

# GOVERNANCE AND AUDIT SCRUTINY COMMITTEE AGENDA

**Thursday, 21<sup>st</sup> July 2022 at 4.30pm**

Council Chamber, Braintree District Council, Causeway House,  
Bocking End, Braintree, CM7 9HB.

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

**Membership:-**

Councillor P Euesden (Vice Chairman)	Councillor T Walsh
Councillor D Hume	Councillor Mrs L Walters
Councillor D Mann	Councillor D White
Councillor S Rehman	Councillor J Wrench (Chairman)
Councillor Miss V Santomauro	

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](mailto:governance@braintree.gov.uk) by 3pm on the day of the meeting.

A WRIGHT  
Chief Executive

## **INFORMATION FOR MEMBERS – 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:**

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

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](mailto:governance@braintree.gov.uk) by midday on the second 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 Friday, (where there is a bank holiday Monday you will need to register by midday on the previous Thursday). Public Question Time speakers may participate in person or virtually. Speaker preference must be indicated upon registration.

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

The public may ask questions on any matter listed on the Agenda for this meeting. All questions or statements should be concise and should be able to be read within the 3 minutes allotted for each question/statement.

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.

### **Public Attendance at Meetings:**

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Public attendance is limited and will be on a first come first served basis with priority given to Public Registered Speakers. In order to maintain safe distances, the Council may have to refuse entry to members of the public. The public may not be able to sit in the Council Chamber, but will be able to observe the meeting from a public gallery through a large screen. Alternatively, the Council meetings are webcast and are available via the Council's YouTube Channel and can be viewed by the public as a live broadcast, or as a recording following the meeting.

Public speakers and public attendees are required to attend on their own, and where possible only one representative of any community group, family household or Company should attend. Members of the public intending to come to Causeway House to observe a meeting are recommended to watch the meeting via the webcast, or to contact the Governance and Members Team to reserve a seat within the public gallery.

**Health and Safety/COVID:**

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**Comments and Suggestions:**

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](mailto:governance@braintree.gov.uk)

## **PUBLIC SESSION**

## **Page**

### **1 Apologies for Absence**

### **2 Declaration of Interests - Scrutiny Committee**

1. To declare the existence and nature of any interests 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.

2. To declare the existence and nature of any instruction given by or on behalf of a political group to any Councillor who is a member of that group as to how that Councillor shall speak or vote on any matter before the Committee or the application or threat to apply any sanction by the group in respect of that Councillor should he/she speak or vote on any particular matter.

### **3 Minutes of the Previous Meeting**

To approve as a correct record the minutes of the meeting of the Governance and Audit Scrutiny Committee held on 21<sup>st</sup> April 2022 (copy previously circulated).

### **4 Public Question Time**

(See paragraph above)

### **5 Key Financial Indicators as at 31<sup>st</sup> May 2022**

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### **6 Treasury Management Annual Report 2021/22**

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### **7 Strategic Risk Register**

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### **8 Internal Audit Update, Including Progress Against Internal Audit Plans 2021/22 and 2022/23**

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### **9 Internal Audit Annual Report 2021/22**

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### **10 Annual Governance Statement 2021/22**

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### **11 Internal Audit Plan 2022/23**

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### **12 Urgent Business - Public Session**

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

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<b>Report Title:</b> To receive a suite of the Council's Key Financial Indicators as at 31 <sup>st</sup> May 2022	
<b>Report to:</b> Governance and Audit Scrutiny Committee	
<b>Date:</b> 21 <sup>st</sup> July 2022	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Phil Myers, Head of Finance	
<b>Enquiries to:</b> Phil Myers, Head of Finance ( <a href="mailto:phil.myers@braintree.gov.uk">phil.myers@braintree.gov.uk</a> )	

## **1. Purpose of the Report**

- 1.1 To receive a suite of the key financial indicators of the Council on performance in the current financial year to 31<sup>st</sup> May 2022. To evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues as and when they may arise.

## **2. Recommendations**

- 2.1 Members are asked to note the report of the Key Financial Indicators as at 31<sup>st</sup> May 2022.

## **3. Summary of Issues**

- 3.1 The attached schedule (Appendix A) provides details of performance recorded for the financial year to 31<sup>st</sup> May 2022.

### **3.2 Commentary:**

- 3.2.1 The General Fund revenue budget for the year is £16.2m. Net expenditure at 31<sup>st</sup> May was £1.1m which is £17k below profile.
- 3.2.2 The total budget for Salaries for the whole year is £20.8m. Expenditure on salaries to the end of May was £3.2m, which is under profile by £52k. At this stage no account has been taken of any budgetary impact that may arise from a pay award from April 2022. The National Joint Committee (NJC) unions have submitted their pay claim for 2022, and views of local authorities have been sought through regional briefings to feedback to the National Employers to consider ahead of making a formal response. The budget for the year includes an Efficiency Factor of £300k to be achieved for the year, of which £50k has been reflected in the profiled budget to the end of May.
- 3.2.3 Commercial rents invoiced to the end of May is £768k against a profiled budget of £774k. The number of units for let was 221 units and the number of units occupied at the end of May was 212, an occupancy rate of 96%.

- 3.2.4 Accountants are currently working with service managers on the first quarter end (end of June) budgetary position which will also provide the first forecast of the Council's financial outturn position for the year. This first quarter review will include an assessment of the impact on budgets from the higher fuel costs and other inflationary pressures on day-to-day spending and income. The outcome of this review will be included in the Quarterly Performance report which will be received by the Cabinet on 12<sup>th</sup> September 2022, and will also be used to inform early planning for the 2023/24 budget and updating of the Medium-Term Financial Strategy.
- 3.2.5 The expected spend on the capital programme for the year is currently £12.8m, which includes estimated expenditure on: The Plaza Enterprise Centre at Horizon 120 of £4.3m; Manor Street development of £0.7m; town centre improvements of £0.8m; planned maintenance programme of £1m; ICT investment of £0.4m; and play area refurbishments of £0.3m. Actual expenditure incurred to the end of May is £1.5m.
- 3.2.6 Capital receipts totalling £5.7m is anticipated for the year, which include: right-to-buy sales and VAT shelter savings from agreements with Eastlight Community Housing; the sale of serviced land plots at Horizon 120; and the sale of land assets which had been identified for potential residential development. The actual value and timing of receipts can vary as they are subject to interest from prospective buyers; commercial arrangements; and, in some cases, contracts are exchanged subject to receipt of satisfactory planning consents. The amount of capital receipts achieved to the end of May is £3.9m.
- 3.2.7 The total Council Tax collectable debit for the year is £108.7m. The collection rate as at the end of May was 20.8% (£22.6m collected), which compares to a rate of 20.6% for the same period last year.
- 3.2.8 The total Business Rates collectable debit for the year is £42.4m. The collection rate as at the end of May was 21.0% (£8.9m collected), which compares to a rate of 19.4% for the same period last year.
- 3.2.9 A total of 107 write-offs of Council Tax, with a value of £30k have been authorised in the year to date: 15 in respect of the current year and 92 in respect of previous financial years.
- 3.2.10 A total of 8 write-offs of Business Rates, with a net value of £18k, have been authorised in the year to date all in respect of previous financial years.
- 3.2.11 The amount of sundry debts owed to the Council, i.e. monies other than for Council Tax and Business Rates, is £2.9m, of which £1.5m is in respect of Housing Benefit overpayments. Payment plans are agreed and range from payment within 14 days, payments by instalments throughout the year, and plans determined under Regulations (prescribed maximum amount that can be received from a debtor's benefit award).

- 3.2.12 The proportion of supplier payments made within 30 days is 97.8%. The target is 97%.
- 3.2.13 Up to the end of May, the average amount held as short-term investments was £48.4m on which £56k of interest has been secured, equivalent to a rate of return of 0.69%. There has been some pick-up in returns following the Bank of England raising the official Bank Base Rate. In 2021/22 the rate of return achieved was just 0.08% for the whole year.
- 3.2.14 The amount invested in pooled funds comprising equity, property and multi-assets, has been held at £19m. Dividend income from most of the funds is paid quarterly, therefore, the amount received up to the end of May was only £29k. Overall, market values for the funds increased in May and at the end of the month the total value of all funds was £22.1m, which represented an unrealised gain of £3.1m.
- 3.2.15 Detail of the Council's investments of surplus monies, totalling £62.1m, as at 31<sup>st</sup> May 2022, is provided at Appendix B.

#### **4. Options**

- 4.1 To receive and ask questions as appropriate on the Key Financial Indicators contained in this report.

#### **5. Financial Implications**

- 5.1 There are no new financial implications arising from the recommendations set out in this report.

#### **6. Legal Implications**

- 6.1 There are no specific legal implications arising out of this report at this time.

#### **7. Other Implications**

- 7.1 There are no other implications arising out of this report at this time.

#### **8. Equality and Diversity Implications**

- 8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.



- 8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 8.3 The content of this report will not have a disproportionately adverse impact on any people with a particular characteristic.

**9. List of Appendices**

Appendix A – Key Financial Indicators (including Revenue, Capital and Taxation collection) for the period 1<sup>st</sup> April 2022 to 31<sup>st</sup> May 2022.

Appendix B – Treasury Management – Details of the Council's investments for the period 1<sup>st</sup> April 2022 to 31<sup>st</sup> May 2022.

**10. Background Papers**

None.

**Key Financial Indicators at 31st May 2022**
**APPENDIX A**

	Full Year Budget 2022/23	Actual 31 May 2022	Profile to 31 May 2022	Variance from Profile	
	£'000	£'000	£'000	£'000	%
<b>General Fund - Expenditure</b>					
Salaries	20,800	3,202	3,254	-52	-1.6%
Other Controllable Expenditure	41,302	5,642	5,512	130	2.4%
<b>General Fund - Income</b>					
Commercial & Industrial Property - Rental Income	-3,010	-768	-774	6	-0.8%
Other Controllable Income	-42,851	-6,957	-6,856	-101	1.5%
<b>General Fund - Net Revenue (Controllable)</b>	16,241	1,119	1,136	-17	-1.5%
<b>Capital Programme</b>					
Capital Expenditure	12,844	1,535			
Capital Receipts	-5,730	-3,915			

	Full Year Target	Actual 31 May 2022	Actual 31 May 2021	Variance
Council Tax collection in year - %	97.4%	20.8%	20.6%	0.2%
Council Tax collection - income collected for year - £m	£108.7	£22.6	£20.9	£1.7
Write-offs in year - £'000		£3	£1	£2
Write-offs in year - number		15	4	11
Write-offs all years £'000		£30	£15	£15
Write-offs all years - number		107	85	22
Business Rates collection in year - %	98.7%	21.0%	19.4%	1.6%
Business Rates collected for year - £m	£42.4	£8.9	£5.8	£3.1
Write-offs in year - £'000		£0	£2	-£2
Write-offs in year - number		0	2	-2
Write-offs all years - £'000		£18	£5	£13
Write-offs all years - number		8	8	0
Creditors - payment of invoices within 30 days of receipt	97.0%	97.8%	98.1%	-0.3%

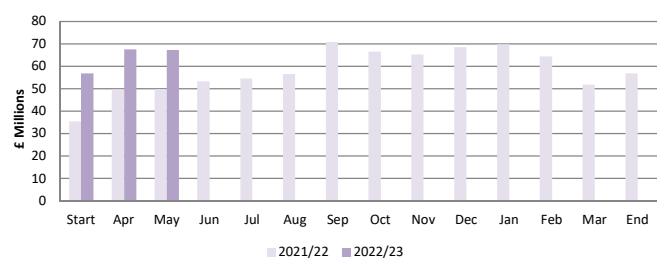
Debtors - Balance Outstanding	31-Mar-20	31-Mar-21	31-Mar-22	31-May-22
	£'000	£'000	£'000	£'000
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	12	109	3	33
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	60	71	80	53
Development & Environment	375	512	570	233
Finance	92	102	82	72
Leisure (incl. joint-use recharges)	212	92	103	186
Operations	1,076	1,312	1,155	755
Housing	65	43	73	58
Sub-Total - excluding Hsg. Benefits	1,892	2,241	2,066	1,390
Housing Benefits	1,673	1,613	1,541	1,509
Total	3,565	3,854	3,607	2,899
Profile by Recovery Stage:				
Invoice	1,914	2,088	2,016	1,261
Reminder	648	791	674	694
Pre-legal	104	145	86	138
Enforcement Agent	328	184	202	188
Tracing Agent	3	2	-	1
Charging Order	30	22	22	22
Attachment to Benefits/Earnings	538	622	607	595
Total	3,565	3,854	3,607	2,899
Write offs (debits and credits) in year - value - £000	£7.7	£0.6	£90.3	£1.9
Write-offs in year - number	114	141	226	25

**Progress on achieving Efficiency Savings Targets**

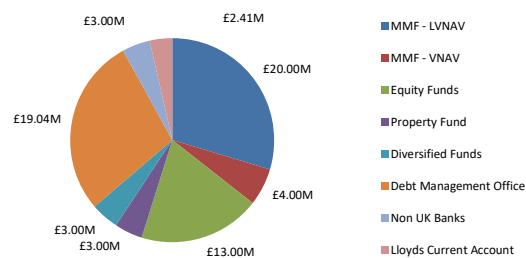
The amount of the Efficiency Savings target included in the budget for 2022/23 is a net amount of £300,000. The underspend on salaries of £52,000, recorded above, is after offsetting £50,000 of the target.

## APPENDIX B - Treasury Management Monitor - 31st May 2022

Average Cash Balances Managed

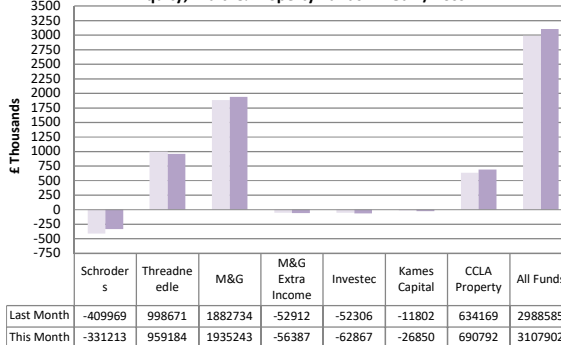


Average Invested to end of Period



	Investment Activity			
	This Month Made £m	Sold £m	Cumulative Made £m	Sold £m
<b>External Investments</b>				
Property Fund	0.0	0.0	0.0	0.0
Equity Funds	0.0	0.0	0.0	0.0
Multi Funds	0.0	0.0	0.0	0.0
MMF - LVNAV	0.0	0.0	0.0	0.0
MMF - VNAV	0.0	0.0	0.0	0.0
<b>Sub-Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Deposits - Fixed</b>				
UK Bank & Building Soc.	0.0	0.0	0.0	0.0
Non-UK Banks	0.0	0.0	3.0	0.0
Debt Mgt Office	29.5	-35.0	67.5	-65.0
Local Authorities	0.0	0.0	0.0	0.0
<b>Sub-Total</b>	<b>29.5</b>	<b>-35.0</b>	<b>70.5</b>	<b>-65.0</b>
Lloyds Bank PLC	0.0	-0.6	0.0	-0.2
<b>Sub-Total</b>	<b>0.0</b>	<b>-0.6</b>	<b>0.0</b>	<b>-0.2</b>
<b>Total</b>	<b>29.5</b>	<b>-35.6</b>	<b>70.5</b>	<b>-65.2</b>

Equity, Multi & Property Funds FV Gain/ Loss



### Commentary

Average sum invested in the month £67.2m (Last year £49.81m)  
 Average sum invested for the year to date £67.39m (Last year £49.76m)  
 Actual sum invested at the end of the period £62.13m (Last year £50.35m)  
 Interest secured on instant access accounts, fixed deposits, and MMFs at the end of the period £56184 a return of 0.69% [Annual Updated Budget £23k]  
 Note: 3mth Libid 1.21% 6mth LIBID 1.45%  
 Dividends earned (declared) on equity, property and diversified funds to the end of the period £29k [Annual Budget £786k]  
 Unrealised gain/ -loss at end of period for equity, property and diversified funds is a net £3108k a change of £119k from last month

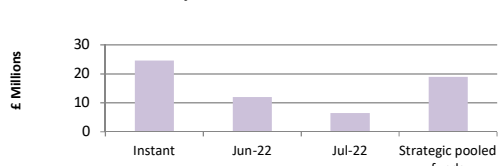
### INVESTMENT HOLDINGS AT END OF PERIOD

COUNTERPARTY	Type	Principal	Start	Maturity	Yield
LANDESBANK HESSEN-THURINGEN (HELABA)	FIXED	0			0.00%
AUSTRALIA & NZ BANKING GROUP	FIXED	3000000	01/04/2022	06/06/2022	0.80%
DEBT MANAGEMENT OFFICE	FIXED	5000000	09/05/2022	06/06/2022	0.82%
DEBT MANAGEMENT OFFICE	FIXED	4000000	26/05/2022	20/06/2022	0.87%
DEBT MANAGEMENT OFFICE	FIXED	6500000	31/05/2022	19/07/2022	1.01%
LOYDS BANK	CALL A/C	630000	31/05/2022	01/06/2022	0.85%
DEUTSCHE	MMF	0			Variable
GOLDMAN SACHS	MMF	5000000	31/05/2022	01/06/2022	Variable
CCLA PUBLIC DEPOSIT	MMF	5000000	31/05/2022	01/06/2022	Variable
FEDERATED PRIME	MMF	5000000	31/05/2022	01/06/2022	Variable
ABERDEEN STANDARD	MMF	5000000	31/05/2022	01/06/2022	Variable

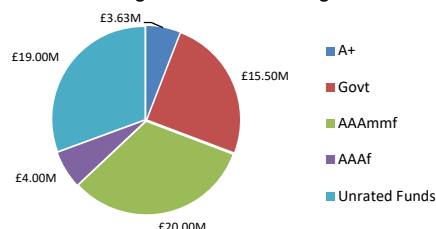
### EXTERNAL FUND INVESTMENTS

Investment	Type	Principal	Yield
SHRODERS INCOME MAX.	EQUITY	2500000	Variable
THREADNEEDLE UK EQUITY	EQUITY	5000000	Variable
M&G GLOBAL DIVIDEND	EQUITY	2500000	Variable
M&G EXTRA INCOME	EQUITY	3000000	Variable
AEGON	MULTI	2000000	Variable
NINETY ONE	MULTI	1000000	Variable
CCLA - LAMIT PROPERTY	PROPERTY	3000000	Variable
ROYAL LONDON CASH PLUS	MMF-VNAV	4000000	Variable

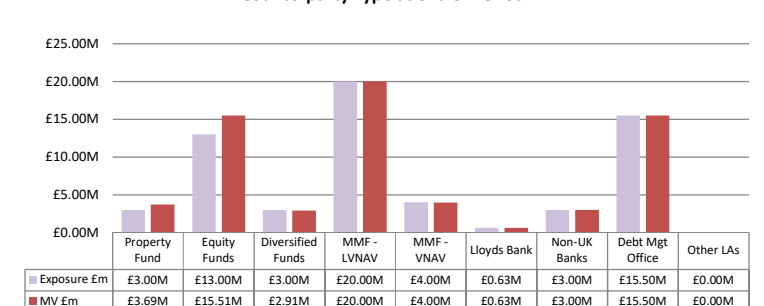
Maturity Profile at end of Period



Credit Rating of Investment Holdings



Counterparty Type at end of Period



<b>Report Title:</b> Treasury Management Annual Report 2021/22	
<b>Report to:</b> Governance and Audit Scrutiny Committee	
<b>Date:</b> 21 <sup>st</sup> July 2022	<b>For:</b> Recommendation
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Mark Jarvis, Financial Services Manager	
<b>Enquiries to:</b> Mark Jarvis, Financial Services Manager <a href="mailto:mark.jarvis@braintree.gov.uk">mark.jarvis@braintree.gov.uk</a>	

## **1. Purpose of the Report**

- 1.1 To provide the Committee opportunity to review the draft Treasury Management Annual Report for 2021/22 and, if appropriate, to recommend any changes or to provide comments before the report is considered by Full Council.

