several days or weeks later.

4.5. The Council will take appropriate measures to ensure employees are aware of the law relating to money laundering, and will arrange targeted training to key individuals most likely to be affected.

5. MONEY LAUNDERING REPORTING OFFICER (MLRO)

5.1. Employees and Members are obliged to report any suspicion of money laundering or terrorist financing to the Council's nominated Money Laundering Reporting Officer (MLRO).

- The Council's **MLRO is Trevor Wilson**, Head of Finance trevor.wilson@braintree.gov.uk or 01376 557801
- The **Deputy MLRO is Angela Mitchell**, Audit Insurance & Fraud Manager angie.mitchell@braintree.gov.uk or 01376 557821

6. CLIENT IDENTIFICATION PROCEDURES

6.1. Although not a legal requirement, the Council has developed formal client identification procedures which must be followed to verify the identity of a person who is (or is applying to) to business with the Council – including when land or property is being sold or purchased (in the latter the Council must buy only from the owner as verified via Land Registry). These procedures require individuals and if appropriate companies to provide proof of identity and current address. If satisfactory identification is not obtained at the outset of a matter, then the transaction must not be progressed and a disclosure report must be submitted to the MLRO.

6.2. Evidence of identification checks conducted must be retained for five years commencing on the date which all activities taking place in the course of the transaction in question were completed

WHERE SATISFACTORY EVIDENCE OF IDENTITY IS NOT AVAILABLE, THE BUSINESS ARRANGEMENT OR ONE OFF TRANSACTION SHOULD NOT PROCEED FURTHER

7. DISCLOSURE PROCEDURE

- 7.1. Where you know or suspect that money laundering activity has or may take place, or if you are concerned that your involvement in the matter may amount to a prohibited act (see Section 9.2) you must report all details to the MLRO as consent will be required from the NCA (National Crime Agency) to take any further part in the transaction. This is the case even if the client gives instructions for the matter to proceed before consent is given (you should make it clear in the report if such consent is required and clarify any deadlines for consent eg. a completion date or court deadline).
- 7.2. Once a report has been made to the MLRO you must follow any directions they may give you and NOT make any further enquiries yourself. All staff are required to cooperate with the MLRO and the authorities in any money laundering investigation.
- 7.3. **OFFICERS ARE REMINDED THAT TIPPING OFF IS A SERIOUS OFFENCE.** You must NOT voice any suspicions to the person(s) whom you suspect of money laundering, even if the NCA has given consent to a transaction proceeding – otherwise you may commit an offence of ‘tipping off’ (see section 9.3). This means you should not make any reference on a client file to a report having been made to the MLRO – the MLRO will keep the appropriate records in a confidential manner.
- 7.4. The MLRO will make other reasonable enquiries they consider appropriate to determine whether a report to the NCA is required, and will liaise with the S151 Officer, Monitoring Officer and Audit Manager as appropriate. The MLRO will communicate any NCA instruction to you.
- 7.5. The NCA has a statutory seven day ‘notice period’ in which to make a decision (the day the disclosure is submitted is ‘Day 0’). If the NCA notifies a refusal to give consent, they have a further 31 days to take action – a moratorium period of 31 days starts on the day the Council receives the refusal notice.
- 7.6. The reporting forms are provided at Appendix 1.

8. LEGISLATION

- 8.1. The following legislation places obligations on the Council to establish procedures to prevent the use of services for money laundering and the prevention of terrorist financing.
- **Proceeds of Crime Act 2002**
 - **Terrorism Act 2000**
 - **Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017** (which supersede the Money Laundering Regulations 2007, 2012 and 2015)
 - Establishes that as long as business are not operating within the ‘regulated sector’ then offences of failing to disclose suspicions of money laundering, and tipping off, do not apply – Local Authorities are not included in the list of businesses within the regulated sector
 - However, CIPFA have advised that *‘it is prudent and responsible practice for public service organisations, including those outside the scope of the regulations, to put in*

place appropriate and proportionate anti-money laundering safeguards and reporting arrangements, designed to enable them to detect and avoid involvement in the crimes described in the legislation and regulations’ and there could be a ‘substantial reputational risk for an authority which does not have such procedures in place’

8.2. Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2017, even when undertaking regulated activities within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, however guidance from finance and legal professions is that it is prudent and responsible practice for public service organisations to comply with the underlying spirit of the legislation and have in place appropriate and proportionate anti-money laundering safeguards. Local Authorities ARE bound by the Proceeds of Crime Act 2002 and the Terrorism Act 2006, both of which place duties and responsibilities on local authority employees and Members in order that they do not find themselves subject to criminal prosecution.

8.3. This Policy defines the approach which must be followed to enable the Council to demonstrate compliance with its legal obligations. Failure by any employee to comply with these procedures may lead to disciplinary action being taken against them in accordance with the Council’s Disciplinary Rules and Procedures. Appendix 1 contains further guidance on areas of risk for money laundering and examples of due diligence checks.

8.4. The Anti Money Laundering (AML) policy is part of the Council’s anti-fraud framework, including the Whistleblowing arrangements, and should be read alongside those documents. It is also part of a wider set of mutually supporting arrangements for corporate governance which are collectively designed to ensure we

- Conduct our business in line with the law and proper standards
- Safeguard and properly account for public money, and spend it economically, efficiently and effectively

9. MONEY LAUNDERING OFFENCES

9.1. Money Laundering offences concern the improper handling of funds that are the proceeds of criminal acts, or terrorist acts, so that they appear to have come from a legitimate source, and include both the activities of organised crime but also to those who benefit financially from dishonest activities such as receiving stolen goods

9.2. The **PROCEEDS OF CRIME ACT 2002** (amended by the Serious Organised Crime and Police Act 2005, and further amended by the Serious Crime Act 2015), creates criminal offences arising from dealing with proceeds of crime – the main offences that may be committed under money laundering legislation (known as ‘**Prohibited Acts**’) are:

- **Concealing, disguising, converting, transferring or removing criminal property** from anywhere in the UK (POCA Section 327)

- **Entering into or becoming concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property** by or on behalf of another person (POCA Section 328)
- **Acquiring, using or possessing criminal property*** (POCA Section 329)

**Criminal property – something which constitutes a person's benefit from criminal conduct or represents such benefit; it is not limited to money and there is no minimum value*

9.3. There are also two offences applicable to the regulated sector (credit institutions or financial institutions) – *therefore these will not always strictly apply to local authorities, however all individuals and organisations have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from terrorism, proceeds of acts carried out for the purposes of terrorism or finance likely to be used for terrorism, where that information has come to them in the course of their business or employment.*

- **Failing to disclose information relating to money laundering** offences (in respect of both criminal property and terrorist property) where there is reasonable ground for knowledge or suspicion (POCA Section 330)
- **Tipping off or informing** someone who is, or is suspected of being involved in money laundering activities, in such a way as to reduce the likelihood of or prejudice an investigation (POCA Section 333A)

9.4. The **TERRORISM ACT 2000** (amended by the Anti-Terrorism and Security Act 2001 and Terrorism Act 2006, and further amended by the Money Laundering Regulations 2007) lists the following offences:

- Offence to become **concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism** or resulting from acts of terrorism
- Obligation on individuals and businesses to **report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for terrorism** or its laundering, where it relates to information which comes to them in the course of their business or employment

General Guidance

A money laundering issue may arise where officers unwittingly become concerned or involved in an arrangement in which they know or suspect enables criminal property to be retained or acquired by a third party. Some offences and suspicions may be difficult to identify, staff should be willing to question where something just does not look right. Types of activity which could be affected are:

Area	The Types of activity that may be affected:
New customers with high value transactions	<ul style="list-style-type: none">• Selling property or renting out property to individuals or businesses• Entering into other lease agreements• Undertaking services for other organisations
Secretive clients	<ul style="list-style-type: none">• Housing benefit claimants who have sums of money entering into / out of their bank account (even if we do not award them benefit, we should still consider money laundering implications)• People buying or renting property from the Council who may not want to say what it is for• People receiving grant funding refusing to demonstrate how funding was used
Customers who we think are acting dishonestly or illegally	<ul style="list-style-type: none">• People paying for Council services who do not provide details about themselves• People making odd or unusual requests for payment arrangements
Illogical transactions	<ul style="list-style-type: none">• People paying in cash and then requesting refunds• Requests for the Council to pay seemingly unconnected third parties in respect of goods / services provided to the Council• Requests for the Council to pay in foreign currencies with no legitimate reason
Payments of substantial sums by cash	<ul style="list-style-type: none">• Large debt arrears paid in cash• Refunding overpayments• Deposits / payments for property
Movement of funds overseas	<ul style="list-style-type: none">• Requests to pay monies overseas such as 'for tax purposes'
Cancellation of earlier transactions	<ul style="list-style-type: none">• Third party 'refunds' grant payment as 'no longer needed'• No payment demanded after good / service has been provided• Sudden and unexpected termination of lease agreements
Requests for client account details outside normal course of business	<ul style="list-style-type: none">• Queries from other companies regarding legitimacy of customers• Council receiving correspondence / information on behalf of other companies
Extensive and over complicated client business structures / arrangements	<ul style="list-style-type: none">• Requests to pay third parties in respect of goods / services• Receipt of business payments (rent, business rates) in settlement from seemingly unconnected third parties
Poor accounting records and internal financial controls	<ul style="list-style-type: none">• Requests for grant funding / business support indicates third party not supported by financial information• Companies tendering for contracts unable to provide proper financial information / information provided raises concerns• Tender for a contract which is suspiciously low
Unusual property investments/transactions	<ul style="list-style-type: none">• Requests to purchase Council assets / land with no apparent purpose• Requests to rent Council property with no apparent business motive

Overcomplicated legal arrangements / multiple solicitors	<ul style="list-style-type: none"> • Property transactions where the Council is dealing with several different parties
Evidence of Identity not available	<ul style="list-style-type: none"> • Property transactions – land or property purchases should only be via the actual owner verified through Land Registry • Be wary if dealing with a company (particularly if overseas company)

Undertaking Customer Due Diligence Checks

The Council may undertake activities that may be considered under Money Laundering Regulations to be regulated, however it does not undertake these activities by way of business and therefore would not normally be expected to undertake due diligence in respect of any clients to whom it provides these services. The activities that are regulated are:

- Credit and Financial institution
- Legal, Auditors, Accountants and Tax Advisors
- Trust of Company service providers
- Estate Agents
- Casinos
- High value dealers (ie dealing in goods of any description whenever a transaction involves accepting a total cash payment of more than £8750 / €10,000 (value defined by HMRC))

It is good practice that whenever the Council does enter into such activities with a third party that due diligence checks are actioned before establishment of a relationship or transaction. These checks should remain proportionate to the risks of the individual business and the relationship, and can take a number of forms. If the other party is not physically present, certified copies (by a practicing solicitor known to the Law Society) are required. HMRC have issued core guidance which recommends taking one or more of the following where applicable:

- Confirming the identity of the client via documentation, data or information obtained from a reliable and independent source (eg passport/photo driving licence, and/or position within an organisation where appropriate).
- Obtaining information from Companies House of details of Company registration and business
- Seeking electronic verification such as performing credit checks
- Obtaining confirmation from regulated industry bodies (eg for accountants check to CCAB certified bodies)
- Requesting copies of financial statements
- Requesting details of interests and beneficial ownerships (an individual holding more than 25% of the shares voting rights or interest in a company, partnership or trust)
- Obtaining information on the purpose and intended nature of the business relationship

Evidence of current address may include bank or credit card statement, mortgage or insurance details, or a utility bill. Other information may be available from internal sources:

- Other transaction patterns or volumes, or number of one-off or linked one-off transactions
- Length of business relationship and identification evidence held

Further information may be obtained from the MLRO and the following

- National Crime Agency www.nationalcrimeagency.gov.uk
- Guidance for the Accountancy Sector www.ccab.org.uk
- Guidance for the legal sector www.lawsociety.org.uk

**REPORT TO THE MONEY LAUNDERING REPORTING OFFICER
RE: SUSPECTED MONEY LAUNDERING ACTIVITY**

To: **Money Laundering Reporting Officer / Deputy Money Laundering Reporting Officer**

Report From:	
Name	
Directorate / Department	
Phone	
Details of Suspected Offence:	
<i>Names and addresses of persons involved:</i>	
 <i>If company / body – details of the nature of their business:</i>	
<i>(Please enclose copies of any relevant supporting documentation)</i>	
<i>Nature, value, timing of activity involved (including timing of any deadlines for giving consent):</i>	
 <i>What are your suspicions regarding the activity:</i>	
 <i>Has any investigation been undertaken:</i>	
 <i>Have you discussed your suspicion with anyone else?:</i>	
 <i>Have you consulted any supervisory body eg. The Law Society?:</i>	
 <i>Any further information you think relevant:</i>	

Signed _____

Dated _____

Please do not discuss the content of this report with anyone you believe to be involved in suspected money laundering

**MONEY LAUNDERING DISCLOSURE FORM – TO BE COMPLETED BY THE
MONEY LAUNDERING REPORTING OFFICER**

Form completed by:	
Date Form Received:	
Date acknowledged:	
Unique case reference number:	
Are there reasonable grounds for suspecting money laundering activity? Provide details:	
If yes – details of reporting to National Crime Agency (NCA) :	
Date reported:	
Details of liaison with NCA:	
Is consent required from NCA for any ongoing or imminent transactions which would otherwise be prohibited? If yes, details:	
Date consent received from NCA to proceed with the transaction:	
Date consent given to employee to proceed with the transaction:	
If there are reasonable grounds to suspect money laundering but you do not intend to report the matter to NCA:	
Detail reasons for non-disclosure:	
Date consent given to employee to proceed with the transaction:	