## **2. Recommendations**

- 2.1 To recommend submission of the Treasury Management Annual Report for 2021/22 to Full Council.

## **3. Summary of Issues**

- 3.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve a treasury management strategy prior to the commencement of the financial year; receive at least one mid-year report; and then receive an annual report after the financial year-end.
- 3.2 The Treasury Management Strategy for 2021/22 was approved by Full Council at its meeting held on 22 February 2021. A mid-year report was considered by the Governance and Audit Scrutiny Committee on 28<sup>th</sup> October 2021. The annual report for the 2021/22 financial year is attached as Appendix 1.
- 3.3 The recommendation set out in this report will help the Council to demonstrate that it is achieving its corporate objectives of being a high performing organisation that delivers excellent and value for money services; and is delivering better outcomes for residents and businesses and reducing costs to taxpayers.

## **4. Options**

- 4.1 The Committee may suggest changes to the draft annual report and/ or provide comments which the Cabinet Member for Finance & Corporate Transformation can take into account when presenting the final report to Full Council.

## **5. Next Steps**

- 5.1 The final annual report will be submitted to Full Council at its meeting on 11<sup>th</sup> October 2022.

## **6. Financial Implications**

- 6.1 There are no new financial implications arising from this report as the budget position has already been reflected in the provisional financial outturn for 2021/22. The treasury management position reported in the annual report will form the basis for updating the capital and investment strategy for 2022/23 and developing proposals for the 2023/24 budget and update to the Medium-Term Financial Strategy.

## **7. Legal Implications**

The Council's treasury management activities are subject to regulation by the CIPFA Code. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

## **8. Other Implications**

There are no other implications arising from the recommendation in this report.

## **9. Equality and Diversity Implications**

- 9.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 9.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

- 9.3 The Equality Impact Assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

**10. List of Appendices**

- 10.1 Appendix 1 – Treasury Management Annual Report 2021/22.

**11. Background Papers**

None.

## **1. Introduction**

- 1.1 Treasury management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code), which requires the approval of a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.2 The Treasury Management Strategy for 2021/22 was approved by Full Council at its meeting held on 22<sup>nd</sup> February 2021. The Authority has invested substantial sums of money and continues to hold legacy borrowing and is therefore exposed to financial risks. The successful identification, monitoring and control of risk remains central to the treasury management strategy.
- 1.3 The Council currently contracts with Arlingclose Limited as its treasury management adviser and receives specific advice on investment, debt and capital finance issues. However, responsibility for final decision making remains with the Council and its officers. The contract runs until 30 November 2022.

## **2. External Context**

- 2.1 **Economic background:** The continuing economic recovery from the coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.
- 2.2 Bank Rate was 0.1% at the beginning of the reporting period. April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.
- 2.3 UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous

month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to 5.2% year/year from 4.4%.

- 2.4 Having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March. At the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.
- 2.5 In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January was stronger than expected with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.
- 2.6 **Financial markets:** The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the period. The Dow Jones started to decline in January but remained above its pre-pandemic level by the end of the period while the FTSE 250 and FTSE 100 also fell and ended the quarter below their pre-March 2020 levels.
- 2.7 Bond yields were similarly volatile as the tension between higher inflation and flight to quality from the war pushed and pulled yields, but with a general upward trend from higher interest rates dominating as yields generally climbed.
- 2.8 **Credit review:** In the first half of FY 2021-22 credit default swap (CDS) spreads were flat over most of period and are broadly in line with their pre-pandemic levels. In September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but then fell back. Fitch and Moody's revised upward the outlook on a number of UK banks and building societies on the Authority's counterparty to 'stable', recognising their improved capital positions compared to 2020 and better economic growth prospects in the UK.
- 2.9 Having completed its full review of its credit advice on unsecured deposits, in September Arlingclose extended the maximum duration limit for UK bank entities on its recommended lending list from 35 days to 100 days; a similar extension was advised in December for the non-UK banks on this list. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.



### 3. Local Context

- 3.1 On 31<sup>st</sup> March 2022, the Authority had net cash and investments of £56.0m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in the table below.

**Table: Resources available for investment at 31 March 2022**

		<b>31-Mar-22</b>
		<b>£000</b>
	Usable reserves	42,754
	Working capital & other balances	30,081
<b>A</b>	<b>Reserves &amp; working capital</b>	<b>72,835</b>
	Borrowing Capital Financing Requirement	22,799
	Less actual external borrowing	(6,000)
<b>B</b>	<b>Equals internal borrowing</b>	<b>16,799</b>
<b>a – b</b>	<b>Resources available for investment</b>	<b>56,036</b>

- 3.2 As at the 31<sup>st</sup> March 2022, the working capital balances had increased significantly compared to last year for a number of reasons. The Council received in excess of £10m in respect of the £150 Energy Rebate scheme and the Covid Additional Relief Fund (CARF) that are both due to be paid out to households and businesses in 2022/23.
- 3.3 Borrowing and investments were kept below their underlying levels, referred to as internal borrowing, which reduces overall risk and interest costs. The level of internal borrowing increased in the year by a net £964k, primarily due to the additional expenditure incurred in-year due on the Manor Street development.
- 3.4 The treasury management position at 31<sup>st</sup> March 2022 and the change during the year is shown in the table below.

**Table: Treasury Management Summary**

	31-Mar-21	2021/22	31-Mar-22
	Balance	Movement	Balance
	£000	£000	£000
<b>Borrowing</b>	<b>6,000</b>	<b>-</b>	<b>6,000</b>
Pooled Fund Investments	19,000	-	19,000
Short-Term Investments	14,000	23,000	37,000
Restricted cash	3,071	-3,071	0
Cash and Cash Equivalents	2,039	-2,003	36
<b>Total Investments<sup>1</sup></b>	<b>38,110</b>	<b>17,926</b>	<b>56,036</b>
<b>Net Cash &amp; Investments</b>	<b>32,110</b>	<b>17,926</b>	<b>50,036</b>
<sup>1</sup> Excludes changes in market value of pooled fund investments			

- 3.5 Restricted cash represents funds that were received prior to 31<sup>st</sup> March 2021 from the sale of serviced land plots at Horizon 120 and which was held in escrow pending completion of infrastructure works. The funds were released to the Authority in 2021/22.

#### **4. Borrowing Update**

- 4.1 In August 2021, HM Treasury significantly revised guidance for the PWLB lending facility with more detail and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.
- 4.2 CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
- 4.3 The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year.
- 4.4 To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decision that will increase the CFR unless directly and primarily related to the functions of the authority. Existing

commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

- 4.5 Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.

## **5. Borrowing strategy**

- 5.1 Borrowing remained unchanged in the year at £6m comprising two £3m loans on Lender Option, Borrower Option (LOBO) terms, both with 20 years remaining until maturity. The average rate of interest on this borrowing is 4.70% per annum.
- 5.2 With short-term interest rates remaining much lower than long-term rates, it was considered more cost effective in the near term to use internal resources to meet the Authority's increasing borrowing requirement (as measured by the CFR).
- 5.3 The current lender of the LOBO loans did not exercise their options during the year however the opportunity to negotiate an early repayment/refinancing of the loans took place in the last quarter and completed in early 2022.

## **6. Other Debt Activity**

- 6.1 During the year, new finance lease arrangements amounting to £1.3m were agreed for 8 refuse vehicles, and annual repayments of finance lease liabilities were made totalling £150k. This resulted in a net increase in finance liabilities of £1.2m, with a balance outstanding of £3.1m at 31<sup>st</sup> March 2022. This amount will be paid in subsequent years.

## **7. Treasury Investment Activity**

- 7.1 During the year significant sums were received from central government which were used to support small and medium businesses during the coronavirus pandemic. Funding for the Energy Rebate Scheme announced by government in February 2022, and to be paid to households in 2022/23 was also received in March 2022.

7.2 Investment balances ranged between £45.5m and £73.7m, with an average amount invested across the year of £60.1m. At 31<sup>st</sup> March 2022 the investment position was as shown in the table below:

**Table: Investment Position 31 March 2022**

	31 Mar 2021	2021/22 movement		31 Mar 2022	31 Mar 2022	31 Mar 2022
	Balance	Made	Matured	Balance	Yield	WAM <sup>1</sup>
	£000	£000	£000	£000	%	days
<b><u>Pooled Funds<sup>2</sup>:</u></b>						
Equity	13,000	-	-	13,000	4.37%	T+3/4d
Diversified	3,000	-	-	3,000	4.67%	T+3d
Property	3,000	-	-	3,000	3.91%	90d
<b>Sub-total</b>	<b>19,000</b>	<b>-</b>	<b>-</b>	<b>19,000</b>	<b>4.34%</b>	
<b><u>Short-term Investments</u></b>						
Other local authorities	-	-	-	-	-	-
Debt Management Office	-	153,500	(140,500)	13,000	-	-
MMF <sup>3</sup> (low volatility)	10,000	34,500	(24,500)	20,000	0.06%	On-call
MMF (variable)	4,000	-	-	4,000	0.17%	T+2d
<b>Sub-total</b>	<b>14,000</b>	<b>188,000</b>	<b>(165,000)</b>	<b>37,000</b>	<b>0.08%</b>	
Restricted cash	3,071			-		Conditional
Cash at bank	2,039			36		On-call
<b>Total</b>	<b>38,110</b>			<b>56,036</b>		

<sup>1</sup> Weighted average maturity – T+ indicates settlement days after transaction day

<sup>2</sup> Sum invested excluding any change in market values

<sup>3</sup> Money Market Funds

7.3 By the end of the financial year, the overall amount of cash and investments had increased by over £18m from that held at 31<sup>st</sup> March 2021, which is largely a consequence of the amount of Government funding in relation to Covid and the Energy Rebate but also due to an acceleration of planned capital receipts in relation to Horizon 120.

7.4 Both the CIPFA Code and government guidance require funds to be invested prudently, and to have regard to security and liquidity, before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

7.5 Ultra low short-dated cash rates, which were a feature since March 2020 when Bank Rate was cut to 0.1%, prevailed for much of the 12 month reporting period. Continued downward pressure on short-dated cash rates brought net returns on money market funds (MMF) close to zero even after some managers temporarily lowered their fees and the three interest rate hikes in December 2021, and February and March 2022.

7.6 Deposit rates with the Debt Management Account Deposit Facility (DMADF)

remained low for the majority of 2021/22.

- 7.7 The progression of risk and return metrics for the Authority's investments are shown in the following extracts from quarterly investment benchmarking:

**Table: Investment Benchmarking**

Period end	Credit Rating <sup>1</sup>	Bail-in exposure <sup>1</sup>	WAM <sup>1</sup> (days)	Pooled funds volatility	Income return %	Total return <sup>2</sup> %
<b>31.03.21</b>	<b>A+</b>	<b>100%</b>	<b>1</b>	<b>11.8%</b>	<b>2.61%</b>	<b>14.14%</b>
30.06.21	AA-	53%	13	9.5%	<b>1.66%</b>	<b>7.45%</b>
30.09.21	AA-	37%	20	9.3%	<b>1.36%</b>	<b>7.44%</b>
31.12.21	A+	62%	20	7.1%	<b>1.32%</b>	<b>5.23%</b>
<b>31.03.22</b>	<b>AA-</b>	<b>62%</b>	<b>9</b>	<b>8.2%</b>	<b>1.83%</b>	<b>4.94%</b>
Similar LAs	AA-	61%	43	3.2%	1.18%	2.38%
All clients	AA-	60%	14	4.5%	0.97%	2.10%

Source: Arlingclose quarterly benchmarking

<sup>1</sup> Relates to internally managed investments

<sup>2</sup> Income plus change in market value of pooled funds

- 7.8 **Externally Managed Pooled Funds:** £19m of the Authority's investments are invested in externally managed strategic pooled funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generate income which is used to support services in year.
- 7.9 The Authority is invested in bond, equity, multi-asset and property funds. During 2021/22, the values in corporate bond and equity markets had regained the losses incurred due to the global pandemic and has since seen a significant increase compared to last year. As at the 31<sup>st</sup> March 2022, net unrealisable gains were just over £2.9m compared to £1.2m last year.
- 7.10 As pooled funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium-long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down; but with the confidence that over a three-five-year period total returns will exceed cash interest rates.
- 7.11 As a consequence of the war in Ukraine, Arlingclose contacted the fund managers of our MMF, and strategic funds and confirmed no direct exposure to Russian or Belarusian assets had been identified

## 8. **Budgetary Performance**

- 8.1 Interest paid on borrowing amounted to £282k, with a further £106k of interest paid on finance leases. These costs were within the revenue budgets approved.
- 8.2 The following table shows the investment income generated for the year against budget:

**Table: Investment Income 2021-22**

	2021/22 Budget			2021/22 Actual		
	Average invested	Income	Yield	Average invested	Income	Yield
	£000	£000	%	£000	£000	%
Pooled Funds	19,000	686	3.61%	19,000	825	4.34%
Short-term investments	20,970	23	0.11%	41,073	31	0.08%
<b>Total</b>	<b>39,970</b>	<b>709</b>	<b>1.77%</b>	<b>60,073</b>	<b>856</b>	<b>1.42%</b>

- 8.3 The above table shows that income was higher than budget by £147k. As part of the 2021/22 budget £350k was allocated from the treasury management reserve to mitigate the expected downturn in investment income due to lower dividends being paid by corporate bodies held by pooled funds and the sharp reduction in interest rates on the Council's short term investments. The increase in income enabled a reduction in the amount required to be used from the reserve. The 2022/23 budget already assumes a £100k increase to the investment income given the improvement on the returns on pooled funds with further increases provided in the Medium-Term Financial Strategy of £120k and £30k in 2023/24 and 2024/25 respectively.

## 9. **Compliance**

- 9.1 The Head of Finance (S151 officer) reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.
- 9.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table below.

**Table: Compliance against debt limits**

	2021/22	31-Mar-22	2021/22	2021/22	
	Maximum	Actual	Operational	Authorised	
			Boundary	Limit	
	£m	£m	£m	£m	
Borrowing	6.000	6.000			
Finance Lease	1.914	3,319			
<b>Total Debt</b>	<b>8.180</b>	<b>9.319</b>	<b>30.000</b>	<b>50.000</b>	√

- 9.3 Whilst internal resources have been used to meet the increased borrowing requirement (as measured by the CFR), had this been matched by new external borrowing instead, this would have pushed debt levels up by £16.8m and a revised total at 31<sup>st</sup> March 2022 of just over £26m, which remains within the above limits.

**Table: Compliance with Investment Limits**

	2021/22	31-Mar-22	2021/22	Complied
	Max	Max	Limit	
	£m	£m	£m	
Any AAA rated money market fund	5	5	5	√
Loans to any single UK local authority	3	-	5	√
Any unrated pooled fund	5	5	5	√
Aggregate unrated pooled funds	19	19	25	√

- 9.4 For the purposes of day-to-day banking the aim is to maintain a balance of no more than £1.5m on operational current accounts, subject to short-term cash flow requirements. The following table shows how the Authority performed against this objective.

**Table: Day-to-day banking balance**

	2021/22	2021/22	2021/22	31-Mar-22
	Min	Max	Weighted	Actual
			Average	
Objective:	£m	£m	£m	£m
Aim not to have > £1.5m at any time	0.065	7.696	1.728	0.036
No of days <= £1.5m			188	
As % of days in the year			52%	

- 9.5 The number of days where the day-to-day bank balance was maintained at or below £1.5m was lower than that in 2020/21 (294 days or 81%). This reflected the significant amount of excess cash the Authority managed during the year at times when the Debt Management Office were offering negative rates.
- 9.6 Whilst limits were set on the principal sums invested for periods longer than a year to control exposure to the risk of incurring losses by seeking early repayment of investments, no such investments were made in the year.

<b>Report Title:</b> Strategic Risk Register	
<b>Report to:</b> Governance and Audit Scrutiny Committee	
<b>Date:</b> 21 <sup>st</sup> July 2022	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Phil Myers, Head of Finance	
<b>Enquiries to:</b> Phil Myers, Head of Finance ( <a href="mailto:phil.myers@braintree.gov.uk">phil.myers@braintree.gov.uk</a> )	

## **1. Purpose of the Report**

- 1.1 The report provides detail of the review and updating of the Council's Strategic Risk Register for the Council as agreed by the Cabinet at its meeting on 11<sup>th</sup> July 2022.

## **2. Recommendations**

- 2.1 Members are asked to note and endorse the Strategic Risk Register and the Action Plans for managing the high rated risks.