Signed _____

Dated _____

RETAIN THIS REPORT FOR AT LEAST 5 YEARS

Treasury Management Mid-Year Report 2020/21		Agenda No: 9
Portfolio	Finance and Performance Management	
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 2020/21 – approved by Full Council on 17 February 2020 as part of the Council’s Budget for 2020/21:- Council Budget and Council Tax 2020-21 and Medium-Term Financial Strategy 2020-21 to 2023-24		Key Decision: No
Executive Summary:		
1. <u>Background</u> 1.1 The Council's treasury management activities are regulated by statutory requirements and by a Code of Practice (“the Code”) issued by the Chartered Institute of Public Finance (CIPFA). 1.2 One of the key requirements of the Code is that, along with an annual strategy to be approved prior to the commencement of the financial year and an annual report after the financial year-end, the Council should also receive at least one mid-year report on its treasury management activities.		
2. <u>Treasury Management Strategy</u> 2.1 The Treasury Management Strategy Statement (TMSS) for 2020/21 was approved in February 2020 as part of the overall Budget and Council Tax setting for 2020/21. The TMSS was based on the following presumptions: <ul style="list-style-type: none"> • A forecast spend on the capital programme of around £43million, funded by a combination of £32million of own resources and the balance from prudential borrowing. • The availability of cash balances for investment – the assumption was that these would average around £46million comprising core cash of circa £32million and in-year cash flows of £14million. 		

- By utilising internal borrowing (as opposed to incurring new external borrowing), investment balances were projected to fall to around £20million by the end of the financial year.
- Maintaining the Council's approach to risk by diversification of its investments including retaining longer-term investments to counter the risks associated with a prolonged period of low interest rates.

3. External Context

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

4. Capital Expenditure and Financing

4.1. Capital spending is forecast to be £38.935million a reduction of £3.729million from that originally anticipated in the TMSS, after allowing for some programme slippage.

4.2. At programme level the picture is mixed:

- **Housing** capital expenditure is expected to be lower as options for the provision of new temporary accommodation near Progress Court have been subject to further consideration as reported to Cabinet at their meeting in September;
- **Other Services** capital expenditure is forecast to be higher due in part to the increased scope of works for the pedestrianisation of Braintree town centre following a successful bid to the Department for Transport (DfT) and Essex County Council (ECC). In addition, a capital contribution was approved in April towards the cost of improvements to the waste management facilities used by the contractor to process recycling material collected from households; and
- **District Investment Strategy** overall a lower level of expenditure is forecast across the projects under this programme. At present there is uncertainty over the timing of the Council's contribution towards the Millennium Way slip road project and therefore this has been removed from the expenditure profile.

4.3. The projected financing of this expenditure shows a switch between capital receipts and internal borrowing. This anticipated change is due in part to a lower amount of capital receipts that are now expected to be generated in the current year from the Horizon 120 and Manor Street regeneration projects. These receipts are now projected to be received in 2021/22 which in the meantime is covered through increased internal borrowing. There is a higher amount of grants and contributions towards funding which includes a total of £1.75m from DfT and ECC towards the pedestrianisation of Braintree town centre, partially offset by a lower drawdown of European funding (via ECC) in the year for the I-Construct project, the completion of which is now expected to slip into 2021/22. The additional capital contribution towards recycling facilities is being met from additional borrowing repayable from reductions in the amount charged by the contractor for processing the Council's recycle material.

5. Capital Financing Requirement

- 5.1. The Capital Financing Requirement (CFR) is a balance sheet derived amount which indicates the extent to which the Council has previously invested in capital but not financed the spending from its own capital resources. It is therefore an indicator of the amount of borrowing the Council could potentially justify as being required to meet expenditure with lasting benefits. The CFR is also used to determine the amount of Minimum Revenue Provision (MRP) the Council is required to set aside from its General Fund revenue account.
- 5.2. The forecast CFR at 31 March 2021 is £31.763million which is higher than that originally estimated (£26.081million) in part due to the delay in capital receipts referred to in paragraph 4.3 above.

6. Borrowing and Other Long-Term Liabilities

- 6.1. External borrowing is expected to remain at £6million during this year; however, there are reductions in finance lease liabilities which reduce in line with contracted annual payments. At the end of the year total borrowing and other long-term liabilities is estimated to be £7.977million, which is within the limits set by Full Council.
- 6.2. The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. The consultation titled "Future Lending Terms" allows stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals to allow authorities that are not involved in "debt for yield" activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield. The consultation also broaches the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances.
- 6.3. The consultation closed on 31st July 2020, with the announcement and implementation of the revised lending terms expected in the latter part of this calendar year or early next year. A response to the consultation from the Council was agreed by the Cabinet Member for Finance and Performance Management.

7. Investment Activity

- 7.1. The TMSS 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. Cash balances carried over at the start of the year were £52.309million, which was higher than originally anticipated in the TMSS.
- 7.5. In the first week of April 2020, the Council received £32.5 million of central government funding to support small and medium businesses during the coronavirus pandemic. This funding also included an amount to establish a hardship fund for council tax payers in receipt of local council tax support. This funding was subsequently topped up, including providing the Council with a number of tranches of emergency funding to offset the additional expenditure that the Council was incurring as a result of the pandemic. This funding has been temporarily invested with the Debt Management Office in short-dated deposits whilst the Council implemented the various schemes of support. By the end of September the majority of the cash to be passported to businesses and taxpayers had been disbursed. During this time the government also changed the profile for a number of income and expenditure cash flows which occur between the Council and government under the business rate retention scheme, the result being that additional cash was made available to the Council in the first half of the year which will then be adjusted for in the latter half.
- 7.6. For the period April to end September 2020 investments have averaged £69.519million, with a high of £94.713million on 17 April 2020. It is expected that as the additional COVID funding is exhausted, and expenditure on the capital programme picks up in the latter half of the year, cash balances will reduce significantly such that by the end of the year investment balances will be circa £21million, which is broadly in line with that originally forecast in the TMSS (circa £20million). The average amount invested for the year is estimated to be circa £56million, which is higher than assumed in the TMSS (£46million) primarily due to the factors set out in paragraph 7.5 above.
- 7.7. Funds managed to date this year have been invested in money market funds (MMF); UK Government through the Debt Management Office; lending to other local authorities; and long-term pooled funds.
- 7.8. In the period April to September 2020 new investments of over £800million have been made, with £793million maturing or being sold. This increased activity has been a result of the short-term deposits made with the Debt Management Office of funds received as a result of the coronavirus pandemic. Investment and other cash balances at 30 September was £60.490million.
- 7.9. The overall return to the end of September was £475,510 or 1.36% (annualised). Interest earned on short-term investments was £93,687 equating to a return of 0.38%. Dividends from long-term pooled funds are paid quarterly and can vary quarter on quarter. Up to the end of September dividends received/ declared were £381,823 or 4.01%. The updated budget for investment income is £1.059million, and based on performance to date it is expected this will be underachieved by £306,000 giving a projected income for the year of £753,000.
- 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 whilst the investments are maintained. The falls in the capital values of the