## **3. Summary of Issues**

- 3.1 The Strategic Risk Register (the Register) details the risks which have potential to impact on the delivery of the Corporate Strategy over the medium-term. The Register is subject to ongoing review by Management Board, as well as by Members as part of the Member Development Evening programme.
- 3.2 The Register forms one part of the Council's overall approach to risk management. Other facets include:
- Processes for identifying and recording operational risks
  - Risk registers for major projects
  - Business continuity planning; and
  - Emergency Planning.
- 3.3 The Register has been reviewed by Management Board with the updated register being considered at the Member Development evening held on 26<sup>th</sup> May 2022.
- 3.4 At the Member Development evening, Members considered each of the eleven risks in the Register: reviewing the vulnerability, triggers, and consequences and also the risk rating.



- 3.5 Whilst there was extensive debate and comment on each risk at the Member Development evening, Members agreed that the updated Register was appropriate including the proposed risk rating attached to each risk.
- 3.6 The number of risks above the Risk Tolerance Line (see Appendix 1) and therefore requiring active management remained at 10, although some individual risk ratings have been amended:

Risk 5 – Service and Project Delivery changed from D2 to C2

Risk 7 – Return on Investments changed from C2 to D2

Risk 8 – Emergency Planning changed from C1 to D1

- 3.7 A summary of the risk ratings are shown in the table below:

<b>Risk Rating</b>	<b>July 2021</b>	<b>July 2022</b>
B2 (High likelihood/ Critical impact)	3	3
C1 (Significant likelihood/ Catastrophic impact)	1	-
C2 (significant likelihood/ Critical impact)	6	6
D1 (Low likelihood/ Catastrophic impact)	-	1
D2 (Low likelihood/ Critical impact)*	1	1
<b>Total number of risks on Strategic Register</b>	<b>11</b>	<b>11</b>

\*Risk below the Risk Tolerance Line

- 3.8 Management Action Plans for managing each of the ten risks above the Risk Tolerance Line are owned and maintained by the relevant Corporate Director. Details of the risks together with the Management Actions Plans are provided in Appendix 1. This ensures that each of the risks are owned and managed appropriately throughout the life of the risk.
- 3.9 The recommendations set out in this report will help the Council to deliver its Corporate Objective: A high performing organisation that delivers excellent and value for money services, by demonstrating that it has robust arrangements in place to manage and review its strategic risks.

## **4. Options**

- 4.1 This report invites Members of the Governance and Audit Scrutiny Committee to review the updated Register as determined at the Member Development Evening on 26<sup>th</sup> May 2022 and subsequently agreed by Cabinet on 11<sup>th</sup> July 2022. However, the Committee may determine that amendments to the Register are suggested as part of their consideration. Any suggested amendments to the Register would be referred to the Cabinet for consideration.

## **6. Financial Implications**

- 6.1 There are no new financial implications arising from this report.

## **7. Legal Implications**

7.1 There are no specific legal implications arising out of this report at this time.

## **8. Other Implications**

8.1 Climate control issues, Safeguarding, and Customer impacts, are identified under the specific risks included in the Register.

## **9. Equality and Diversity Implications**

9.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

9.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

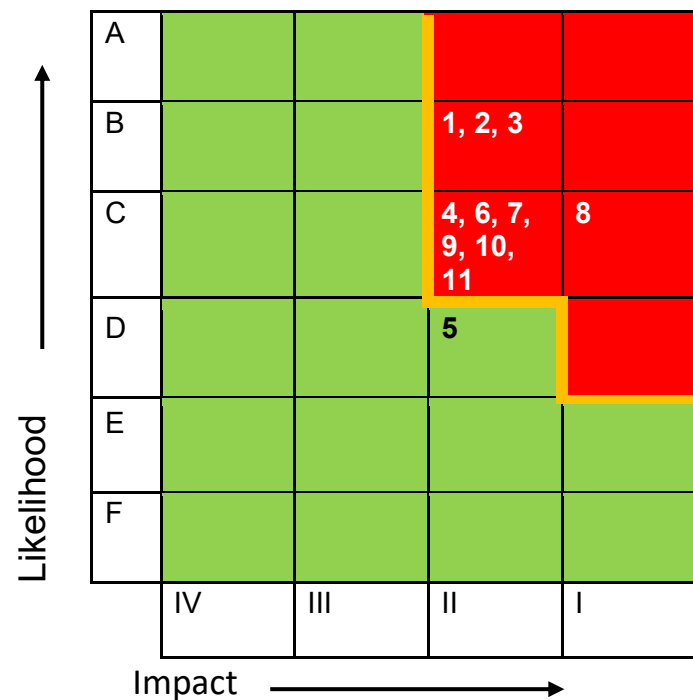
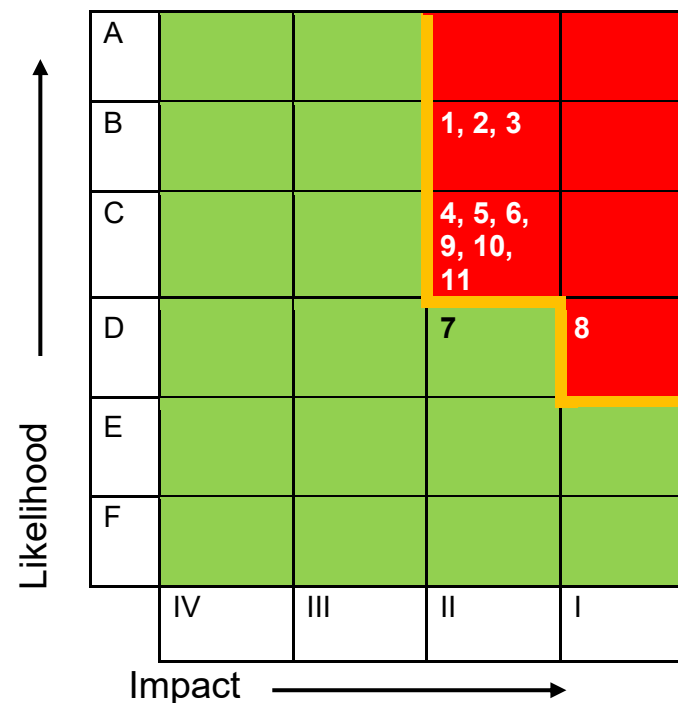
9.3 The Council's processes and approach to equalities and diversity are well developed and are not regarded as a risk. Where appropriate, each project arising out of the management of a risk will consider a Equality Impact Assessment where appropriate.

## **10. List of Appendices**

10.1 Appendix 1 – Schedule of the Strategic Risk Register, including an outline for each risk of the vulnerability, triggers and consequences, together with a risk rating; a Management Action Plan for each risk categorised above the Risk Tolerance Line; a summary table of the ratings of risks.

## **11. Background Papers**

11.1 Strategic Risk report to Cabinet – [Agenda item 6b of meeting held on 11th July 2022](#)

**STRATEGIC RISK PROFILE**(As considered by Members at the Member Development Evening held on 26<sup>th</sup> May 2022)**JULY 2021****July 2022****Likelihood:**

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

**Impact:**

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

## Strategic Risk Register including Management Action Plans (where appropriate)

### Medium-Term Financial Strategy – 1

Risk Rating: **B2** (B2 July 2021)

Cabinet Member Owner: Councillor John McKee

Management Board Owner: Corporate Director (SB)

Vulnerability	Trigger	Consequence
<p>The Council is unable to set a balanced Budget for the forthcoming financial year and have a deliverable Financial Strategy over the Medium-Term.</p> <p>Local authorities' finances continue to put under increasing pressure. Whilst the immediate primary response to the pandemic has now largely ceased there are ongoing secondary impacts of the public health measures to the wider economy. The large scale shift to digital for work, leisure and retail impacts both the public and private sectors. It is not yet clear whether this shift is permanent in all areas which makes forecasting behaviours and demand difficult. For example, it is not clear whether use of leisure centres will return to pre March 2020 levels nor is apparent what impact a move to home working and digital retail will have on local businesses and therefore any business rate income.</p> <p>We are now in high inflation environment which, despite bringing some increases in income, mainly affects our cost base adversely. It is not known how long this period will last nor how much higher prices will rise. The impact of the sanctions on Russia and Belarus will continue to be felt throughout the global supply chain as long as the sanctions are in place and likely for a significant period following.</p> <p>Forecasting future costs is now very difficult due to the complex nature of supply chains and the economy and the volatile nature of global events.</p> <p>The Government has been proposing fundamental change to Local Government funding: planning to introduce 75% Business Rates Retention and implement the outcomes of the Fair Funding Review and the Spending Review. Although originally planned for 2020/21 this has been delayed again until 2022/23, although there are fears this will be further delayed due to a lack of capacity within Central Government Departments due to the</p>	<ul style="list-style-type: none"> <li>• Circumstances change rendering planned cost reductions/additional income unachievable, including increasing inflationary pressures</li> <li>• Pay award agreed by the NJC is considerably higher than budgeted for</li> <li>• Excessive numbers of staffing vacancies due to staff leaving for better paid jobs as cost of living crisis bites plus inability to recruit due to pay rates below market value</li> <li>• Other financial assumptions prove incorrect. Including significant income budgets not being achieved e.g. interest receivable on the investments in equity, multi-asset and property funds.</li> <li>• Other organisations which provide significant contributions to the Council face their own funding pressures and may require greater reductions than expected.</li> <li>• Economic conditions and market fluctuations cause changes at or before contract renewal.</li> <li>• Capital receipts not received as planned and capital resources insufficient to finance capital programme.</li> <li>• Business rates collected less than expected due for example to appeals being greater than the provision made and inflationary costs impacting on businesses' ability to pay, particularly as Covid support is reduced or withdrawn.</li> <li>• Business Rates baseline reset, as determined by the Fair Funding Review, does not enable the Council to retain business rates growth achieved prior to reset (estimate of £1.7m in 2022/23).</li> <li>• Future Spending Reviews and Autumn Statement(s) require further savings.</li> <li>• There are legislative changes that will result in changes to the Council's services such as the Environment Act and there is likely to be a financial impact. At this stage it is</li> </ul>	<ul style="list-style-type: none"> <li>• Shortfall in resources both in year and following years.</li> <li>• Financial savings are not achieved; balances used more than planned.</li> <li>• Priorities and projects are not delivered.</li> <li>• Cuts necessary to services</li> <li>• Rushed decisions to find other savings</li> <li>• Staff unsettled and de-motivated.</li> <li>• Assets not fit for purpose</li> <li>• Satisfaction levels with the Council fall</li> <li>• The designated Section 151 officer, issues a Section 114 notice that it appears to them that the expenditure of the Council incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.</li> </ul>

<p>Ukrainian refugee crisis. The 2022/23 settlement made in December 2021 was again a single year settlement and a further single year settlement is expected this year.</p> <p>The Government had previously announced that the New Homes Bonus (NHB) scheme was to be reviewed but this has also been postponed until 2022/23, again there are fears that this will be further delayed.</p>	<p>not clear what the exact financial implications might be until further proposals are released by Government.</p>	
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Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Unallocated balance significantly exceeds minimum level of £1.5m - estimated £5.9m as at 31<sup>st</sup> March 2022.</p> <p>Earmarked reserves to meet potential fluctuations: Estimated Business Rate Retention reserve and Treasury Management.</p> <p>Regular Budgetary Control and monitoring processes.</p> <p>Council policy to use New Homes Bonus to fund infrastructure project delivery and affordable homes.</p> <p>Strategy to increase income including investments (e.g. commercial property and solar panels) to achieve improved rate of return over the medium-term.</p> <p>Monitoring of investment counter-parties and returns on investments by Arlingclose, Treasury Advisors.</p>	<p>Revised budget setting process required to ensure that volatility and risk exposure is properly understood and managed</p> <p>The minimum level of balances to be reviewed in light of the increased uncertainty caused by inflationary and other cost pressures; and also reflecting the increase in risk exposure through a number of capital projects now becoming operational</p> <p>Working with partners and other organisations to identify potential issues with supply chains and gain greater intelligence on price and cost increases</p> <p>A clear strategy on meeting the projected funding shortfall estimated in the MTFS over the medium-term.</p> <p>Monitor financial viability of key contract partners and commercial property tenants.</p> <p>Participate in consultation as proposals for the new 75% Business Rates Retention scheme and the Fair Funding Review are published.</p> <p>Monitor the disposal of assets against planned timescale for receipt of sale proceeds.</p> <p>Continue work on development of financial resilience indicators.</p>	<p>Corporate Director (SB) and Section 151 Officer</p>	<p>Cost reductions and income delivered on time and as budgeted.</p> <p>Setting a balanced base budget and having plans to meet funding shortfalls in subsequent years of MTFS.</p> <p>Service and performance levels delivered as planned.</p> <p>Collection rates of council tax and business rates achieve targets.</p> <p>Budget variations reported in timely manner with explanation and action plan, as appropriate.</p>	<p>Monthly</p>	<p>Dec. 2022 – Provisional funding settlement for 2023/24 announced by Gov't</p> <p>Feb. 2023 – Full Council sets council tax and budgets for 2023/24</p>	<p>Budget and MTFS provide a balanced base budget for 2022/23 with council tax at £189.63 (Band D) and a withdrawal from balances of £93K.</p> <p>For planning purposes council tax increases in future years are at the core referendum threshold of 2% for 2023/24 onwards.</p> <p>Planned approach to addressing the estimated shortfalls across the period of the MTFS</p> <p>An Investment and Development Programme Steering Group established to consider all potential investments.</p> <p>Investment Evaluation Tool used to assess all investment opportunities.</p>
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## Economic Development – 2

Risk rating: **B2** (B2 July 2021)

Cabinet Member Owner: Councillor Tom Cunningham

Management Board Owner – Corporate Director (DC)

Vulnerability	Trigger	Consequence
<p>The Council has identified Economic Growth as a key Corporate priority for the District as set out in the Corporate Strategy.</p> <p>The impact of COVID-19 on the economy of the district has been substantial, particularly on those in the retail and leisure sectors, mitigated in part by the delivery of government grant support delivered by the Council over the past 2 years. However the long term impact of Covid on businesses and how they operate, including how people work, is not yet clear and this could have both a negative impact and be an opportunity for the District.</p> <p>Another impact on the economy has been the UK's withdrawal from the European Union, impacting on some businesses trade and disrupting the supply chains of others.</p> <p>The impacts of Covid and 'Brexit' have combined with international market issues and international socio/political disruption to effect national and international supply chains. This has impacted both in terms of cost as well as product availability and delivery timescales. This has caused considerable cost price inflation in several sectors, most noticeably on construction and transport costs, which has affected many businesses short and medium term plans. Coupled with recent increases in energy costs, businesses in several sectors are under intense pressure. This has led some, including the Bank of England, to warn of potential recession in 2022/23.</p> <p>The Council's 'Plan for Growth' was agreed by Cabinet in 2017. This plan included examination of various economic factors, including infrastructure, business support and skills development projects. The Plan needs reviewing and updating in light of the change in economic (and social) circumstances over the past two years.</p> <p>Most of the priorities in the Plan for Growth action plan require work with partners who may or may not have the same level of commitment to a project as BDC.</p> <p>Funding from other partners or government may not be available to support the action plan priorities. Existing or new funding channels may be re-directed or re-focussed to other parts of the UK in support of the governments Levelling Up agenda.</p> <p>UK departure from the EU may have a long term impact on the economy and business decision making.</p>	<p>Lack of investment in infrastructure prevents business growth and job creation.</p> <p>Widescale redundancies linked to particular sectors or businesses due to the impacts of Covid 19, Brexit, supply chain issues, cost price inflation and any potential recession.</p> <p>Shortage of required skills to meet the need of businesses in the District</p> <p>Businesses are not provided with the support necessary to support them through difficult times or to maximise opportunities for growth and development</p> <p>Increasing unemployment rate in the District</p> <p>Decreasing opportunities for education, training and apprenticeships with employers</p>	<ul style="list-style-type: none"> <li>• Reduction in jobs</li> <li>• Increase in resident reliance on Universal Credit and other benefits</li> <li>• Fewer business operating in the District</li> <li>• Fewer new businesses being created</li> <li>• Jobs left unfilled due to lack of skilled employees</li> <li>• Disinvestment by existing businesses</li> <li>• Less investment in infrastructure</li> <li>• Empty premises and lack of visitors to town centres</li> <li>• Businesses feel disengaged and cannot access support networks</li> <li>• Falling productivity rates in the District</li> <li>• Falling Gross Value Added (GVA) in the District</li> <li>• Loss of revenue / growth in business rates</li> <li>• Rising unemployment rates</li> <li>• Amount of business rates collected reduced</li> </ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>BDC COVID-19 Recovery Plan included an Economic Recovery plan, led by the portfolio holder and Corporate Director, in partnership with key stakeholders.</p> <p>Strong working relationship with stakeholders, education providers and partner local authorities on projects, priorities and strategies.</p> <p>District Plan for Growth being reviewed and new Plan will be delivered in 2022/23 to set clear economic priorities.</p> <p>Braintree Education and Skills board has been established and will be reviewed as part of the Plan for Growth refresh.</p> <p>Strategic Business Engagement Strategy approved by members and is being implemented.</p> <p>Strong engagement with local businesses.</p> <p>"Locate Braintree District" inward investment website launched to promote Braintree as a place to live and locate businesses alongside the districts tourism offer and the VisitBraintreeDistrict website</p>	<p>Continuing to develop our relationship with key stakeholders to ensure shared goals and priorities are met</p> <p>Marketing and promotion of BDC/Partner business support services.</p> <p>Effective implementation of skills projects agreed by the Education and Skills Board</p> <p>Continue to provide appropriate levels of support to the Town Centre Partnership and other business led groups.</p> <p>Continue to source local and national funding sources which could provide grants for key projects</p> <p>Continuous review of business engagement programme, alongside the refresh of the Plan for Growth, to ensure it is meeting the requirements of businesses.</p> <p>Consultants to be appointed to refresh the NEEB strategy.</p>	<p>Corporate Director (DC)</p>	<p>Creation of new jobs</p> <p>New Business start-ups</p> <p>Business growth in the District</p> <p>Inward Investment in the District</p> <p>Investment into District infrastructure</p> <p>Unemployment rate</p> <p>Business funding opportunities explored</p> <p>Empty commercial premises</p> <p>Readership of the Business Bulletin and other social media posts.</p> <p>Number of Apprenticeships</p>	<p>Quarterly</p>		<p>Subscribers to the business newsletter and Facebook page have substantial increased</p> <p>Funding for infrastructure has been secured from ECC and Highways England.</p> <p>Young Entrepreneurs Programme continues.</p> <p>Industrial estate and shop front improvement funds were launched.</p> <p>Provided numerous Business Support Grants schemes to businesses in the District on behalf of the Gov't.</p> <p>Awarded 100% Business Rate Relief to relevant businesses over the past two years.</p> <p>ShopLocal ShopSafe campaign launched to encourage people to use local businesses as they reopen</p> <p>Business adaptation grants to allow businesses to respond to covid were awarded and distributed on behalf of ECC</p> <p>Consultants have been commissioned to work with officers to update the Plan for Growth</p>



Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>The North Essex Economic Board has agreed a strategy and funding has been secured to deliver projects, initially as a response to Covid and through spending Additional Restrictions Grant (ARG) Covid grant funding.</p> <p>The governments Levelling Up agenda, and primarily the launch of the Shared Prosperity Fund and other funds such as the Levelling Up Fund, offer the Council an opportunity to bid for funding and spend allocated funds to support economic growth projects as identified within the refreshed Plan for Growth</p>		Corporate Director (DC)		Quarterly		Funding secured to deliver an agreed action plan with partners from the North Essex Economic Board to support skills, inward investment and business support.