underlying assets were reflected in the 31 March 2020 fund valuations with every fund in the Council's portfolio registering negative capital returns over a 12-month period. Since March there has been improvement in market sentiment which is reflected in an increase in capital values of the strategic bond and multi-asset income funds and most of the equity income funds. The capital value of the CCLA property fund and Schroders equity fund are below that at 31 March 2020. Overall, the valuation of funds at 30 September was £17.712million representing an unrealised loss of £1.288million (-£2.256million at 31 March 2020).

- 7.11. The performance and continued suitability of the pooled funds in meeting the Council's investment objectives are regularly reviewed with Arlingclose. At the Strategic Investment Programme Group meeting held on 5 August 2020, it was agreed that no changes should be made to the Council's holdings at the present time. This position will be reviewed again at the next meeting of this Group.
- 7.12. With the sharp fall in economic activity following the outbreak of the coronavirus pandemic and the uncertainty this created in the property market, the Council was informed in late March that dealings in the CCLA property fund would be suspended until further notice. The Council has now been informed that dealing in this fund has now been reinstated albeit alongside a new requirement that at least 90 days notification must be given of any intended redemption of units.
- 7.13. The expectation is that income will be significantly lower from cash and short-dated money market investments and from externally managed funds than has been generated in recent years. Dividends and income paid will ultimately depend on many factors, including the duration of COVID-19 and the extent of its economic impact; the fund's sectoral asset allocation; the securities held/bought/sold; and, in the case of equities, the enforced or voluntary dividend cuts or deferrals. To mitigate against these risks the Council maintains a treasury management reserve which could be applied towards offsetting any short-term reduction in income

8. Outlook for remainder of 2020/21

- 8.1. The medium-term global economic outlook is weak. While the strict initial lockdown restrictions have eased, coronavirus has not been suppressed and second waves have prompted more restrictive measures on a regional and national basis. This ebb and flow of restrictions on normal activity will continue for the foreseeable future, at least until an effective vaccine is produced and importantly, distributed.
- 8.2. It is expected that central banks will maintain low interest rates for the medium term. In the UK, Brexit is a further complication. Bank Rate is therefore likely to remain at low levels for a very long time, with a distinct possibility of being cut to zero. Money markets have priced in a chance of negative Bank Rate.
- 8.3. Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or if the

<p>UK leaves the European Union without a deal.</p> <p>8.4. Downside risks remain in the near term, as the government dials down its fiscal support measures, reacts to the risk of a further escalation in infection rates and the Brexit transition period comes to an end.</p>
<p>Recommended Decision:</p> <p>To recommend to Cabinet acceptance of the Treasury Management Mid-Year Report 2020/21 prior to its submission to Full Council.</p>
<p>Purpose of Decision:</p> <p>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.</p>

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

Treasury Management Mid-Year Report 2020/21

1. Background

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

2. Treasury Management Strategy

- 2.1. The Treasury Management Strategy Statement (TMSS) for 2020/21 was approved in February 2020 as part of the overall Budget and Council Tax Setting for 2020/21. At the same time the Council also approved a Capital Strategy, Investment Strategy (Commercial Property) and Minimum Revenue Provision Policy.
- 2.2. The TMSS was based on the following presumptions:
 - A forecast spend on the capital programme of around £43million, funded by a combination of £32million of own resources and the balance from prudential borrowing.
 - The availability of cash balances for investment – the assumption was that these would average around £46 million comprising core cash of circa £32million and in-year cash flows of £14million.
 - By utilising internal borrowing, investment balances were projected to fall to around £20million by the end of the financial year.
 - Maintaining the Council's approach to risk by diversification of its investments including retaining longer-term investments to counter the risks associated with a prolonged period of low interest rates.

3. External Context

- 3.1. **Appendix A** provides an economic and market commentary covering the current financial year written at the end of September by Arlingclose, the Council's treasury management advisors.
- 3.2. The table below summarises the level of market interest rates over the period 1st April to 30th September 2020:

Market Rates							
	UK Base Rate	Money Market Rates					
		Overnight	7-day	1mth	3mth	6mth	12mth
Average	0.10	-0.08	0.06	0.03	0.17	0.28	0.39
Maximum	0.10	0.08	0.08	0.15	0.62	0.90	0.72
Minimum	0.10	-0.11	0.05	-0.03	-0.01	0.08	0.07
Spread	0.00	0.19	0.03	0.18	0.63	0.82	0.65

4. **Capital Expenditure and Financing**

4.1. The following table shows the original estimated capital expenditure and financing as set out in the approved TMSS alongside an updated forecast for the year:

<u>Capital Expenditure & Financing 2020/21</u>			
	TMSS £000	Forecast £000	Change £000
<u>Capital Expenditure:</u>			
Housing	1,967	675	(1,292)
Vehicle Replacement Programme	1,588	1,588	0
Other Services	2,844	6,102	3,258
District Investment Strategy	35,865	33,890	(1,975)
Capital Salaries	400	680	280
Est whole programme c/fwd	-	(4,000)	(4,000)
Total Expenditure	42,664	38,935	(3,729)
<u>Funded by:</u>			
Capital receipts	(22,052)	(7,305)	14,747
Better Care Funding	(931)	(1,089)	(158)
Other Grants & Contributions	(1,456)	(3,026)	(1,570)
Revenue and reserves	(7,169)	(6,260)	909
Vehicle Leasing	(1,588)	(1,588)	0
Borrowing (internal/ external)	(9,468)	(19,667)	(10,199)
Total Finance	(42,664)	(38,935)	3,729

4.2. The above table shows that, after allowing for some slippage in the whole programme, the current forecast is for capital expenditure to be lower than the amount originally assumed in the TMSS. At individual programme level the picture is mixed:

- **Housing** capital expenditure is expected to be lower as options for the provision of new temporary accommodation near Progress Court have been subject to further consideration as reported to Cabinet at their meeting in September;
- **Other Services** capital expenditure is forecast to be higher due in part to the increased scope of works for the pedestrianisation of Braintree town centre following a successful bid to the Department for Transport

(DfT) and Essex County Council (ECC). In addition, a capital contribution was approved in April towards the cost of improvements to the waste management facilities used by the contractor to process recycling material collected from households; and

- **District Investment Strategy** overall a lower level of expenditure is forecast across the projects under this programme. At present there is uncertainty over the timing of the Council's contribution towards the Millennium Way slip road project and therefore this has been removed from the expenditure profile.