### Planning – 3

Risk Ratings: **B2** (B2 July 2021)

Cabinet Member Owner: Councillor Mrs Gabrielle Spray

Management Board Owner – Corporate Director (DC)

Vulnerability	Trigger	Consequence
<p>Government policy continues to focus on the delivery of housing and the Council is now in a position where it must deliver a substantially higher number of homes. There is a requirement on the Council to show a deliverable 5 year supply of housing land at this new higher target and to pass a new Housing Delivery Test. At present the Council has a 5 year housing supply but this is only marginal and has been challenged by Planning Inspectors and private developers through planning appeals.</p> <p>The publication of the Levelling Up and Regeneration Bill (May 2022) illustrates that considerable changes will be made to the planning system. Whilst these are not as extensive as the previous White Paper suggested, they are substantial. Numerous consultations and legislation on the detail will need to take place before many of the proposals can be enacted and this will need to be carefully considered to judge the impact on Braintree District and its residents. Major sites in the Local Plan not coming forward in line with the projections previously supplied by the private owners/developers could lead to a shortfall in the Council's housing delivery in the next 5 years, or in the cases of the largest sites across the Plan period.</p> <p>The Council is now subject to 4 separate Nationally Significant Infrastructure Projects with a further 2 projects in the pipeline. These are major developments for the District with the potential to have extremely significant impacts on the residents, environment and infrastructure of the District. They are incredibly time consuming for officers to deal with and follow a set statutory timescale and formal process in their later stages. Dealing with these appropriately within existing resources is a major concern.</p>	<p>Government changes to national policies, guidance or methodologies which have implications for Plan or decision making and Council resource requirements.</p> <p>Land owners submitting speculative planning applications.</p> <p>Planning Inspectors concluding that the local authority does not have a 5 year housing supply.</p> <p>Failure of the Council to pass the Housing Delivery Test when results are published each November.</p> <p>Council being notified of new NSIP projects and stages of consultation and engagement which it is not able to adequately resource.</p>	<ul style="list-style-type: none"> <li>• Council may have to approve planning applications on sites outside of those proposed in the Local Plan which would result in development which conflicts with the agreed spatial strategy</li> <li>• The Council failing to meet its requirements for housing need, including the needs for affordable housing.</li> <li>• Infrastructure requirements of new developments may not be sufficiently met.</li> <li>• Loss of appeals on planning applications for development on unallocated sites outside of development boundaries.</li> <li>• A presumption in favour of sustainable development may need to be implemented if the Council substantially failed the Housing Delivery Test.</li> <li>• The Council failing to meet its requirements for economic development land.</li> <li>• The Council is unable to engage as proactively as it would expect on major site proposals including NSIPs</li> </ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Strong communications Plan with all information published on the website and communicated to residents and stakeholders through social media, traditional media and leaflets delivered directly to all households at key points.</p> <p>Strong working relationship with major developers on key housing/commercial sites in the District.</p> <p>Good working relationships with key stakeholders in the District.</p> <p>Planning Performance Agreements (PPAs) are being increasingly used on major sites and NSIPs to secure resources to enable us to cover some staff costs and hire specialist consultees.</p> <p>Housing Growth team created to deal with the most complex cases and concentrate resources</p> <p>Career grade roles, training and mentoring programme all in place to support less experienced planners gain experience and opportunities.</p>	<p>Matters for information and decision continue to be reported to the relevant committee or Full Council.</p> <p>Continued communication on the next steps of the Local Plan process and on key planning applications and appeals.</p> <p>Continue to hold regular meetings with developers, partners and key stakeholders.</p> <p>Internal resources kept under review to ensure they are fit for purpose.</p>	Corporate Director	<p>Outcome of appeal decisions relating to non-allocated sites.</p> <p>Outcome of the Housing Delivery Test</p> <p>Development Management Performance Data</p>	Quarterly		<p>A series of SPD updates are planned for 2022/23 which will support the delivery of a new Local Plan.</p> <p>Press releases and regular bulletins issued throughout and at key points in the process.</p> <p>The Development Management team continues to perform well according to quarterly performance data.</p> <p>The delivery of the approved new Scheme of Delegation is assisting the Development Management team in processing a greater proportion of planning applications under delegated powers. The delivery of the Members Forum in 2022/23 will support the engagement of Members with developers to assist in submission of good applications for large schemes.</p>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>The Development Management Improvement Plan has implemented a series of improvements and efficiencies to the DM service. A second phase of this improvement plan is progressing to continue to embed improvement across the service.</p> <p>The Head of Economic Growth and Planning is the Chairman of the Essex Planning Officers Association, offering them the opportunity to engage in national debate and influence on planning issues.</p> <p>Strong and effective engagement in place between the Council and Essex County Council, as key infrastructure planning and delivery partner, both through senior officers and Cabinet Members.</p>	<p>Officers will maintain a watching brief on the governments proposed changes to the Plan making system through professional networks in order to assess the impact on the district and to consider whether any lobbying or other positions should be considered in response.</p>					

**Community Resilience – 4**Risk Rating: **C2** (C2 July 2021)

Cabinet Member Owner: Councillor Frankie Ricci

Management Board Owners – Corporate Director (CR)

<b>Vulnerability</b>	<b>Trigger</b>	<b>Consequence</b>
<p>The community may not have the resilience to support itself and requires significant intervention. People are not able to support themselves, and inequalities prevent people from having the opportunities to live a good quality life.</p> <p>There are residents in the district living with food, child and food poverty, health inequalities, lack of skills and lower paid employment. This has been exacerbated by the pandemic and more recently through the cost of living issues. Risk areas around the price of fuel are having a larger impact due to the large and rural nature of the district. There is a higher reliance on private transport and a large number of properties with inefficient heating systems or not on gas.</p> <p>This, combined with the impact of welfare changes and the potential loss of significant roles in specific economic sectors, could have a further impact on those who are struggling financially.</p> <p>Mental and Emotional Health and Wellbeing decreases and there are an increasing number of people who suffer from mental health issues.</p> <p>Domestic Abuse charities report increased calls relating to domestic abuse. The new Domestic Abuse Act 2021 includes new duties for Councils.</p> <p>There is a growing population of older people, within the district and nationally, a proportion of whom will require public services.</p> <p>Charities have been affected financially and through restrictions around volunteers are unable to continue in the role that they have been in supporting communities over the last two years. This has had an impact on longer term volunteering. Informal volunteering has increased during the pandemic.</p> <p>Some people will have lost confidence and feel unable to go out shopping or to meet other people, decreasing their independence and increasing their social isolation and loneliness.</p> <p>People do not take opportunities to live an active lifestyle and are more susceptible to physical and mental health issues as a result.</p> <p>DHP allocations for 2022-23 have been reduced for all local authorities, including BDC which has seen a reduction of over 30% from the 2021-22 allocation to £174,853.</p>	<p>Demand for services from the Council and other public sector organisations increases which exceed our capacity to meet.</p> <p>Funding from the government to support duties reduces/ceases.</p> <p>The impact of higher unemployment and/or reduced hours of employment is not yet clear but is likely to impact on many Council services.</p>	<ul style="list-style-type: none"> <li>• Potential increase in people seeking the Council's assistance with problems.</li> <li>• Reduction in community confidence</li> <li>• Increased demand for temporary accommodation due to homelessness.</li> <li>• Increased demands on the Council's Services.</li> <li>• Increased health inequalities.</li> <li>• Increase in number of households in fuel poverty and increase in number of children in poverty.</li> <li>• People feel more socially isolated and lonely</li> <li>• People have an increased risk of suffering from physical or mental health issues</li> <li>• Charities are less able to support communities and there are less volunteers</li> <li>• Requests for Discretionary Housing Payments and/or Exceptional Hardship Fund payments exceed resources allocated.</li> </ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>A Community Recovery Workstream has been a key theme in the COVID recovery plan. As this work stream is being completed, ongoing projects are being moved into business plans for ongoing delivery.</p> <p>Work with Braintree Halstead and Witham Citizens Advice and; Eastlight Community Housing; Dept. for Work and Pensions to assist those affected by income and welfare changes.</p> <p>Supporting residents to be healthy and live well working with a range of partners through the Livewell Boards and the Health and Wellbeing Panel.</p> <p>A fuel poverty working group has been created to respond to emerging issues. This will be broadened to include wider cost of living issues.</p>	<p>Ensure continued work with the Health and Wellbeing Panel and other partners to identify and respond to community needs.</p> <p>Regularly update on the Community Recovery Workstream through the Recovery Co-ordination Group which reports into Cabinet.</p> <p>Regular reviews of the impact the welfare changes are having on those affected by reforms and work with key partners.</p> <p>Support Community 360 to provide assistance to charities and community groups across the district.</p> <p>The Council is working with key partners to respond to the levelling up white paper and key missions. This will seek to tackle a number of highlighted vulnerabilities and triggers identified in the community resilience risk.</p>	Corporate Director	<p>Services able to meet the increased demand for services.</p> <p>Community confidence and resilience measures remains stable</p> <p>Customer satisfaction with their quality of life and place to live remains stable</p> <p>Funding sufficient to support those residents in extreme financial difficulties with council tax and/or rent.</p> <p>Increased number of residents in employment.</p>	Quarterly		<ul style="list-style-type: none"> <li>We have a Community Employment Support Officer who is working to support those with barriers to employment. Funded by DWP but embedded in BDC to ensure support can be given to those who most need it.</li> <li>Schools engagement had been ongoing since the return following the pandemic to respond to any health &amp; wellbeing issues identified</li> <li>Successful bids and implementation of move on accommodation via Next Steps Accommodation Programme to help those rough sleeping</li> </ul> <p>Community grants:- BDC's Councillors' Community Grant Fund Programme continues in 22/23.</p> <p>BDC Grant Funding continues to be provided to Community360 to help support the voluntary sector and also the Braintree, Halstead, Witham Citizen's Advice to provide advice.</p>

<p>Key partnerships exist across public sector and the community and voluntary sector to support community and population issues, including:</p> <ul style="list-style-type: none"> <li>• Community Safety Partnership</li> <li>• Health and Wellbeing Board</li> <li>• Local Cultural Education Partnership</li> </ul>						<p>The Braintree District and Eastlight Community Fund provides grants totalling approx. £100,000 annually to projects that help improve health and well-being, increase aspirations and opportunities, or develop skills through training.</p> <p>Our Health and Wellbeing Panel continues to deliver a range of projects to support people to LiveWell across the district, tackling priority areas of health. There are specific sub groups to deal with key issues, including:</p> <ul style="list-style-type: none"> <li>• Mental Health Forum</li> <li>• Dementia Action Alliance</li> <li>• Social Isolation and Loneliness Forum</li> <li>• Active Braintree Network</li> </ul> <p>Our Community Safety Partnership delivers an annual plan to respond to current and emerging priorities.</p>
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## Service and Project Delivery – 5

Risk Rating: **C2** (D2 July 2021)

Cabinet Member Owner: Councillor John McKee

Management Board Owner – Corporate Director (SB)

Vulnerability	Trigger	Consequence
<p>Reduced resources impact on the Council's ability to deliver good quality services. Service delivery and resilience requires a well-managed and motivated workforce with the capacity and capability to deliver. With an aging workforce the Council has recognised the important challenges around workforce planning and talent management for the future.</p> <p>The ability of the organisation to be able to keep up with pay rate inflation could also impact on resources. Market rates paid by the private sector or other public sector organisations not within the national pay agreement may increase staff turnover, especially for those staff who are being more impacted by the cost of living crisis</p> <p>Current recruitment market is very difficult. This has been compounded by a move to hybrid working that has effectively widened the number of potential employing organisations to those looking for jobs as geographical location is less important than previously.</p> <p>Continued instability in the general socio-economic and political environment nationally and internationally limits our ability to plan and apply resource proactively.</p> <p>Health &amp; Safety - Breach in processes/ procedures leading to a health and safety or security incident (including an act of terrorism).</p> <p>We are increasingly reliant on the use of technology, particularly in a hybrid working environment. Whilst this increase offers significant opportunities to improve service delivery and communication, the impact that losing access to technology would have on the organisation has increased</p> <p>The Council has approved a number of significant projects. It is essential that there is the capability and capacity available to deliver.</p> <p>Financial resources are strained as a result of spiralling costs from supply chain and other inflationary pressures leading to service and project resources being eroded in real terms and unable to deliver on the outcomes originally expected.</p>	<p>Key people leave or are unavailable for work (small teams or specialist areas are most vulnerable).</p> <p>Competitive recruitment markets in a high inflationary period</p> <p>Major incidents requiring organisational capacity and resource.</p> <p>Technology systems unavailable for use for a prolonged period.</p> <p>Changes to senior leadership team, including CEO impacts on service and project delivery</p> <p>Service and project outcomes are less than originally expected</p>	<ul style="list-style-type: none"> <li>• The organisation is stretched too far and resulting in service delivery failure</li> <li>• Mistakes made and corners cut</li> <li>• Customer satisfaction falls</li> <li>• Employees are disengaged and demotivated.</li> <li>• Loss of good people</li> <li>• Insufficient resource available to deliver services</li> <li>• Insufficient resources to deliver key projects</li> <li>• Future business plans and activities are predicated on the delivery of benefits of current projects – if projects do not deliver benefits as assumed there will be further strain on organisational capacity</li> <li>• Increased key person dependency</li> <li>• Loss of corporate memory</li> <li>• Failure to deliver Council's priorities and Annual Plan</li> <li>• Remaining staff fail to cope</li> <li>• Change programmes difficult to implement</li> <li>• Actual or potential injury or loss of life.</li> <li>• Financial loss / impact on value of assets;</li> <li>• Reputational damage</li> <li>• Data loss</li> <li>• Unable to deliver on key priorities</li> </ul>



Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>People Strategy and Workforce Development plans.</p> <p>Workforce planning and succession planning included in Business Plans.</p> <p>Enhanced staff support arrangements now in place</p> <p>Security policies – regularly reviewed and updated.</p> <p>Training/education in cyber security for users.</p> <p>Training programme for managers</p> <p>Disaster recovery plan: Emergency generator; Independent resilient network; Alternative accommodation identified – Town Hall</p> <p>Business continuity exercise for senior managers held annually.</p> <p>Regular server and workstation upgrades to ensure latest software versions are in use (reduces vulnerability to malware and viruses)</p> <p>Established Budget and Medium-Term Financial Strategy process</p> <p>Introduction of new Learning and Development software increasing quality of virtual training and better management oversight of mandatory and other training</p>	<p>Agile and Flexible working approach developed and adopted – to both retain current staff and attract new staff. Also ensures business continuity as reduces reliance on single geographical location</p> <p>Agile and Flexible workforce also to provide some mitigation against ability to plan for major national and international incidents</p> <p>Market supplements being considered for key roles as they become vacant</p> <p>Consideration of other approaches to fill key roles, including working with partners/shared working</p> <p>Ensure that there is effective management and change control of all systems to minimise disruptions.</p> <p>Individual disaster recovery arrangements in place for all systems.</p> <p>Further development of the budget setting approach to keep all spending under review.</p>	Corporate Director (SB)	<p>Computer unavailability is minimised.</p> <p>Uninterrupted service delivery.</p> <p>No long term vacancies.</p>	Quarterly	Business Plans produced December /January	<p>Funding for the Strategic Investment Team agreed for a four-year period.</p> <p>Additional staffing resources agreed for Planning and Housing services.</p> <p>New Agile and Flexible Working project agreed and to be launched.</p>

## Affordable Housing and Homelessness – 6

Risk rating: **C2** (C2 July 2021)

Cabinet Member Owner: Councillor Kevin Bowers

Management Board Owner – Corporate Directors (DC & CR)