4.3. The table at 4.1 above shows that in terms of financing this expenditure there is a switch between capital receipts and internal borrowing. This anticipated change is due in part to a lower amount of capital receipts that are now expected to be generated in the current year from the Horizon 120 and the Manor Street regeneration projects, which had been included as part of the planned financing. These receipts are now projected to be received in 2021/22 which in the meantime is covered through increased internal borrowing.

4.4. The higher amount of grants and contributions includes a total of £1.75m from DfT and ECC towards the pedestrianisation of Braintree town centre, partially offset by a lower drawdown of European funding (via ECC) in the year for the I-Construct project, the completion of which is now expected to slip into 2021/22. The additional capital contribution towards recycling facilities is being met from additional borrowing repayable in annual instalments from reductions in the amount charged by the contractor for processing the Council's recycle material over the remaining nine years of this contract.

5. Capital Financing Requirement

5.1. The Capital Financing Requirement (CFR) is a balance sheet derived amount which indicates the extent to which the Council has previously invested in capital but not financed the spending from its own capital resources. The CFR is therefore an indicator of the amount of borrowing the Council could potentially justify as being required to meet expenditure with lasting benefits. Actual borrowing may differ from the CFR, e.g. if the Council internally borrows by temporarily using cash held for other purposes.

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

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

Capital Financing Requirement (CFR) 2020/21			
	TMSS £000	Forecast £000	Change £000
CFR at start of the year	15,764	12,803	(2,961)
Increase due to borrowing	11,056	19,667	8,611
Minimum Revenue Provision	(523)	(504)	19
Finance leases annual principal repaid	(216)	(203)	13
Est. net change in CFR	10,317	18,960	8,643
Est. CFR at end of the year	26,081	31,763	5,682

5.4. The table above shows that by the end of year the CFR is expected to be higher than the original TMSS in part due to the higher level of borrowing anticipated for the year to cover delayed capital receipts as referred to in paragraph 4.3.

6. Borrowing and Other Long-Term Liabilities

6.1. The following table shows the expected movement on external borrowing and other liabilities:

Borrowing and Other Long-Term Liabilities			
	Borrowing £000	Finance Leases £000	Total £000
Amounts owed 1 April 2020	6,000	2,180	8,180
Additions	-	-	-
Repayments	-	(203)	(203)
Est. amounts owed 31 March 2021	6,000	1,977	7,977

6.2. The above table shows that external borrowing is not expected to change in the current year, instead the increase in CFR is to be managed initially by internal borrowing.

6.3. Finance lease liabilities are expected to reduce in line with contracted annual payments.

6.4. The Council continues to hold £6 million of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate on set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The holder of the debt has not exercised their option during the first half year, and is unlikely to do for the foreseeable future.

- 6.5. The Council approved borrowing limits within the TMSS: an Operational Limit of £30million; and an overall Authorised Limit of £50million (the maximum level of borrowing). Actual external borrowing to the end of September has been within these limits and compliance is expected for the remainder of the year.
- 6.6. The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. The consultation titled "Future Lending Terms" allows stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals to allow authorities that are not involved in "debt for yield" activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield. The consultation also broaches the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances.
- 6.7. The consultation closed on 31st July 2020, with the announcement and implementation of the revised lending terms expected in the latter part of this calendar year or early next year. A response to the consultation from the Council was agreed by the Cabinet Member for Finance and Performance Management.

7. Investment Activity

- 7.1. The CIPFA Code and government guidance require that investments are prudent and have regard to security and liquidity before seeking the optimum rate of return or yield.
- 7.2. The Council's objective when investing is to strike an appropriate balance between risk and return, minimising the risk of incurring losses through default and the risk of receiving unsuitably low investment income.

Investment Balances

- 7.4. The level of investments managed is directly linked to the cash balances available which are needed to meet day-to-day liquidity requirements as well as medium-longer term cash flow, reflected in the Council's revenue and capital reserves.
- 7.5. At 31st March 2020, investment balances were £52.309million, which was higher than originally anticipated in the TMSS – this was mainly due to higher reserves and balances, increased capital contributions (e.g. Section 106), and a lower level of internal borrowing due to lower capital expenditure.
- 7.6. In the first week of April 2020, the Council received £32.5 million of central government funding to support small and medium businesses during the coronavirus pandemic. This funding also included an amount to establish a hardship fund for council tax payers in receipt of local council tax support. This funding was subsequently topped up, including providing the Council with a number of tranches of emergency funding to offset the additional expenditure that the Council was incurring as a result of the pandemic. This

funding has been temporarily invested with the Debt Management Office in short-dated deposits whilst the Council implemented the various schemes of support. By the end of September the majority of the cash to be passported to businesses and taxpayers had been disbursed. During this time the government also changed the profile for a number of income and expenditure cash flows which occur between the Council and government under the business rate retention scheme, the result being that additional cash was made available to the Council in the first half of the year which will then be adjusted for in the latter half.

7.7. For the period April to end September 2020 investments have averaged £69.519million, with a high of £94.713million on 17th April 2020. It is expected that as the additional COVID funding is exhausted, and expenditure on the capital programme picks up in the latter half of the year, cash balances will reduce significantly such that by the end of the year investment balances will be circa £21million, which is broadly in line with that originally forecast in the TMSS (circa £20million). The average amount invested for the year is estimated to be circa £56million, which is higher than assumed in the TMSS (£46million) primarily due to the factors set out in paragraph 7.6 above.

Investment Policy and Activity

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

- AAA rated Low Volatility Net Asset Value (LVNAV) Money Market Funds (MMFs), where funds invested are expected to retain their value. Funds used by the Council have been: the Aberdeen Liquidity Fund, CCLA Public Sector Deposit Fund, Federated Prime, Deutsche Managed Sterling, and Goldman Sachs Asset Management.
- A variable NAV (VNAV) MMF where small fluctuations in the value of the investment can occur – the fund used is managed by Royal London Asset Management.
- Pooled Funds – equity, property, and multi-asset funds which represent the Council's long-term investments.
- Lending to other local authorities – but only where loans had been agreed prior to April 2020.
- UK Government through the Debt Management Office for the management of short-term liquidity.
- Lloyds Bank current account.