Vulnerability	Trigger	Consequence
<p><b>Affordable Housing</b> As Eastlight has developed most of the sites in its ownership, we are mainly reliant on market delivery of new homes to facilitate affordable housing provision. In the short-term (this year and next) delivery of new affordable housing is likely to be very good but a downturn in the market could present a serious challenge.</p> <p>We rely heavily on mainstream new development and in the past few years have negotiated for a really significant supply of new affordable homes.</p> <p><b>Homelessness</b> The Homelessness Reduction Act 2017(HRA) came into force in April 2018, it means the Council needs to assist more people, at an earlier stage if they are facing homelessness. The Housing Team is being reviewed with further strategic resource being added to support the delivery of the Housing and Homelessness Strategies. Funding resources are in place, but unclear what demands will be on the service given the unprecedented situation as a result of the pandemic.</p> <p>The impact of homelessness is being managed locally but relies on continuing funding of support services by Essex County Council. Compared to many other Essex LAs, we have good local provision, so any review of resources is likely to take resources away from the District.</p>	<p>Market downturn.</p> <p>Government intervenes to require higher proportions of starter homes or other reduced-cost tenures.</p> <p>Developers push back on the number of affordable homes required on developments.</p> <p>Cost of housing (labour and materials) rises making them unaffordable</p> <p>Government policy on planning permissions and reducing red tape may reduce our supply of affordable housing on new sites under new policies. It is also likely to lead to more office-to-flats conversions (Permitted Development Rights)</p> <p>Increase in homelessness presentations and households joining the Housing Register due to economic impact of the pandemic.</p> <p>If support funding was reduced or different access arrangements to supported housing schemes it could impact adversely on residents and increase costs to the Council.</p>	<ul style="list-style-type: none"> <li>• Affordable housing needs not met</li> <li>• Homeless households remain longer in temporary accommodation as fewer rented homes become available for letting through 'Gateway to Homechoice' choice based lettings scheme</li> <li>• Cost to the Council of providing temporary accommodation increase</li> <li>• Young people/key workers leave the district</li> <li>• Some housing associations withdraw from higher-risk accommodation, such as supported housing schemes</li> <li>• Inability to find suitable affordable accommodation for larger families</li> <li>• Unable to provide supported housing in particular for under 35's, who will not receive enough benefit to cover the rent for self-contained accommodation.</li> <li>• Increased workload &amp; staff and temporary accommodation costs to manage increased demand for services.</li> <li>• Difficulty recruiting experienced / suitable staff as demand for such staff increases</li> </ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>New Housing Strategy adopted in 2016/17 being reviewed in 2022</p> <p>New Homelessness and Rough Sleeping Strategy adopted in 2018/19 being reviewed in 2022</p> <p>Work with a range of housing associations to ensure that we can meet the varied needs of local residents and make sure we do not miss out on affordable housing opportunities.</p> <p>Underwriting schemes and purchase of land for affordable housing developments as opportunity and finance allow.</p> <p>Working with other providers.</p> <p>Participating fully in work of 'Essex Prevents'; joint working with ECC to agree how we can prevent homelessness.</p> <p>Successful bid for 'Next Steps' funding for short and longer term accommodation costs associated with rough sleepers.</p> <p>Continued close working with Planning Policy and Development Management colleagues to support delivery of affordable homes.</p>	<p>Housing Research and Development Team continues to look for innovative ways of increasing affordable housing with developers and Registered Social Landlords.</p> <p>Use of Stat Nav toolkit to help identify need across the District.</p> <p>Build working relationships with developers to deliver affordable housing through S.106 agreements, supported by the Development Management team and policies contained within the Local Plan.</p> <p>Continue to review and implement actions in the Homelessness Strategy. This includes working with a wide range of partners including 'The Braintree District Homelessness Prevention Partnership'</p> <p>Review the Homelessness and Rough Sleeping Strategy by March 22.</p>	Corporate Director	<p>Local target for an average 100 dwellings per annum over a four year period.</p> <p>Maintaining a manageable number of temporary accommodation placements (under 50 at any one time)</p>	Quarterly		<p>Regular meetings with all housing associations with local development programmes.</p> <p>Stat Nav data updated each year.</p> <p>417 New Affordable Homes completed in 2021/22 A minimum of 250 completions expected 2022/23, but likely to be more.</p> <p>Authority delegated to Cabinet Members for Housing and Finance and Performance Management to agree acquisitions and funding commitments within the overall affordable housing budget in order to allow timely decisions to be taken and prevent opportunities being lost.</p> <p>Negotiations continue with a housing provider to secure 6 units of accommodation with support for rough sleepers/those at risk of rough sleeping. Anticipate on-stream by end June 2021.</p> <p>New Mental Health Navigator working with the Housing Teams in Braintree DC and Epping Forest DC to help support those at risk of rough sleeping. A one year partnership project with Essex CC and Essex Partnership University Trust.</p>

## Return on Investments – 7

Risk Rating: **D2** (C2 July 2021)

Cabinet Member Owner: Councillor John McKee

Management Board Owner – Corporate Director (SB)

Vulnerability	Trigger	Consequence
<p>The Council has a Capital and Investment Strategy and Treasury Management Strategy which seeks to optimise use of available resources that includes investment in property, housing and other assets as well as investing surplus monies with financial institutions to achieve a reasonable rate of return and support the Council's revenue account.</p> <p>The security of the money invested is paramount and investments are distinguished between the investment of monies available only in the short-term due to cashflow requirements and monies (core funds) which are available for investment over the medium to long-term.</p> <p>In recent years the Council has increased its property portfolio where return on investment has been attractive and the quality of the tenant and the tenancy term has been good.</p> <p>The economic climate makes the selection of: a strong counterparty with which to invest, the selection of an asset, to purchase, and the tenant, to occupy and rent property, even more crucial.</p> <p>HM Treasury is concerned about the increase in investment in commercial property by local authorities and has revised the rules on borrowing such that local authorities will not be able to access borrowing from the PWLB if it is deemed to be for 'investment for yield'.</p> <p>Potential vulnerability - commercial assets fail to meet the legal requirements on Energy Performance Certificates given changes to the EPC standards within the next 2 years</p>	<p>Failure of investment counterparty.</p> <p>Tenant ceases trading leading to void period and requirement to find a new tenant.</p> <p>Collapse in the equity market at a time when the Council needs to release money by selling the pooled funds.</p> <p>Funds are needed to be recalled at short notice.</p> <p>Market conditions are such that funds suspend dealing (i.e. stopping the purchase or selling of units/ shares in the fund)</p> <p>The purpose of borrowing from the PWLB is determined to be 'invest for yield'.</p> <p>Lease expiry.</p>	<ul style="list-style-type: none"> <li>• Loss of the principal sum and / or interest due on investments of surplus monies</li> <li>• Loss of rental income and increased costs (e.g. unoccupied business rates)</li> <li>• Impact on the Council's revenue account requiring unplanned service cuts and / or use of balances</li> <li>• Loss of access to loans from the PWLB: incurring penalty costs if repayment required and replacement borrowing from other sources likely to be at higher cost.</li> <li>• Decline in Council reputation</li> <li>• Property cannot be re-let without significant expenditure or maybe not at all</li> </ul>

**Risk: Emergency Planning – 8**Risk Rating: **D1** (C1 July 2021)

Cabinet Member Owner: Councillor Mrs Wendy Schmitt

Management Board Owner – Corporate Director (CR)

<b>Vulnerability</b>	<b>Trigger</b>	<b>Consequence</b>
<p>Braintree District Council has responsibilities under the Civil Contingencies Act (CCA) 2004a as a Category 1 responder: to plan for and respond to major emergencies working alongside the blue light services. Part 1 of CCA 2004 places legal obligations on emergency services and local authorities to assess the risk of, plan and exercise for emergencies as well as undertake business continuity management. An approved Recovery Plan would improve the Council's ability to support the community following an incident.</p> <p>BDC does not have the resources to respond effectively to the Emergency and deliver services.</p> <p>BDC are not resilient to continue to operate services through Business Continuity Planning. The lack of an approved Corporate BC Policy and agreed list of critical services leaves the council in a vulnerable position.</p> <p>The COVID pandemic has added an extra dimension as it cannot be responded to in the same way as previous emergency planning issues. This is due to the long term nature and progression of the pandemic.</p>	<p>Emergency event both response and recovery</p> <p>New roles and legislative powers that require enactment and management</p>	<p>District Wide</p> <ul style="list-style-type: none"> <li>• Possible loss of life or serious harm or injury to residents and/or staff.</li> <li>• Loss of physical assets e.g. premises.</li> <li>• Ineffective response to an incident causes extended disruption.</li> <li>• Vulnerable residents at risk through lack of core service delivery.</li> <li>• Delays/perceived shortfall in Council's response in recovery phase.</li> </ul> <p>Council</p> <ul style="list-style-type: none"> <li>• Lack of preparedness results in the inability to identify and deliver key/critical services e.g. benefits, refuse collection, homelessness applications, food inspections, etc.</li> <li>• Increased short term demand for services e.g. housing - alternative accommodation, repairs, waste team clean-up operation.</li> <li>• Major impact on reputation if the Council is perceived to not provide an adequate response.</li> <li>• Council facing Public Inquiry – risk of cost, reputation and public trust.</li> <li>• Priorities and projects are not delivered.</li> <li>• Being found wanting at public inquiry.</li> </ul>

Actions/controls already in place	Required action/ management control	Responsibility for action	Critical success factors and KPI's	Review frequency	Key dates	Progress to date
<p>A robust, peer reviewed Emergency Plan has been developed.</p> <p>Communications &amp; Media plan.</p> <p>A Members Protocol has been produced setting out guidance for Members during an emergency.</p> <p>Mutual Aid – agreements are in place between authorities BDC is strengthening its procedures to receive Mutual Aid.</p> <p>Each service has to be resilient, through planned and tested procedures, to unexpected and potentially long term challenges.</p> <p>Pandemic Flu Plan agreed.</p> <p>Active management of the current COVID response at organisational and Essex Resilience Forum levels.</p> <p>Regular review of our response and adaptation of response if required.</p>	<p>Bi-yearly review of Emergency Plan.</p> <p>Bi-yearly review of Communications and Media Plan.</p> <p>Rest Centres plan – run an annual exercise.</p> <p>Continue to deliver training programme Dialogue with partner organisations.</p> <p>Services need to demonstrate the capability and capacity to manage excessive additional demand due the Council's responsibility for response and recovery under the CCA 2004, Housing Act. Local Government Act and other relevant legislation.</p> <p>Following Covid responses update Recovery Plan.</p>	<p>Corporate Director</p>	<p>Service and performance levels delivered as planned.</p>	<p>Annual</p>		<p>Training delivered: senior/tactical training, recovery training, loggist training, rest centre training; communications training.</p> <p>Peer reviewed training programme for staff involved at all levels, volunteers-tactical-strategic.</p> <p>New starters will have a requirement to assist in emergencies detailed in their role profiles.</p> <p>Testing of dual emergency response – Exercise July 2020.</p> <p>Active response in progress using command structures to COVID, Ukraine, Storm events and public disorder events.</p>

**Risk: Information Management and Cyber Security – 9**Risk Rating – **C2** (C2 July 2021)

Cabinet Member Owner: Councillor John McKee

Management Board Owner – Corporate Directors (SB and CR)

Vulnerability	Trigger	Consequence
<p>The Council has been responsive to technology and has used it to shape the way services are delivered, to drive efficiency and improve productivity.</p> <p>With the increased use of technology and larger amounts of information stored comes an increase of the impact created through cyber security threats.</p> <p>It is essential that customer's information, much of which is sensitive, is kept safe and that the Council ensures business continuity through strong management of its information and systems.</p> <p>The impact of changes in Data Protection legislation potentially impacts our ability to carry out services effectively and creates significant extra work for staff.</p> <p>Increased reliance on technology, including remote working tools since more staff have been working from home.</p> <p>More staff and members are meeting virtually, introducing a new type of cyber security vulnerability.</p>	<p>Cyber attack Hacking Distributed Denial of service Phishing/Spear Phishing Ransomware Emerging threats</p> <p>Information Security or Data Breach incident.</p> <p>Loss of computer systems.</p> <p>Loss of access to physical or digital information through emergency incident.</p> <p>Staff do not manage data effectively.</p> <p>Intentional or accidental data loss.</p>	<ul style="list-style-type: none"><li>• Loss of ability to deliver service/degradation in service.</li><li>• Loss of reputation.</li><li>• Enforcement from Information Commissioner's Office with a potentially significant fines and reputational damage.</li><li>• Inability to collect/payout money to customers.</li><li>• Inability to share customer data with partners.</li><li>• The Council cannot meet its requirements under the Data Protection legislation.</li><li>• The Council is not able to adequately manage its information, which would then prevent it from being able to carry out services effectively.</li><li>• Unplanned financial cost to the Council.</li></ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Information security policies – regularly reviewed and updated</p> <p>External auditing and challenge on a regular basis against policies and systems as well as regular external penetration testing with action plans created</p> <p>Regular review of technical infrastructure, including firewalls, hardware and software</p> <p>PSN Compliance</p> <p>Training/education in cyber security for users</p> <p>Regular meetings of local, regional and national cyber-security groups to review all aspects of cyber-security</p> <p>Regular engagement with NCSC (National Cyber Security Centre) and use of cyber protection tools and services</p> <p>Regular meta-compliance checks for all employees and members</p> <p>Project Plan to deliver and ensure ongoing management of Data Protection legislation.</p> <p>Controls in place around the implementation of virtual meetings software and clear guidance for staff and members</p>	<p>Continued review of cyber security arrangements</p> <p>Raise awareness of information management and cyber security issues for all staff and members</p> <p>Review resourcing requirements around data protection and information management</p> <p>Targeted training</p> <p>Induction courses for new entrants</p> <p>Software kept up to date</p> <p>End of life hardware replaced as and when necessary</p> <p>Continue to keep abreast of cyber security issues and ensure that these are factored into BDC response.</p> <p>Obtain certification for Cyber Essentials+</p>	Corporate Director	<p>Up to date Reviews</p> <p>Year on year improvements</p> <p>Number of articles published/ seminars delivered</p> <p>Training demand met</p> <p>New entrants on induction within 2 weeks of joining</p>	Quarterly		<p>Project Plan to ensure ongoing management of Data Protection legislation.</p> <p>PSN compliance up to date 2022</p> <p>Regular attendance at Cyber Security summits/meetings at national level</p> <p>Online training available for all staff and part of the induction process</p> <p>Programme of updates in place for all software, hardware and infrastructure</p> <p>Regular vulnerability checks and internal and external penetration testing</p>



## Strategic Investment - 10

Risk rating **C2** (C2 July 2021)

Cabinet Member Owner: Councillor Kevin Bowers

Management Board Owner – Corporate Director (DC)

Vulnerability	Trigger	Consequence
<p>The District Investment Strategy targets capital investments to support infrastructure improvements, with particular emphasis on: improved healthcare facilities, enhanced town centres, increased employment and business opportunities, improved highways infrastructure.</p> <p>Investment intervention is also required to support residents in response to housing and population growth in the District.</p> <p>Such capital investments are subject to variations in market conditions both during the development of projects and their businesses cases and between business case sign off and project delivery/completion. These market conditions can impact on the cost and viability of projects.</p> <p>In particular the impacts of Covid, 'Brexit' and international market conditions on construction supply chains, as well as cost price inflation (including energy costs) have the potential to impact on the business case stated financial viability and sustainability of projects (including impacts on commercial rents and operational costs).</p> <p>Most of the identified investment opportunities require work with partners who may or may not have the same level of commitment to a project as BDC.</p> <p>Funding from other partners or government may not be available to support the action plan priorities.</p> <p>Failure to secure planning consent on development projects.</p> <p>Inadequate project management systems and processes lead to inconsistent decision making, failure to agree and delivery of priorities, under-utilisation of finite resources, weak cost control, over-reliance on external advice without proper challenge or consideration of the brief/scope/purpose.</p> <p>Macro-economic conditions with high inflation, high unemployment &amp; rising interest rates – Stagflation.</p> <p>Competition from large commercial development plans near Stansted.</p> <p>Rising yield expectations by institutional investors &amp; rising construction costs.</p>	<p>Lack of investment in infrastructure acts as a barrier to required housing growth and reduces opportunities for businesses to grow.</p> <p>Inability to secure prudential borrowing at preferential interest rates and the impact of the government's changes to PWLB accessibility removes potential capital funding route.</p> <p>Prolonged period (&gt;six months) of house price deflation.</p> <p>Prolonged period (&gt;12 months) of commercial rent deflation.</p> <p>Above inflation increase in construction costs.</p> <p>Projects undeliverable due to refusal of planning consent.</p> <p>Failure to sell/lease newly developed properties.</p> <p>Failure to clarify and agree core project and/or programme objectives, Critical Success Factors (CSF) or KPIs.</p> <p>Project failure or delay due to lack of stakeholder engagement.</p> <p>Movement in market conditions.</p>	<ul style="list-style-type: none"> <li>• Lack of infrastructure could inhibit delivery of Local Plan housing numbers</li> <li>• Approved schemes already in development may not achieve required financial return</li> <li>• Potential for existing businesses/jobs relocating outside of District</li> <li>• Fewer new businesses/jobs being created</li> <li>• Falling Gross Value Added (GVA) in the District</li> <li>• Loss of revenue growth in Council Tax and Business Rates</li> <li>• Unplanned and/or abortive expenditure</li> <li>• Dilution of support for programme</li> <li>• Public perception of Council spending and lack of effective control</li> <li>• Interest charges have to be charged to revenue rather than capitalized against projects</li> <li>• Revenue costs of projects developed but aborted not charged to capital and fall upon Council's budget.</li> <li>• Depressed land values</li> </ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>District Investment reserve approved and ring-fenced.</p> <p>All investment opportunities rely on cost/value advice provided by expert third party specialists in support of business case development.</p> <p>All investment opportunities appraised via industry-standard informed investment tool.</p> <p>Strong working relationship with Essex County Council, Haven Gateway, the South East Local Enterprise Partnership (LEP), Homes England on major projects and key priorities to support delivery and potential funding routes.</p> <p>Project engagement across relevant BDC teams (including Asset Management, Finance, Legal, Operations, Planning and Procurement) to ensure early engagement on scheme development to ensure end product delivers on objectives and is fit-for-purpose.</p> <p>Procurement of appropriate architects, cost and planning consultants secured for each scheme.</p> <p>Business case development with specialist external advice</p>	<p>Continual monitoring of costs and spend.</p> <p>Continued use of expert third parties to provide comprehensive cost estimates and advice of market trends.</p> <p>Consistent modelling to agreed financial parameters.</p> <p>Increased networking and promotion of BDC's investment aspirations with key external stakeholders and potential funders. Continue to source local and national funding resources which could provide grants for key projects.</p> <p>Implementation of timely, high-quality marketing strategies for all development projects.</p> <p>Early engagement with Planning Team and judicious use of the pre-application process.</p> <p>Increase organisational "maturity" and embed rigorous and consistently applied project and programme processes and reporting.</p> <p>Regular review of approved parameters and hurdle rates.</p> <p>Weighted NPV measure to reflect non-financial priorities.</p> <p>Independent evaluation of business case.</p>	<p>Chief Executive Corporate Director (DC)</p> <p>50</p>	<p>Delivery of all projects approved via District Investment Strategy</p> <p>Delivery of all projects to budget and approved financial return</p> <p>Leverage of third party funding to support BDC capital projects</p> <p>New Business start-ups</p> <p>Sale/letting of new properties at approved levels and to approved timescales.</p> <p>Achievement of detailed planning consent first time, every time.</p> <p>CSF's &amp; KPI's: Jobs created; Spend in local economy; Business rates generated.</p>	<p>Quarterly</p>		<p>Consistent presentation of detailed costs to all BDC approval bodies. Joint-working with Finance Team to model financial impact of all opportunities.</p> <p>Procurement of expert commercial and property agents to advise on achievable values, marketing and sales rates.</p> <p>I-construct project complete. Horizon 120 infrastructure project delivered to time and budget. Construction of Horizon 120 enterprise centre project (the Plaza) progressing to budget and revised schedule. Manor Street project nearing completion. Maltings Lane and Witham Enterprise Units business cases progressing.</p>