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

Investment Activity 1 April to 30 September 2020				
		Investments:		
	01-Apr-20	Made	Matured/ Sold	30-Sep-20
	£000	£000	£000	£000
Long-Term Investments				
Equity funds	13,000	-	-	13,000
Property fund	3,000	-	-	3,000
Diversified Funds (multi-asset)	3,000	-	-	3,000
Sub-Total Long-Term	19,000	0	0	19,000
Short-Term Investments				
UK Banks & Building Societies	-	-	-	-
Non UK Banks	-	-	-	-
Debt Management Office (UK Govt.)	2,500	780,500	(768,000)	15,000
Other Local Authorities	13,000	5,000	(13,000)	5,000
Money Market Funds – LVNAV	14,000	14,500	(11,500)	17,000
Money Market Funds – VNAV	4,000	-	-	4,000
Sub-Total Short-Term	33,500	800,000	(792,500)	41,000
Long and Short-Term Investments	52,500	800,000	(792,500)	60,000
Lloyds Bank current account	(191)	681	-	490
Total Cash & Investment Balances	52,309	800,681	(792,500)	60,490

- 7.11. Due to the need to administer COVID-19 financial support and because of the overall general level of uncertainty caused by the pandemic, a higher level of cash was held at short notice than would be normal. Liquid cash was diversified over several counterparties including the Debt Management Office and Money Market Funds to manage both credit and liquidity risks. Loans to other local authorities reduced as existing deals matured and demand from this sector reduced.

Investment Returns and Fair Values

- 7.12. The overall return to the 30th September 2020 was £475,510 or 1.36% (annualised). Interest earned on short-term investments was £93,687 equating to a return of 0.38%. Dividends from long-term pooled funds are paid quarterly and can vary quarter on quarter. Up to the end of September dividends received/ declared were £381,823 or 4.01%.

Investment Returns 1 April to 30 September 2020			
	Average Invested £000	Interest/ Dividends £	Return (annualised) %
Long-Term Investments			
Equity Funds	13,000	263,948	4.05%
Property Fund	3,000	58,619	3.90%
Diversified Funds (multi-asset)	3,000	59,256	3.94%
Sub-Total Long-Term	19,000	381,823	4.01%
Short-Term Investments			
UK Banks & Building Societies	-	-	-
Non UK Banks	-	-	-
Debt Management Office (UK Govt.)	14,057	1,679	0.02%
Other Local Authorities	11,820	59,829	1.01%
Money Market Funds – LNAV	19,629	19,498	0.20%
Money Market Funds – VNAV	4,000	12,681	0.63%
Lloyds Bank current account	1,013	0	0.00%
Sub-Total Short-Term	50,519	93,687	0.38%
Long and Short-Term Investments	69,519	475,510	1.36%

- 7.13. The updated budget for investment income is £1.059million, and based on performance to date and forecast for the remainder of the year, it is projected that this will be £753,000 by the end of the year, an underachievement of £306,000.
- 7.14. Continued downward pressure on short-dated cash rates brought net returns on money market funds (LVNAV MMFs) close to zero even after some managers have temporarily lowered their fees. The return on Money Market Funds net of fees fell over the six months and for many funds net returns range between 0% and 0.1%. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee waivers should maintain positive net yields, but the possibility cannot be ruled out.
- 7.15. On 25th September the overnight, 1- and 2-week deposit rates on Debt Management Account Deposit Facility (DMADF) deposits dropped below zero percent to -0.03%, the rate was 0% for 3-week deposits and 0.01% for longer maturities.
- 7.16. The values of the Council's investments in pooled funds continue to fluctuate in response to changing market sentiment. At present these changes are unrealised gains/ losses and have no immediate effect on the General Fund revenue account whilst the investments are maintained. The falls in the capital values of the underlying assets were reflected in the 31st March 2020 fund valuations with every fund in the Council's portfolio registering negative capital returns over a 12-month period. Since March there has been improvement in market sentiment which is reflected in an increase in capital values of the short-dated, strategic bond and multi-asset income funds and most of the equity income funds. The capital value of the CCLA property fund and Schroders equity fund are below that at 31st March 2020. Overall, the valuation of funds at 30th September was £17.712million representing an unrealised loss of £1.288million (compared to an

unrealised loss of £2.256million at 31st March 2020).

- 7.17. The holdings in long-term investments is shown in **Appendix B**.
- 7.18. The performance and continued suitability of the pooled funds in meeting the Council's investment objectives are regularly reviewed with Arlingclose. At the Strategic Investment Programme Group meeting held on 5th August 2020, it was agreed that no changes should be made to the Council's holdings at the present time. This position will be reviewed again at the next meeting of this Group.
- 7.19. With the sharp fall in economic activity following the outbreak of the coronavirus pandemic and the uncertainty this created in the property market, the Council was informed in late March that dealings in the CCLA property fund would be suspended until further notice. This was in line with the rules of the Financial Conduct Authority which requires funds to take action where there is material uncertainty over pricing of over 20% of assets held. This action was not unique to this fund. The Council has now been informed that dealing in this fund has now been reinstated albeit alongside a new requirement that at least 90 days notification must be given of any intended redemption of units.
- 7.20. The expectation is that income will be significantly lower from cash and short-dated money market investments and from externally managed funds than has been generated in recent years. Dividends and income paid will ultimately depend on many factors, including the duration of COVID-19 and the extent of its economic impact; the fund's sectoral asset allocation; the securities held/bought/sold; and, in the case of equities, the enforced or voluntary dividend cuts or deferrals. To mitigate against these risks the Council maintains a treasury management reserve which could be applied towards offsetting any short-term reduction in income.

Outlook for remainder of 2020/21

- 8.1. The medium-term global economic outlook is weak. While the strict initial lockdown restrictions have eased, coronavirus has not been suppressed and second waves have prompted more restrictive measures on a regional and national basis. This ebb and flow of restrictions on normal activity will continue for the foreseeable future, at least until an effective vaccine is produced and importantly, distributed.
- 8.2. The global central bank and government responses have been significant and are in many cases on-going, maintaining more stable financial, economic and social conditions than otherwise. This has supported a sizeable economic recovery in Q3 (July-Sept).
- 8.3. However, the scale of the economic shock to demand, on-going social distancing measures, regional lock downs and reduced fiscal support will mean that the subsequent pace of recovery is limited. Early signs of this are already evident in UK monthly Gross Domestic Product and Purchase Managers Index data, even before the latest restrictions.
- 8.4. This situation will result in central banks maintaining low interest rates for the medium term. In the UK, Brexit is a further complication. Bank Rate is therefore

likely to remain at low levels for a very long time, with a distinct possibility of being cut to zero. Money markets have priced in a chance of negative Bank Rate.

8.5. Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or if the UK leaves the European Union without a deal.

8.6. Arlingclose expects Bank Rate to remain at the current 0.10% level and additional monetary loosening in the future most likely through further quantitative easing. Their central case for Bank Rate is no change from the current level of 0.10%, although further cuts to Bank Rate to zero or even into negative territory cannot be completely ruled out.