## Climate Change – 11

Risk Rating: **C2** (C2 July 2021)

Cabinet Member Owner: Councillor Mrs Wendy Schmitt

Management Board Owner – Corporate Director (CR)

Vulnerability	Trigger	Consequence
<p>'Climate change' refers to changes in the earth's climate that are caused by increasing levels of greenhouse gases such as carbon dioxide (CO<sub>2</sub>) in the atmosphere.</p> <p>Climate change adaptation describes measures that can be put into place to help us adapt the changes in our climate that are now inevitable. These changes range from increased temperatures and drought conditions to extreme weather events such as intense periods of rainfall and subsequent flash flooding.</p> <p>The Council has declared a "Climate Emergency" with an aim to make Braintree District Council activities, as far as practical, carbon neutral by 2030.</p> <p>Climate change will impact council services, from the buildings that we manage through to open spaces and our role in emergency planning, as well as impacting on Braintree district residents, particularly those who are most vulnerable.</p> <p>The services provided by the Council are reliant on access to all parts of the district by our vehicles and the ability of staff to travel to their place of work.</p> <p>Business Continuity plans are essential for the Council to be able to respond to the effect of climate change on our estate and our staff which impacts our services. This is combined with the potential increasing and changing demand for services including parks and landscapes, environmental health, community support, health and wellbeing, building control etc.</p> <p>The scale and degree of change required to meet net zero will require significant resources which the District Council will not be able to provide on its own. It will require a coordinated response from partners including Government to meet the challenge.</p>	<p>Increase in mean temperature</p> <p>Decrease in air quality</p> <p>Depletion of key resources including water</p> <p>Severe weather event(s) including drought, floods and gales.</p> <p>Failure to deliver 2030 carbon neutral target</p>	<ul style="list-style-type: none"> <li>• Failure to maintain/deliver services and an increased cost of delivering services</li> <li>• Increased financial costs for Council (due to insurance excesses/ pressures on service delivery)</li> <li>• Future Capital investment needed in alternative fuel infrastructure and vehicles</li> <li>• Reduction in resilience of the organisation</li> <li>• Reputation of Council damaged through failure to deliver services.</li> <li>• Failure to give local community leadership in preparing for climate change.</li> </ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Climate Local Strategy 2021 - 2030 in place and a number of actions being undertaken to reduce negative impact on climate from council services and assets as well as encouraging residents and businesses to reduce their impact on the climate.</p> <p>A Climate Change working group has been established.</p> <p>An action plan has been developed to ensure all Council functions and decision making is in line with the shift to carbon neutral by 2030.</p> <p>Emergency Plan considers climate related risks and our response to this type of emergency.</p> <p>The Climate Local Strategy has a number of actions in place to support the community to adapt to climate change.</p> <p>Business Continuity plan for the organisation to respond to risks</p> <p>Joint working with ECC who are also tackling Climate Change.</p>	<p>Climate Strategy has now been adopted.</p> <p>Continue to review Emergency Plan to consider emerging climate related issues and risks.</p> <p>Implement the outcomes from the Environment Bill – Expected during 2022.</p> <p>Climate Actions Performance reporting will be via Pentana system. Management Board to monitor outcomes and targets</p> <p>Annual performance report to be submitted</p>	<p>Corporate Director</p> <p>Sustainability Manager</p> <p>Sustainability Manager</p> <p>Management Board</p> <p>Head of Environment</p>	<p>New Climate Strategy and received by Council</p> <p>Publish Action Plan</p> <p>Delivery of objectives of Climate Change Strategy</p> <p>Carbon reporting (BEIS for District) Internal report for Council emission</p>	Annual review	<p>Feb 2021</p> <p>Sept 2021</p> <p>Sept 2021</p> <p>July 2022</p>	<p>Completed actions from the Climate Local Action Plan 2014 – 2018. Further details on achievement available</p> <p>Declared Climate Emergency July 2019</p> <p>Climate Change Working Group in place representing the Council, Businesses and Residents with academic support to develop the next Climate Local Strategy</p> <p>Annual Emergency Planning desktop exercise, concerning severe weather, for BDC</p> <p>Officer group established to encourage waste reduction by staff and at council premises.</p> <p>To deliver against climate change strategy and action plan</p> <p>Full Council approval of monitoring plan and key targets</p>

<b>Report Title:</b> Internal Audit Update, Including Progress Against Internal Audit Plans 2021/22 and 2022/23	
<b>Report to:</b> Governance and Audit Scrutiny Committee	
<b>Date:</b> 21 <sup>st</sup> July 2022	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Angela Mitchell, Audit, Insurance & Fraud Manager	
<b>Enquiries to:</b> Angela Mitchell, Audit, Insurance & Fraud Manager ( <a href="mailto:angmi@braintree.gov.uk">angmi@braintree.gov.uk</a> )	

## 1. Purpose of the Report

- 1.1 The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit activity to report functionally to the Governance and Audit Scrutiny Committee, being the committee charged with independent assurance on the adequacy of the risk management framework and the associated internal control environment.
- 1.2 The 2021/22 Internal Audit Plan was approved by the Governance and Audit Scrutiny Committee on 22<sup>nd</sup> July 2021, and the 2022/23 Internal Audit Plan will be presented to the Governance and Audit Scrutiny Committee on 21<sup>st</sup> July 2022. This report provides Members with an update on the Internal Audit activity, and progress and performance against planned work and any other matters affecting the provision of the Internal Audit Service. This is in accordance with the Governance and Audit Scrutiny Committee role and the requirements of the PSIAS.
- 1.3 The report also provides an update on Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) applications made by the Authority

## 2. Recommendations

- 2.1 Members note the progress and performance against the Internal Audit Plans 2021/22 and 2022/23.

## 3. Summary of Issues

### 3.1 Progress against the 2021/22 and 2022/23 Internal Audit Plans

- 3.1.1 The progress against the 2021/22 Internal Audit Plan is detailed in **Appendix 1**, and the progress against the 2022/23 Internal Audit Plan is detailed in **Appendix 2**.
- 3.1.2. The following audits have been completed since the last progress report to the Committee (21<sup>st</sup> April 2022). **Appendix 3** provides a summary of the outcomes of these audits:
  - Business Rates – **Significant Assurance**
  - Managers Self Service (Draft) – **Limited Assurance**

- North Essex Economic Board – **Full Assurance**
- Business Resilience – **Full Assurance**
- IT Inventory – **Significant Assurance**
- Town Hall Income – **Full Assurance**
- Section 106 Agreements – **Full Assurance**

3.1.3 The April 2022 report noted that the Council's risk management arrangements had been reviewed and a revised policy and strategy had been drafted for consideration by Corporate Management, and this will be reported to a future meeting of this Committee. The updated Strategic Risk Register is the subject of a separate report on the agenda.

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

- A significant proportion of the Audit Manager's time is spent on Insurance work, and some time also spent on Fraud work. In 2021/22 the insurance related work included the re-tender of three areas of insurance cover which required significant resource input. The insurance service is currently working on the 2022 Insurance Renewal, and also a high claims caseload;
- The Audit Manager reviewed the Risk Management Policy & Strategy;
- The Audit Manager is reviewing Fraud related policies, and;
- Additional ad hoc advice and consultancy services have been provided in the areas summarised in Appendix 1.

3.1.4 The Internal Audit Plan is prioritised, and Audits are assigned based on their relative priority with consideration to Auditor experience and auditee preferred timescales, but is also flexible to respond to changing corporate needs. Progress of and any changes to planned work is reported to the Committee.

### 3.2 **Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) Applications**

3.2.1 There were no RIPA / IPA applications in 2022/23 or to the date of producing this report.

### 3.3 **Corporate Objectives**

3.3.1 The recommendations set out in this report will help the Council to deliver the following Corporate Objectives:

- The 2021/22 and 2022/23 Internal Audit Plans include work across all Corporate Objectives:
  - A sustainable environment and a great place to live, work and play;
  - A well connected and growing district with high quality homes and infrastructure;
  - A prosperous district that attracts business growth and provides high quality employment opportunities;
  - Residents live well in healthy and resilient communities where residents feel supported;

- A high performing organisation that delivers excellent and value for money services;
- Delivering better outcomes for residents and businesses and reducing costs to taxpayers.

#### **4. Options**

- 4.1 This report invites Members of the Governance and Audit Scrutiny Committee to receive and note the performance against the 2021/22 Internal Audit Plan and progress against the 2022/23 Internal Audit Plan, additional work performed, and any other matters affecting the Internal Audit service.

#### **5. Financial Implications**

There are no financial implications arising from the recommendations set out in this report

#### **6. Legal Implications**

There are no specific legal implications arising from this report

#### **7. Other Implications**

There are no other implications arising from this report.

#### **8. Equality and Diversity Implications**

- 8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 8.3 The proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

#### **9. List of Appendices**

Appendix 1 – Progress Against the 2021/22 Internal Audit Plan.

Appendix 2 – Progress Against the 2022/23 Internal Audit Plan.

Appendix 3 - Outcome of Audits Completed Since the Previous Report to Governance and Audit Scrutiny Committee (21<sup>st</sup> April 2022).

**10. Background Papers**

None.



## **APPENDIX 1 - PROGRESS AGAINST THE 2021/22 INTERNAL AUDIT PLAN – as at 8 July 2022**

This Appendix summarises the work completed in respect of the 2021/22 Internal Audit Plan (presented to the Governance and Audit Scrutiny Committee on 22<sup>nd</sup> July 2021).

	<b>Audit</b>	<b>Priority</b>	<b>Current Status</b>	<b>Date Report to Governance &amp; Audit Scrutiny</b>
<b>2021/22 Internal Audit Plan – All Audits</b>				
1	Core Financial Systems – Back to Basic Reviews <ul style="list-style-type: none"> <li>• Business Rates Refunds</li> <li>• Business Rates</li> <li>• Council Tax</li> </ul>	1	Completed Completed In progress, to be completed 2022/23	22 July 2021 21 July 2022
2	Payroll Shared Service	1	External Source of Assurance	28 October 2021
3	Managers Self Service (initial review completed but scope extended to Payroll investigation)	2	Draft Report issued 2022/23	21 <sup>st</sup> July 2022
4	Procurement / P2P E-Procurement System	2	Completed	21 April 2022
5	North Essex Parking Partnership	2	External Source of Assurance	21 April 2022
6	BACS System	2	Completed	28 October 2021
7	Corporate Credit Cards	2	Completed	21 April 2022
8	Debtors Invoicing	3	Completed	21 April 2022
9	LCTS Document Verification	3	Completed	21 April 2022
10	Business Support Grants	1	Completed	28 October 2021
11	Leisure Provision Contract	1	(Deferred to 2022/23 Audit Plan)	Note 1
12	North Essex Economic Board Partnership	2	Draft Report issued 2022/23	21 <sup>st</sup> July 2022
13	European Regional Development Funds	2	Deferred – 2022/23 Plan includes Shared Prosperity Fund	Note 2
14	Uniform System Security	2	Completed	13 January 2022
15	Disabled Facilities Grants / Major Housing Grants	2	Completed	28 October 2021
16	Landlord Safety Checks	1	Completed	28 October 2021
17	Plant & Vehicle Workshop	2	(Deferred to 2022/23 Audit Plan)	
18	Unit 4 Fuel System	2	Completed	21 April 2022
19	Commercial Waste	2	Commercial Waste	21 April 2022
20	Agency Supply Contract	2	(Deferred to 2022/23 Audit Plan)	
21	Safe Recruitment	2	Completed	13 January 2022
22	Pest Control	3	Not completed	Note 3
23	Affordable Housing & Homelessness (extended to include Government Grants)	2	Completed	21 April 2022



**Note 5 – Contract Management:** - Major Contracts: actions to improve completion of appropriate documentation, and completeness of records, were agreed, and processes including the introduction of a Programme and Project Assurance Team were put in place. Additional work is planned in 2022/23 to review related controls

#### **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:

- Continued to administer and review matches for the **National Fraud Initiative Data Matching exercises**
- Continued review of the **Local Authority Grant Conditions** – enabling the grant declaration to be signed by the Chief Executive and Chief Internal Auditor. A list of grants reviewed is included in the Annual Internal Audit Report for 2021/22 (to the Governance & Audit Scrutiny Committee 21<sup>st</sup> July 2022)
- Provided advice in relation to administration of the **‘Homes for Ukraine’** support
- Provided advice to a service in relation to **declarations of interest** and actions to avoid perception of bias
- Conducted an investigation into a **staff** matter
- The service has provided further assistance in conducting **financial appraisals** in connection with procurement of contracts, including drawing attention to risks and mitigation associated with a high risk outcome on supplier economic standing
- Provided advice in connection with holding an **imprest** in respect of Licence fees
- Reviewed Council **staff access to DWP systems** and ensured none were inappropriately deactivated, also ensured compliance with DWP requirements for user access
- Updated some **Authorised Signatory** records
- The service continues to undertake administrative support for the Councils **Barclaycard** arrangements
- The Audit Insurance & Fraud Manager continues to offer advice in relation to insurance and the management of risks

## **APPENDIX 2 - PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN – as at 8 July 2022**

This Appendix summarises the work completed in respect of the 2022/23 Internal Audit Plan (Draft presented to the Governance and Audit Scrutiny Committee on 21<sup>st</sup> July 2022).

	<b>Audit</b>	<b>Priority</b>	<b>Current Status</b>	<b>Date Report to Governance &amp; Audit Scrutiny</b>
<b>2022/23 Internal Audit Plan – All Audits</b>				
1	Core Financial Systems – Back to Basic Reviews <ul style="list-style-type: none"> <li>• Council Tax</li> <li>• Local Council Tax Support</li> <li>• Investments</li> </ul>	1		
2	Payroll Shared Service	1		
3	Budget Monitoring	1		
4	Fraud Risks (NDR/Council Tax/Payments)	1	In progress	
5	North Essex Parking Partnership	2		
6	Energy Rebate	2		
7	Town Hall income	2	Completed	21 <sup>st</sup> July 2022
8	Money Laundering	2		
9	Business Support Grants / External Funding Assurance	1	Ongoing as need arises. Annual Report 2020/21 identifies grants reviewed thus far	
10	Shared Prosperity Funding	1		
11	Leisure Provision Contract	1		
12	Planning, including Time Extensions, Pre-Application & Notices	2		
13	Section 106 agreements	2	Completed	21 <sup>st</sup> July 2022
14	Community Safety and Safeguarding Partnerships	1		
15	Cost of Living Crisis	1		
16	Constitution (Financial Procedure Rules, Contract Procedure Rules, Procurement Rules)	1		
17	Authorised Signatories	1	In progress	
18	Business Planning	2		
19	Plant & Vehicle Workshop	2		
20	Agency Supply Contract	2		
21	Facilities Contracts	2		
22	Employee Engagement	2		
23	Policy Management	3		
24	Accuracy of Housing Application Processing	2		
25	Asset Management and Service Charges	1		
26	The Plaza (Horizon 120)	1		
27	Land and Property Inspections	2		
28	Risk Management	1		
29	Suppliers / Contractor Resilience	1		

30	Mobile Device Management	1	In progress	
31	CCTV GDPR Compliance	1		
32	Cyber Security	1		
33	Culture & Ethics	2		
34	Performance Management	3		
35	Major Projects – general, including PPAT	1		
36	Major Project – in depth review	1		
37	Strategic Investment	2		
38	Climate Change	1	Terms of Reference prepared	
39	Energy Performance	2		
40	Office for Local Government	1		
41	Health and Safety	1	Ongoing attendance at corporate meetings as source of assurance	
42	Cyber Security	1	Ongoing attendance at corporate meetings as source of assurance	
43	Annual Governance Statement	1		
44	Follow Up Reviews <ul style="list-style-type: none"> <li>• <b>Contract Management</b> (2019/20)</li> <li>• <b>Manor Street</b> (2019/20)</li> <li>• <b>Housing Application Document Verification</b> (2019/20)</li> <li>• <b>Contract Management – Major Contracts</b> (2020/21)</li> <li>• <b>Managers Self Service</b> (2021/22)</li> <li>• <b>Project Realisation of Benefits</b> (2021/22)</li> </ul>	2		

### APPENDIX 3 – OUTCOME OF AUDITS COMPLETED SINCE THE PREVIOUS REPORT TO GOVERNANCE COMMITTEE (21<sup>st</sup> April 2022)

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
<b>Business Rates</b>  <b>Significant Assurance</b>	<ul style="list-style-type: none"> <li>Reconciliation of total rateable value</li> <li>Valuation Office changes correctly applied to NDR accounts</li> <li>Payments applied to correct accounts</li> <li>Recovery procedures followed</li> <li>Write off processes followed</li> <li>IT access permissions</li> </ul>	<p>Areas of good practice</p> <ul style="list-style-type: none"> <li>Changes to the NDR Masterfile are correctly applied only on receipt of Valuation Office schedules</li> <li>Reconciliations are completed between Valuation Office and Council records</li> <li>Payments are automatically posted to NDR accounts and a reconciliation conducted between the Paye.net system, Civica and Efinancials systems</li> <li>Recovery action and write-offs are in accordance with procedures, write offs are subject to approval</li> <li>IT access permissions are appropriate</li> </ul>	<p>Resolve discrepancies between Valuation Office schedules and Council records relating to the total rateable value and number of properties</p>	Medium	<p>Agreed: Recovery &amp; Revenues Manager</p> <p>Action date: June 2022</p>
<b>Managers Self Service (Draft)</b>  <b>Limited Assurance</b>	<ul style="list-style-type: none"> <li>Authorisation Structure within the system</li> <li>Management review of expenses claims</li> <li>Management checks before authorisation</li> <li>Correct payment for authorised claims</li> <li>Payroll controls to ensure payments are correct</li> </ul>	<p>Areas of good practice</p> <ul style="list-style-type: none"> <li>There is an authorisation structure within the system, and authorisation levels are in accordance with authorised signatory records</li> <li>Automated emails prompt authorising officers to review claims, if authorised they are automatically included in the next Payroll</li> </ul>	<p>Remind managers to check claims, and provide managers with additional ITrent training</p> <p>Agree repayment plan</p> <p>Mileage claims to be submitted for no more than 2 months</p>	<p>High</p> <p>Medium</p> <p>Medium</p>	<p>Management responses are currently pending</p>