Interest Rate Forecast - Official Bank Rate													
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30
Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	-0.10	-0.20	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50

Source: Arlingclose

8.7. Gilt yields are expected to remain very low in the medium term. Shorter-term gilt yields are currently negative and will remain around zero or below until either the Bank of England expressly rules out negative Bank Rate or growth/inflation prospects improve.

8.8. Downside risks remain in the near term, as the government dials down its fiscal support measures, reacts to the risk of a further escalation in infection rates and the Brexit transition period comes to an end.

Appendix A – Economic and Market Commentary by Arlingclose

Economic background: The spread of the coronavirus pandemic dominated during the period as countries around the world tried to manage the delicate balancing act of containing transmission of the virus while easing lockdown measures and getting their populations and economies working again. After a relatively quiet few months of Brexit news it was back in the headlines towards the end of the period as agreement between the UK and EU on a trade deal was looking difficult and the government came under fire, both at home and abroad, as it tried to pass the Internal Market Bill which could override the agreed Brexit deal, potentially breaking international law.

The Bank of England (BoE) maintained Bank Rate at 0.1% and its Quantitative Easing programme at £745 billion. The potential use of negative interest rates was not ruled in or out by BoE policymakers, but then a comment in the September Monetary Policy Committee meeting minutes that the central bank was having a harder look at its potential impact than was previously suggested took financial markets by surprise. Government initiatives continued to support the economy, with the furlough (Coronavirus Job Retention) scheme keeping almost 10 million workers in jobs, grants and loans to businesses and 100 million discounted meals being claimed during the 'Eat Out to Help Out' (EOHO) offer.

GDP growth contracted by a massive 19.8% (revised from first estimate -20.4%) in Q2 2020 (Apr-Jun) according to the Office for National Statistics, pushing the annual growth rate down to -21.5% (first estimate -21.7%). Construction output fell by 35% over the quarter, services output by almost 20% and production by 16%. Recent monthly estimates of GDP have shown growth recovering, with the latest rise of almost 7% in July, but even with the two previous monthly gains this still only makes up half of the lost output.

The headline rate of UK Consumer Price Inflation (CPI) fell to 0.2% year/year in August, further below the Bank of England's 2% target, with the largest downward contribution coming from restaurants and hotels influenced by the EOHO scheme. The Office for National Statistics' preferred measure of CPIH which includes owner-occupied housing was 0.5% y/y.

In the three months to July, labour market data showed the unemployment rate increased from 3.9% to 4.1% while wages fell 1% for total pay in nominal terms (0.2% regular pay) and was down 1.8% in real terms (-0.7% regular pay). Despite only a modest rise in unemployment over the period, the rate is expected to pick up sharply in the coming months as the furlough scheme ends in October. On the back of this, the BoE has forecast unemployment could hit a peak of between 8% and 9%.

The US economy contracted at an annualised rate of 31.7% in Q2 2020 (Apr-Jun). The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% but announced a change to its inflation targeting regime. The move is to a more flexible form of average targeting which will allow the central bank to maintain interest rates at low levels for an extended period to support the economy even when inflation is 'moderately' above the 2% average target, particularly given it has been below target for most of the last decade.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.5%.

Financial markets: Equity markets continued their recovery, with the Dow Jones climbing to not far off its pre-crisis peak, albeit that performance being driven by a handful of technology stocks including Apple and Microsoft, with the former up 75% in 2020. The FTSE 100 and 250 have made up around half of their losses at the height of the pandemic in March. Central bank and government stimulus packages continue to support asset prices, but volatility remains.

Ultra-low interest rates and the flight to quality continued, keeping gilts yields low but volatile over the period with the yield on some short-dated UK government bonds remaining negative. The 5-year UK benchmark gilt yield started and ended the June–September period at -0.06% (with much volatility in between). The 10-year gilt yield also bounced around, starting at 0.21% and ending at 0.23% over the same period, while the 20-year rose from 0.56% to 0.74%. 1-month, 3-month and 12-month bid rates averaged 0.02%, 0.06% and 0.23% respectively over the period.

At the end of September, the yield on 2-year US treasuries was around 0.13% while that on 10-year treasuries was 0.69%. German bund yields remain negative across most maturities.

Credit review: Credit default swap spreads eased over most of the period but then started to tick up again through September. In the UK, the spreads between ringfenced and non-ringfenced entities remains, except for retail bank Santander UK whose CDS spread remained elevated and the highest of those we monitor at 85bps while Standard Chartered was the lowest at 41bps. The ringfenced banks are currently trading between 45 and 50bps.

After a busy second quarter of the calendar year, the subsequent period has been relatively quiet for credit changes for the names on our counterparty list. Fitch assigned a AA- deposit rating to Netherlands lender Rabobank with a negative outlook and prior to that, while not related to our counterparty list but quite significant, revised the outlook on the US economy to Negative from Stable while also affirming its AAA rating.

There continues to remain much uncertainty around the extent of the losses banks and building societies will suffer due to the impact from the coronavirus pandemic and for the UK institutions on our list there is the added complication of the end of the Brexit transition period on 31st December and what a trade deal may or may not look like. The institutions on the Arlingclose counterparty list and recommended duration remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

Appendix B

<u>Pooled Funds at 30 September 2020</u>		
	<u>Invested</u>	<u>Fair Value</u>
	£000	£000
Schroder UK Income Maximiser	2,500	1,507
Seeks to provide income and capital growth with target income of 7% p.a. by investing in mainly UK equities		
Threadneedle UK Equity Income	5,000	4,745
Aims for a yield greater than 110% of the FTSE All Share Index		
M&G Global Dividend Fund	2,500	3,274
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		
M&G UK Income Distribution Fund	3,000	2,414
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.		
CCLA Local Authorities Property Fund	3,000	2,918
Aims to provide long-term capital and income return. The fund must pay out the income it generates.		
Investec Diversified Income Fund	1,000	979
Aims to provide steady income (4-6% p.a.) and the opportunity to grow the value of the investment over the long term by investing in an actively managed global multi-asset portfolio		
Aegon (formerly Kames) Diversified Monthly Income Fund	2,000	1,875
Aims to provide income with the potential for capital growth over the medium term. The fund also aims for half to two-thirds of the volatility of the MSCI World Index.		
Total	19,000	17,712

Monitoring Officer's report on Standards		Agenda No: 10
Portfolio	Corporate Services and Asset Management	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Kim Cole, Head of Governance and Monitoring Officer	
Report prepared by:	Kim Cole, Head of Governance and Monitoring Officer and Emma Wisbey, Governance and Members Manager and Deputy Monitoring Officer	
Background Papers:	Public Report	
Chapter 1 of the Constitution – Article 10 (paragraph 4.4.2) Code of Conduct	Key Decision: No	
Executive Summary:		
<p>This report provides Members with an update on the functioning of the Member Standards Framework for the period 2019/20.</p> <p>The Monitoring Officer is the proper officer for the discharge of the Council's functions under the Localism Act 2011, including the assessment and determination of complaints made in respect of the Code of Conduct as adopted by Braintree District Council and the Code of Conducts as adopted by all Parish and Town Councils in the Braintree District.</p>		
Recommended Decision:		
<p>Members are requested to note the Annual Report for 2019/20.</p>		
Purpose of Decision:		
<p>To comply with provisions set out in Article 10, Chapter 1 of the Council's Constitution.</p>		