			<p>Payroll controls over manual payments to ensure they are reversed the following month (avoiding duplication)</p> <p>Explore with system supplier options for authorising officers to view past claims</p>	<p>High</p> <p>Medium</p>	
<p><b>North Essex Economic Board</b></p> <p><b>Full Assurance</b></p>	<ul style="list-style-type: none"> <li>Partnership supports corporate priorities</li> <li>Risks are assessed &amp; managed</li> <li>Roles and responsibilities are defined</li> <li>Decisions are recorded</li> <li>Scrutiny arrangements exist</li> <li>Performance is reviewed</li> <li>An exit strategy is in place</li> </ul>	<p>Areas of good practice</p> <ul style="list-style-type: none"> <li>The NNEB vision, mission and aims support BDC priorities, the strategy will be reviewed to ensure it remains up to date</li> <li>Each Authority is represented by a Member on the Board, and a Senior Officer on the Officer Steering Group</li> <li>Each Council is required to approve any funding, updates are provided to BDC Full Council as part of Cabinet reports</li> <li>KPI's and contract management are in place, monthly performance reports will be provided to the Steering Group / Board</li> </ul>	<p>There were no high or medium priority recommendations arising from this review</p>	N/A	N/A
<p><b>Business Resilience</b></p> <p><b>Full Assurance</b></p>	<ul style="list-style-type: none"> <li>Reliance on key staff through business continuity arrangements</li> <li>Whether Business Continuity Plans place too much reliance on key staff members</li> </ul>	<p>Areas of good practice</p> <ul style="list-style-type: none"> <li>For identified key staff the key person risk is sufficiently managed with Deputy or short notice arrangements</li> <li>Corporate and service level business plans identify alternatives such that roles can be completed if a key officer is not available</li> <li>'Service and Project Delivery' is recognised as a Strategic Risk and subject to regular</li> </ul>	<p>There were no recommendations arising from this review</p>	N/A	N/A

		monitoring by Senior Managers and members			
<b>IT Inventory</b>  <b>Significant Assurance</b>	<ul style="list-style-type: none"> <li>Existence of ICT Inventory records covering all appropriate equipment</li> <li>Protocols for return of ICT equipment</li> <li>Records updated when ICT equipment is returned</li> </ul>	Areas of good practice <ul style="list-style-type: none"> <li>Majority of equipment is recorded with details of the asset tag (reference).</li> <li>Mobile phone records are maintained on a live spreadsheet and updated when contracts end or cancelled or the phone is reallocated</li> <li>IT records are updated when an officer leaves the authority, IT staff check with the service manager to ensure all equipment is returned</li> </ul>	Update HR leaver's checklist to ensure managers obtain all IT equipment from officers leaving the authority  Ensure equipment is returned to the ICT team	Medium    Medium	Agreed: HR Manager Action date: Completed March 2022  ICT Technical Services Manager Action date: May 2022
<b>Town Hall Income</b>  <b>Full Assurance</b>	<ul style="list-style-type: none"> <li>Recording of income received</li> <li>Transporting income to the cash office</li> <li>Regular banking</li> <li>Reconciliation of income &amp; assessment of profitability</li> </ul>	Areas of good practice <ul style="list-style-type: none"> <li>Most room hire income is invoiced via sundry debtors system, bookings are invoiced after the event to ensure all chargeable elements are included</li> <li>Most other income is via card payments</li> <li>There are very few cash payments, where cash is taken there are appropriate arrangements for delivering to Cashiers</li> <li>Reconciliations and overall review of income and expenditure are conducted</li> </ul>	There were no high or medium priority recommendations arising from this review	N/A	N/A
<b>Section 106 Agreements</b>  <b>Full Assurance</b>	<ul style="list-style-type: none"> <li>S106 income received and used in accordance with the agreement</li> <li>Communications between services to ensure contributions are obtained and spend managed</li> </ul>	Areas of good practice <ul style="list-style-type: none"> <li>Comprehensive records of S106 agreements and financial records are maintained</li> <li>Finance staff are informed of expected S106 payments</li> <li>Responsibility for project delivery is defined, and officers liaise with relevant services for delivery</li> </ul>	There were no recommendations arising from this review	N/A	N/A



	<ul style="list-style-type: none"> <li>• Tracking funds received, allocated and spent</li> <li>• Monitoring projects to ensure completion in funding timescale</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring meetings are conducted to ensure funds are spent within required timescales</li> </ul>			
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**Updates for Matters Previously Notified to the Governance and Audit Scrutiny Committee (formerly the Corporate Governance Group) / Follow Up Reviews:**

**Project Realisation of Benefits - (*provisional outcome - Limited Assurance*)**

The findings of this review were reported to the Governance and Audit Scrutiny Committee on 21<sup>st</sup> April 2022. The review noted that post implementation reviews were not consistently conducted and the expected measurable outcomes and benefits from projects were often unclear and/or not demonstrated on the Council's Performance Management system. Also corporate project management processes did not reflect current oversight arrangements. At the time of this report, management responses to the recommendations were pending.

***Update July 2022 – Management responses to the recommendations remain pending, a follow up of this review is included in the 2022/23 Internal Audit Plan***

**Key:**

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

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

<b>Report Title:</b> Internal Audit Annual Report 2021/22	
<b>Report to:</b> Governance and Audit Scrutiny Committee	
<b>Date:</b> 21 <sup>st</sup> July 2022	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Angela Mitchell, Audit, Insurance & Fraud Manager	
<b>Enquiries to:</b> Angela Mitchell, Audit, Insurance & Fraud Manager ( <a href="mailto:angie.mitchell@braintree.gov.uk">angie.mitchell@braintree.gov.uk</a> )	

## **1. Purpose of the Report**

- 1.1 The Public Sector Internal Audit Standards require the Head of Internal Audit to deliver an annual internal audit report and opinion that can be used by the organisation to inform its Annual Governance Statement.
- 1.2 The 2021/22 Annual Report from the Audit Insurance and Fraud Manager is attached at Appendix 1, the conclusion from the 2021/22 work is that the Council's systems of internal control, and the internal control environment, are generally adequate with improvement required in some areas.

## **2. Recommendations**

- 2.1 Members note and accept the Internal Audit Annual Report 2021/22.

## **3. Summary of Issues**

- 3.1 The Head of Internal Audit's Annual Report and opinion provides the Council with an independent source of evidence on the design and effectiveness of its systems of internal control, risk management and governance. This report summarises the work undertaken by Internal Audit during the year 2021/22, and provides the rationale for the resulting audit opinion on the overall adequacy and effectiveness of the Council's framework of internal control, risk management and governance. The report includes a statement on conformance with the Public Sector Internal Audit Standards and the results of the Quality Assurance and Improvement Programme.

## **3.2 Corporate Objectives**

- 3.2.1 The recommendations set out in this report will help the Council to deliver the following Corporate Objectives:
  - The Internal Audit function conducts work to deliver assurance across all Corporate Objectives:
    - A sustainable environment and a great place to live, work and play;

- A well connected and growing district with high quality homes and infrastructure;
- A prosperous district that attracts business growth and provides high quality employment opportunities;
- Residents live well in healthy and resilient communities where residents feel supported;
- A high performing organisation that delivers excellent and value for money services;
- Delivering better outcomes for residents and businesses and reducing costs to taxpayers.

#### **4. Options**

- 4.1 This report invites Members of the Governance and Audit Scrutiny Committee to note and accept the Head of Internal Audit Annual Report and opinion.

#### **6. Financial Implications**

There are no financial implications arising from the recommendations set out in this report.

#### **7. Legal Implications**

The Council has a duty under the Local Government Act 1972 (s151) and the Accounts and Audit Regulations (2015) to maintain an adequate and effective internal audit function, taking into account Public Sector Internal Auditing Standards (PSIAS) or guidance. The PSIAS require the Chief Audit Executive to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

#### **8. Other Implications**

There are no other implications arising from this report.

#### **9. Equality and Diversity Implications**

- 9.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 9.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual

orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

- 9.3 The Equality Impact Assessment indicates that the proposals in this report will/will not have a disproportionately adverse impact on any people with a particular characteristic.

## **10. List of Appendices**

- 10.1 Appendix 1 – Internal Audit Annual Report 2021/22.

## **11. Background Papers**

None.

# INTERNAL AUDIT

## ANNUAL REPORT 2021/22

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## 1. PURPOSE

- 1.1. This is the annual report of the Audit, Insurance & Fraud Manager (AIFM) as required by the Public Sector Internal Audit Standards (“the Standards”) for the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022.
- 1.2. The report includes the AIFM annual opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. This opinion is based on:
  - The work carried out by Internal Audit during the year
  - Assurances provided by independent external sources
- 1.3. The report provides information on:
  - The delivery of the Internal Audit Plan;
  - Audit reports issued and issues of concern;
  - Implementation of agreed actions;
  - Internal Audit Performance; and
  - The quality assessment and improvement programme

## 2. BACKGROUND

- 2.1. The Local Government Act 1972 (s151) requires the Council to make arrangements for the proper administration of financial affairs, and the Accounts and Audit (England) Regulations 2015 require the Council to ‘undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Standards or guidance’.
- 2.2. The Standards require an annual report to be considered by the Committee fulfilling the role of the ‘Board’ as defined by the Standards – at Braintree DC this falls within the remit of the Governance and Audit Scrutiny Committee. This enables the Committee to review and monitor the outputs of internal audit activity and gain assurance that the function is fulfilling its statutory obligations. This process is an integral component of corporate governance. The Standards detail the matters that are required to be included in the annual report as:
  - The opinion;
  - A summary of the work that supports the opinion; and
  - A statement on conformance with the Standards and the results of the quality assurance and improvement programme
- 2.3. The Local Government Application Note informs application of the Standards and defines requirements for Local Government Internal Audit.
- 2.4. The Internal Audit function must also comply with the Institute of Internal Auditors **Code of Ethics** – this is a statement of principles and expectations governing behaviour of individuals and organisations in the conduct of internal auditing, including: **Integrity, Objectivity, Confidentiality, and Competency.**

### 3. THE ROLE OF INTERNAL AUDIT

- 3.1. The Standards define the role of Internal Audit as:  
*An independent Internal Audit is an independent, objective, assurance and consulting activity designed to add value to and improve an organisation's operations.*  
*It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*
- 3.2. The AIFM reports functionally to the Head of Finance and the Governance and Audit Scrutiny Committee. The Audit Charter formally defines the purpose, authority and responsibility of Internal Audit.
- 3.3. The AIFM had no constraints placed upon her, and no impairments to independence and objectivity, in respect of: determining the overall audit coverage and access to Council systems, operations, records and officers; the audit methodology applied; the scope of Internal Audit work, performance of that work and communication of the results including proposing actions for improvement and forming opinions on individual audit reports issued.
- 3.4. Internal Audit provides a combination of assurance activity (assessing the design and effectiveness of systems and processes) and consulting activity (guidance and advice for the development of those systems and processes). The assurance opinion is based on:
- Delivery of internal audit work and written reports from internal audit activity completed in the course of the year (audit work is planned to give sufficient assurance on the management of key risks)
  - Observations from consultancy / advisory support
  - Results of follow up work (to assess implementation of prior year recommendations)
  - Notable changes to the Council's ambitions, processes, management structure and use of technology
  - Review of assurance from other assurance providers
  - Quality and performance of the Internal Audit Service and degree of compliance with the Standards.

### 4. OTHER ASSURANCE PROVIDERS

- 4.1. Assurances are also taken from the following sources:
- **Service Leadership and Management:** Council Managers are the first line of defence and responsible for ensuring business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Managers are also responsible for ensuring there is a sound system of control which includes arrangements for managing risk. They are required to escalate key governance concerns or weaknesses as they occur. Managers provided Assurance Statements for 2021/22 on the adequacy and

effectiveness of the systems of internal control and risk management operating within their service areas.

- **Corporate Oversight Functions:** responsible for developing and designing governance and risk processes, and providing oversight, including:
  - Policies and procedures to guide and advise services (e.g. Risk Management Policy)
  - Ensuring services are compliant and meeting defined organisational requirements (e.g. Financial Services, Procurement and Governance)
  - Statutory Officer opinions over the governance of the Authority (Head of Paid Service, S151 Officer, and Monitoring Officer)
- **External Sources of Assurance:** independent reviews conducted by external providers – details of which are included in para. 5.3 below

## 5. OVERALL OPINION

### **Audit Opinion: Generally Adequate, improvement required in some areas**

I am satisfied that sufficient assurances were available to enable me to draw a reasonable conclusion of the effectiveness of the Council's arrangements for governance, risk management, internal control and fraud to enable me to provide an opinion for 2021/22

Based upon work undertaken and review of other sources of assurance, *it is my opinion that the Council's systems for internal control, risk management and governance as at 31 March 2022 generally provide **adequate assurance** that key business processes and financial systems accord with proper practice. Significant progress has been made in improving weaknesses previously identified, but there remains some areas where actions are yet to be fully addressed and embedded*

Twenty-eight audit reviews conducted in 2021/22 and to the date of this report resulted in a 'Full or Substantial' assurance opinion. Two reviews were assessed as 'Limited Assurance' at the time of the audit fieldwork, and we are awaiting completion of management responses but anticipate positive action to resolve the weaknesses identified.

There are ongoing actions from previous year's audits: we continue to work with management towards resolution and the Corporate Management Team will review progress of implementing outstanding recommendations. The conclusion of the External Auditor review relating to 2019/20 and subsequent years is currently pending, and the outcome of their work and any implications will be reviewed when complete.

The Council's response to Covid-19 led to inevitable changes to the usual control framework. The risk that this may increase the Council's exposure to risk, loss and fraud was considered, Internal Audit continued to operate and provide assurance and advice as required during this period, and Internal Audit plans continue to reflect potential risk areas.

**Angela Mitchell, Audit Insurance & Fraud Manager**  
6<sup>th</sup> July 2022



- 5.1. The AIFM Annual Report provides the Governance and Audit Scrutiny Committee with an opinion for inclusion in the Annual Governance Statement (AGS). The overall opinion for 2021/22 is that the internal control environment is *generally adequate, with improvement required in some areas*. If significant changes occur to the internal control environment prior to the Committee approving the AGS the Governance and Audit Scrutiny Committee will be informed.
- 5.2. Assurance can never be absolute. The audit opinion reflects the AIFM's view on the current state of the internal control environment and the effectiveness of the current systems of internal control across the Council on the basis of the audit work conducted. There may be weaknesses in the systems of internal control that we are not aware of because they did not form part of our programme of work or were not brought to our attention. Not every Council activity or risk will be subject to audit coverage in any one year, this report provides further narrative on the scope of our work.
- 5.3. The impact of Covid-19 on all public services has been considerable, as such CIPFA provided guidance on the availability of assurance and the impact on annual audit opinions arising from the following factors which have been considered in forming the annual opinion:
- changing risks and impacts on the organisation;
  - whether key governance, risk management and internal control arrangements have deteriorated or been maintained;
  - changes to the resource base of internal audit;
  - demands on internal audit for advisory or non-audit support which do not directly contribute to the Internal Audit opinion; and
  - operational disruption impacting on the access of internal auditors to key staff, information or systems
- 5.3.1. Much of the 2021/22 planned work is complete (or substantially complete) the changes and workload arising from Covid-19 experienced by both the Audit Insurance & Fraud team and our colleagues across the Council, has affected final completion of some reviews. Where appropriate, work not completed in 2021/22 has been carried forward to the 2022/23 Internal Audit Plan.
- 5.3.2. In addition to audit work, the following activity contributes to the annual audit opinion:
- Information gained through attendance at corporate groups to understand the current risks and actions taken to mitigate those risks
  - Consideration of committee and other reports for areas affecting governance, risks or controls
  - Audit knowledge of Council processes and initiatives, such as those around the response to the challenges of Covid-19
  - Consideration of assurances available from other providers including from first and second lines of defence, independent regulators and peers
  - Quality review mechanisms for work
  - Self-assessment of compliance with standards. An external review is scheduled to be conducted during 2022/23.

5.3.3. In preparing the Internal Audit Plan for 2021/22, managers were consulted to determine any planned reviews by external organisations from which assurance could be obtained on the operation of the internal control environment and systems of internal control. We noted the following sources of assurance:

- The statutory external audit of accounts and grant certification work. The External Audit Completion report for 2019/20 (presented to the Governance and Audit Scrutiny Committee on 28<sup>th</sup> October 2021) indicated the expectation that an unmodified opinion would be given on the financial statements, and that an 'except for' use of resources conclusion would be issued due to issues identified in relation to the Manor Street development. External Audit work on subsequent years has not yet been completed.
- Oversight of Investments by advisors, External Audit and Members
- Strategic Information Governance Group oversight of information management
- Public Sector Network Connection Compliance (annual assessment, although this is to be withdrawn therefore alternative assurance will be sought in future)
- Driver Vehicle Standards Agency inspection reports
- Internal Audit staff have also engaged with the following services to gain assurance on related risk recognition and the corporate response:
  - Information & Communications Technology Service (updates on the status of arrangements around cyber security)
  - Health Safety & Welfare Corporate Committee
- We also considered the work of other internal oversight and review functions, including:
  - Risk Management oversight and reporting
  - Performance management
  - Financial performance management and reporting

5.4. The Standards require that where the 'Chief Audit Executive' (Audit, Insurance and Fraud Manager (AIFM) for Braintree District Council) has responsibility for matters beyond internal auditing, that these are periodically highlighted to the Board (Governance and Audit Scrutiny Committee for Braintree DC) for review. The AIFM also has functional responsibility for Insurance and Fraud, and has adopted appropriate safeguards as defined in the Internal Audit Charter.