Any Corporate implications in relation to the following should be explained in detail.	
Financial:	No matters directly arising out of this report.
Legal:	Relevant matters are addressed within the report.
Safeguarding:	No matters arising out of this report.
Equalities/Diversity:	If it has not been necessary to conduct an Equality Impact Assessment. This report seeks to advise Members of the work of the Monitoring Officer.
Customer Impact:	No matters arising out of this report.
Environment and Climate Change:	No matters arising out of this report.
Consultation/Community Engagement:	No matters arising out of this report.
Risks:	No matters arising out of this report.
Officer Contact:	Kim Cole, Head of Governance and Monitoring Officer and Emma Wisbey, Governance and Members Manager and Deputy Monitoring Officer
Designation:	See above
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1. Introduction

This is the Annual Report of Braintree District Council's Monitoring Officer and covers the Civic Year 2019/20. The purpose of this report is to review the functions of the Standards Framework during the above mentioned period.

2. Change in the Monitoring Officer

During 2019/20 there has been a change in the Monitoring Officer. As a consequence of Ian Hunt's departure from the Council on 17th February 2020, Full Council put in place arrangements for the appointment of the Monitoring Officer.

Initially, Full Council appointed an interim Monitoring Officer, Clare Pattison (interim Head of Governance). Clare Pattison held the position of Monitoring Officer until Kim Cole joined the Council as the Head of Governance. Kim Cole's appointment as the Council's Monitoring Officer commenced on 27th April 2020.

Emma Wisbey, Governance and Members Manager was appointed by Kim Cole as her Deputy Monitoring Officer.

3. Complaints received by the Monitoring Officer.

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

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

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

The main theme in respect of the contact, not resulting in complaints, has remained in relation to supporting Members to make appropriate declarations under the Code of Conduct. As with previous years, the Monitoring Officer has received a number of queries (principally by Parish Councillors and members of the public) following meetings where concerns were raised as to the appropriateness of declarations. Another theme relates to concerns relating to the private actions of Councillors; this includes actions of individuals of Political Groups.

The majority of contacts where advice is sought relates to residents (or individual Councillors) who have concerns about either specific decisions of Parish Councils or the failure to make a specific decision. These are generally

not a “Code” matter as it is not about individual behaviours, and the District Council does not have jurisdiction relating to the decision making of Parish Councils.

3.1 Complaints received by the Monitoring Officer

The assessment of complaints is treated confidentially by the Monitoring Officer until the completion of any investigation and therefore it is not appropriate to publish details of the complaints. Complaints which are still subject to the consideration of the Monitoring Officer are excluded from this report.

During the year 2019/20, the Monitoring Officer received a number of formal complaints which have been considered.

During the course of the year the key concerns raised related to:

- The appropriateness of individual Councillors actions at meetings. These complaints also include actions of the Chairman in managing debates and items of business on the Agenda including public’s right to speak and address a particular issue in the parish. These cases are often linked to the outcome of the decision made and disappointment that an alternative decision was not made. The Monitoring Officer has provided support and guidance in relation to those cases.
- There have been a number of challenges around perceptions of bias or unreasonable preference, although these not been substantiated.
- A small number of Parish Clerks have had issues with individual Members; this has been in relation to challenging behaviours where support has been given.

One complaint received in 2019/20 was referred for investigation. At the time of preparing the Annual Report the complaint is still live. Live complaints are treated as confidential until such time the Monitoring Officer considers it appropriate to make the detail of the complaint public in accordance with the procedure for Councillor Conduct Complaints which includes either a referral to the Standards Sub-Committee or a report for noting at the conclusion of the investigation to the Corporate Governance Committee.

3.2 Referrals to the Standards Sub-Committee

The Monitoring Officer may refer any complaint to the Standards Sub-Committee for them to make the initial decision on whether or not to investigate the matter. For the year 2019/20 there has been no matters referred to the Standards Sub-Committee.

3.3 Referral to Essex Police

For the year 2019/20 there has been no referrals to Essex Police by the Monitoring Officer.

4 Applications for Dispensation against Member Interest

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

4.1 Applications by District Councillors

No applications for dispensation by District Councillors were made to the Monitoring Officer for 2019/20. All Member Interests have been managed by District Councillors by taking advice from the Monitoring Officer.

4.2 Applications by Parish Councillors

Where the function has been delegated to the Monitoring Officer to be the Proper Officer for dispensations for Parish/Town Councils, no applications were made in 2019/20.

5. Registers of Interest

In accordance with the provisions of the Localism Act 2011, the Monitoring Officer is required to establish and maintain a Register of Interests for all District Councillors. In addition to this, the Monitoring Officer is required to obtain and publish copies of all Registers of Interests for Parish/Town Councillors.

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

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

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

There were no issues with District Councillors' Registers of Interests for 2019/20. The Deputy Monitoring Officer has worked with individual Parish Clerks and Parish Councillors where concerns have been identified.

6. Looking Forward for 2020/21 and beyond

For 2020/21, the Monitoring Officer will be conducting a substantive review of the Council's Constitution and Governance arrangements, including the Code of Conduct for Members and associated complaints procedure.

The review will reflect and, where appropriate, incorporate some of the issues which were identified in the report "Local Government Ethical Standards: A Review by the Committee on Standards in Public Life – January 2019", which was referred to in the Monitoring Officer's Annual Report for 2018/19.

The review will conclude with a new Constitution, associated governance arrangements and procedures for the new Civic Year 2020/21. The Monitoring Officer has set a programme which will take a new Constitution to Full Council on 29th March 2021 for adoption.

The programme provides for Member engagement via the Developing Democracy Group, Corporate Governance Group and Full Council. Officer engagement will be via direct consultation by the Monitoring Officer.

Due to the period of time available for the review and the volume of the documentation which will result, a programme of meetings of the Developing Democracy Group and Corporate Governance Group dedicated solely for the Constitution review have been set down for 2020/21.

Following the adoption of the new Constitution by Full Council, a series of training sessions will be provided by the Monitoring Officer to Members and Officers. A programme of sessions will be set down for early 2021/22. The purpose of the training sessions will be to introduce and explain the various provisions of the Constitution focusing on key issues such as the Council Procedural Rules, but more fundamentally to embed the Constitution throughout the Council and not just limited to those Members and Officers involved in decision making in formal setting such as Council meetings.