## 6. DELIVERY OF THE 2021/22 INTERNAL AUDIT PLAN

6.1. The 2021/22 Internal Audit Plan related audit work to the Council's Strategic Risks and Corporate priorities, and was developed following consultation with the Chief Executive, Directors and Heads of Service, and also a wider risk assessment of relevant factors to determine audit needs. The Audits were prioritised and an outline scope recorded.

6.2. During 2021/22 the following affected the resources available for completion of the 2021/22 planned work:

- The AIFM continues to respond to the action plan arising from the External Quality Assessment of Internal Audit (undertaken in December 2017), to

ensure the work and outputs accord with the requirements of the Public Sector Internal Audit Standards, including developing the team approach and procedures such as relating to audit planning and reporting arrangements. This development is ongoing.

- The AIFM guides staff and Members on the role and approach of Internal Audit.
- The AIFM's time was allocated to other management responsibilities including Insurance & Fraud. The Insurance aspect of the role is significant and resources were allocated to an unplanned insurance tender, arranging new covers, and a high claims handling workload (many requiring high resource input)
- Audit resources were spent on unplanned investigation work.
- The Audit Team have provided corporate support in areas outside the normal remit of Internal Audit, and consultancy and advice in a number of areas to support colleagues across the Council.
- The Trainee Auditor has continued studies via an Apprenticeship, he has achieved Certified Internal Auditor status and has made significant progress towards achieving the Chartered Internal Auditor qualification.
- The ongoing impact of Covid-19 on the corporate workload made completion of 2021/22 planned audits challenging, however the Council has continued to respond to the pandemic in an agile and effective way.

6.3. Audit work in respect of the 2021/22 Internal Audit Plan was conducted with due regard to the relative priority of audits. Audits conducted in 2021/22 generally resulted in either a Full or Substantial assurance rating and as a consequence of subsequent actions and wider risk mitigation there are no areas of concern within those reviews that are required to be brought to the attention of the Governance and Audit Scrutiny Committee.

6.4. Two of the 2021/22 audits were assessed as a Limited Assurance outcomes. Recommendations are identified which would reduce risks and improve controls. Management responses to the recommendations are pending:

- Managers Self Service (including Payroll Duplicate Payments) (Draft) – The review included the arrangements for management review and authorisation of claims, and the accuracy of payments made and associated records. Recommendations related to the manager approval process and associated checks for staff payments, resolution of a duplicate payment, timeliness of submission of mileage claims, processes associated with manual payments, and the information available to managers when authorising claims. Payment errors were identified, arising from a variety of factors, processes require amendment to minimise the risk of recurrence.
- Project Realisation of Benefits (Draft) – The review included project closure arrangements and associated documentation to assess whether business case expected benefits were demonstrated to have been realised and lessons learned. Recommendations related to improvements in project closure arrangements to prompt demonstration of benefits arising from the project, associated training, updating guidance, and conducting Post Implementation Reviews to review outputs, outcomes and benefits and lessons learned to assist with future projects. The Council

has guidance (however some elements required updated) and project recording / reporting arrangements (although these were not consistently applied). Provision is being made for additional training on '*reviewing and evaluating the success of your project*'.

6.5. The Audit team contributed to the development of Risk Management processes, in recognition of out of date procedures and practices, this work is ongoing in 2022/23. The review and assessment of Strategic Risks is undertaken by Management Board, the Corporate Management Team, and Members.

6.6. The reports completed for 2021/22 were as follows (audit outcomes are notified to the Governance and Audit Scrutiny Committee as audits are completed). Assurance levels are for the scope of work performed:

No: Recommendations:	High Priority	Medium Priority	Low Priority
<b>FULL ASSURANCE (no high / medium priority recommendations)</b>			
Business Rates Refunds			
BACS System			
Debtors Invoicing			
North Essex Economic Board Partnership (Draft)			
Unit 4 Fuel System			
Commercial Waste			
Safe Recruitment			
Affordable Housing & Homelessness			
Commercial Rents			
Business Resilience			
Cyber Security			
Culture & Ethics			
Performance Management			
Climate Change			
LA Covid-19 Compliance & Enforcement Grant			
Leisure Provision			
<b>SUBSTANTIAL ASSURANCE</b>			
Procurement / P2P E-Procurement System	-	2	-
North Essex Parking Partnership	-	1	-
Corporate Credit Cards	-	1	-
Local Council Tax Support Document Verification	-	1	-
Business Support Grants	-	1	-
Uniform System Security	-	1	-
Disabled Facilities Grants	-	3	-
Landlord Safety Checks	1	-	-
Information Management	-	1	-
Social Media	-	1	-
Homeworking – Security of Data	-	1	-
IT Inventory	-	1	-
<b>LIMITED ASSURANCE</b>			
Managers Self Service (Draft)	2	3	-

Projects Realisation of Benefits (Draft)	-	2	-
<b>Additional Work was completed in the following areas, no assurance level assigned</b>			
Risk Management – Review conducted of Risk Management Policy & Strategy, and support provided in review of Strategic Risks			
Administer NFI Data Matching Exercise and review matches			
Updates to System Access to support the Track & Trace Scheme			
Personnel security standard checks (DWP requirement for system access)			
Review of Grants to provide required declaration on compliance with grant conditions (for various grants – see para. 6.6 below)			
Assistance to the Illegal Money lending Team with their enquiries			
Review of member Council tax accounts			
Review of arrangements for staff overtime payments			
Assistance in conducting Financial Appraisals in connection with procurement of contracts			
Follow Up reviews (implementation of previous audit recommendations)			
Various ad hoc consultancy and advice			
Investigation work in respect of staffing matters			

*Definitions of assurance levels are detailed at the end of this report*

**6.7. Grant Assurance work:** During 2021/22, Internal Audit staff reviewed spend against grant conditions for the following grants. This enabled the Chief Executive / Chief Internal Auditor / S151 Officer (depending on the grant requirement) to sign a declaration for Government confirming the grant was used in accordance with specified conditions:

- Disabled Facilities Grant
- Homelessness Prevention Grant
- Homelessness Prevention – Vulnerable Renters Grant
- Protect and Vaccinate Grant
- Rough Sleeping Initiative Grant
- Covid-19 Compliance and Enforcement Grant
- Test and Trace Grant

**6.8.** The 2021/22 work also included follow up of previous Limited Assurance reports:

- **Manor Street Project:** the review identified areas of improvement in controls and project governance, the management response was reported to the Governance & Audit Scrutiny Committee in July 2021. Further work is planned in 2022/23 to review related controls
- **Contract Management:** actions to improve completion of appropriate documentation, and completeness of records, were agreed and processes, including the introduction of a Programme and Project Assurance Team, were implemented. Further work is planned in 2022/23 to review related controls
- **Housing Application Document Verification:** Alternative means of gaining assurance on validity of documents and applications were explored, additional work is planned in 2022/23 to review related controls

- 6.9. Audits in the 2021/22 Internal Audit Plan which were not completed have been reviewed as part of the 2022/23 Internal Audit Planning process, and where appropriate included in the 2022/23 Plan.

## 7. INTERNAL AUDIT PERFORMANCE

- 7.1. Internal Audit Performance is assessed in the following qualitative ways:
- Delivery of the 'Head of Internal Audit' Annual Opinion, including statement on compliance with the Public Sector Internal Audit Standards
  - Proportion of Strategic Risks over which assurance is provided
  - Implementation of agreed actions
  - Stakeholder engagement
- 7.2. **Delivery of the 'Head of Audit' Annual Opinion:** The Function must perform sufficient annual coverage to enable an opinion to be given on the state of governance, risk management and internal control, considering the organisation's risk profile and focussing work on the areas which matter the most, and reflecting on other areas of assurance. In addition, the Standards require the Internal Audit activity to collectively possess the knowledge, skills and other competencies needed to perform its responsibilities.
- *The coverage of audit work performed in 2021/22 is identified in Section 6 above*
  - *The Audit, Insurance & Fraud Manager is a Chartered Internal Auditor with over 28 years' experience in Internal Audit gained across a number of Public Bodies*
  - *The Senior Auditor has over 33 years' experience in Internal Audit at Braintree District Council*
  - *The Auditor commenced employment in Internal Audit in 2019 and has since achieved the Certified Internal Auditor qualification and is close to completing studies to achieve Chartered Internal Auditor status*
  - *The function's annual opinion is delivered to the Governance and Audit Scrutiny Committee in July 2022*
  - *See below re Quality Assurance & Improvement Programme re statement on compliance with the Standards*
- 7.3. **Proportion of Strategic Risks over which assurance is provided:** The 2021/22 Internal Audit Plan identified audit priorities relating to each Strategic Risk, and also linked audits to Corporate priorities.
- *Audits and other work were performed across **all** Strategic Risks and Corporate Priorities - the Audit Plan identifies the scope of coverage for each. Some further audit work was commenced in 2021/22 and is included in the 2022/23 Internal Audit Plan to enable completion*
- 7.4. **Implementation of Agreed Actions:** High and Medium priority recommendations are subject to follow up work by Internal Audit. For audits where the agreed completion date has elapsed, we have confirmed recommendations have been implemented. Follow up work is ongoing, we recognise that the Covid-19 Pandemic has led to other service priorities across the Council and that implementation of some recommendations will be delayed as a result.

- Of the **2 High priority recommendations** made in **2018/19** – both are complete
- Of the **26 Medium priority recommendations** made in **2018/19**
  - o 20 - have been confirmed as completed
  - o For the Leased Car audit (4 recommendations) we note the policy is currently being revised, and the number of Leased cars held is reducing
  - o For the Risk Management audit (2 recommendations), actions were dependent on a review of the risk management strategy which is in progress. Processes do exist for the review and monitoring of strategic and operational risks.
- Of the **21 High priority recommendations** made in **2019/20**:
  - o 6 are complete
  - o 11 relate to Manor Street are reported as complete and will be reviewed in 2022/23
  - o 5 are in progress
- Of the **14 Medium priority recommendations** made in **2019/20**:
  - o 12 are complete
  - o 2 relate to the Manor Street are reported as complete and will be reviewed in 2022/23
- Of the **3 High priority recommendations** made in **2020/21** - 3 are pending confirmation of status
- Of the **15 Medium priority recommendations** made in **2020/21**:
  - o 5 are complete
  - o 10 are pending confirmation of status

**7.5. Stakeholder Engagement:** Effective Internal Audit relationships benefit from engagement between the Internal Audit function and the business for the planning, conduct and reporting of engagements, and for liaison on matters affecting internal control, governance and risk management.

- *The AIFM engages with Senior managers as part of the Internal Audit Planning process*
- *Internal Audit staff engage with audit sponsors to agree the scope of the audit, in conducting fieldwork, and to agree the content of reports and management response*
- *Auditee response to issues raised is positive, with improvement actions agreed*
- *The approach to Audit Planning is reported to the Governance and Audit Scrutiny Committee and overseen by the Corporate Director, and Head of Finance*

## 8. QUALITY ASSURANCE & IMPROVEMENT PROGRAMME (QAIP)

**8.1.** The Public Sector Internal Audit Standards require an annual self-assessment against the Standards, and an external assessment to be conducted at least once in every 5 years, and for a commentary on compliance with to be included within the Annual Report.



- *An External Quality Assessment (EQA) was conducted in December 2017 and reported to the Governance Committee in April 2018*
- *Self-assessment against the EQA Action Plan and the Local Government Application Note is conducted at least annually and the results reported to the Governance and Audit Scrutiny Committee (the last such report was presented at the meeting held on 21<sup>st</sup> April 2022).*
- *During 2021/22 the internal audit function continued to develop approaches in accordance with best practice and the Standards.*
- *The internal audit function has complied with the definition of Internal Audit (see paragraph 3.1 above)*
- *The internal audit function has complied with the Code of Ethics (see paragraph 2.4 above)*
- *The internal audit function on the whole conforms with the Standards and the Local Government Application Note, but areas where the function would benefit from further development were reported to the Governance and Audit Scrutiny Committee on 21<sup>st</sup> April 2022.*

8.2. Quality assurance is achieved through establishing practices which maintain performance, including the day to day supervision, review and measurement of internal audit activity which is built into routine procedures:

- *Team outputs are reviewed by the AIFM, or the Senior Auditor, including: Terms of Reference, Working Papers, and the Audit Report. A review sheet is completed with commentary on the results of the review. The AIFM has experienced an exceptionally high insurance workload, and as such there has been some delay in review of some audit documentation.*
- *The team engages in continuous improvement activity to ensure a consistent and up to date approach is adopted. Guidance is provided to staff by the AIFM, and staff periodically attend other organised topical training events and read Internal Audit professional publications.*
- *The Auditor achieved Certified Internal Auditor status in 2020/21 and in 2021/22 made significant progress towards achievement of the Chartered Internal Auditor qualification. In addition the team maintains active engagement with other Internal Audit functions including through the Local Authority Chief Auditor Network, and contact with colleagues from other Essex Local Authorities.*

8.3. A review of fraud related corporate policies and procedures identified a number which require review to ensure they continue to meet requirements. These were reported to the Governance and Audit Scrutiny Committee in April 2022. In 2021/22 and to the date of this report, the following Policies were reviewed and presented to the Governance and Audit Scrutiny Committee:

- Anti-Money Laundering Policy & Guidance – April 2022

## 9. GOVERNANCE AND AUDIT SCRUTINY COMMITTEE

9.1. The work of Internal Audit is reported regularly to Members via the Governance and Audit Scrutiny Committee, which provides Members with an opportunity to review and monitor the Internal Audit team outputs, and gain assurance that the function is fulfilling its statutory obligations. The reporting to



the Governance and Audit Scrutiny Committee is an integral component of corporate governance.

9.2. Internal Audit reporting to the Governance and Audit Scrutiny Committee includes the following:

- The Internal Audit Plan, including the process for determining the Audit Plan
- Progress of audit work and performance against the plan, including outputs from audit work
- The results of reviews of Compliance with the Public Sector Internal Audit standards
- The Head of Audit Annual Opinion
- Any matters of concern will be reported as they arise

## 10. DEFINITIONS

OVERALL AUDIT OPINION	
<b>Full Assurance</b>	Internal controls meet acceptable standards and are consistently applied. There is reasonable, but not absolute, assurance that adequate risk management and controls are in place for the activity.
<b>Significant Assurance</b>	There is significant assurance that the internal control framework meets the minimum acceptable standards. Some weaknesses or inconsistent application in controls mean that some risks are not adequately mitigated.
<b>Limited Assurance</b>	The internal control framework does not meet the minimum acceptable standard. Some weaknesses or inconsistent application in controls mean that some risks are not adequately mitigated and require significant improvements.
<b>No Assurance</b>	The internal control framework does not meet the minimum acceptable standards and no assurance can be given.

RECOMMENDATION PRIORITY	
<b>High</b>	Can have a significant impact on operational performance so essential to provide satisfactory control of serious risk.
<b>Medium</b>	Can have a moderate impact on operational performance so important to provide satisfactory control of risk
<b>Low</b>	Minor impact on operational performance but offers improvement to internal control

### Internal Control Environment:

Comprises the systems of governance, risk management and internal control. The key elements of an organisation's control environment include:

- Establishing and monitoring objectives
- Policy and decision making which ensures compliance with established policies, procedures, laws and regulations
- Embedding risk management
- Economical, effective and efficient use of resources, and continuous improvement
- Financial management and the reporting of financial management
- Performance management and reporting of performance management

<b>Report Title:</b> Annual Governance Statement for 2021/22	
<b>Report to:</b> Governance and Audit Scrutiny Committee	
<b>Date:</b> 21 <sup>st</sup> July 2022	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Phil Myers, Head of Finance	
<b>Enquiries to:</b> Phil Myers, Head of Finance ( <a href="mailto:phil.myers@braintree.gov.uk">phil.myers@braintree.gov.uk</a> )	

## **1. Purpose of the Report**

- 1.1 To evidence that the Council has conducted a review of the effectiveness of its system of internal control for 2021/22, and to ensure that the Annual Governance Statement for 2021/22 is correct and in order for the Leader of the Council and the Chief Executive to sign.

## **2. Recommendations**

- 2.1 To approve the Annual Governance Statement for 2021/22 as set out in Appendix A, prior to it being signed by the Chief Executive and the Leader of the Council.
- 2.2 To give delegated authority to the Head of Finance to make any required amendments to the Annual Governance Statement prior to its submission with the Statement of Accounts.

## **3. Summary of Issues**

- 3.1 The annual review of the Council's governance, risk management and internal control arrangements has been undertaken to support the production of the Annual Governance Statement ('the Statement') for 2021/22.
- 3.2 This review includes the established information and assurance gathering processes to ensure the published Statement is correct
- 3.3 The aim of the review process is to ensure that the Council has effective governance, risk management, and internal control processes in place to assist with accountability and delivery of objectives. Any shortfalls identified in these arrangements through the review process are included as action points for the coming year.
- 3.4 The review process includes:
  - obtaining assurances from Senior Managers, who report to a member of the Management Board, that key control systems have operated effectively within their areas of responsibility throughout the year;

- reviewing the Council's governance framework against the best practice framework devised by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE);
  - updating the Local Code of Corporate Governance: the current version was agreed by the Governance Committee on 22<sup>nd</sup> July 2021 with the next formal review planned for the 2022/23 Statement; and
  - reviewing all External Audit and Inspection reports and Internal Audit reports.
- 3.5 The published Annual Governance Statement is required to detail the governance and control framework in place in the Council during 2021/22 and up to the date of publication of the Statement. Where arrangements are not in line with best practice or are not working effectively, this should be recorded in the Statement together with action plans for improvement.
- 3.6 The Covid-19 pandemic continued to impact on governance issues and so has been captured within the draft Statement.

### **The Annual Governance Statement ('the Statement')**

- 3.7 The process of preparing the Statement should itself add value to the corporate governance and internal control framework of the Council. The Statement is required to be approved by the end of July and should be up-to-date at the time of publication. The best practice framework provides guidance on what the Statement should contain, including:
- an acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control) and reference to the Council's Code of Governance;
  - reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the Cabinet, the Governance and Audit Scrutiny Committee, internal audit and others as appropriate;
  - an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework;
  - an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
  - reference to how issues raised in the previous year's Statement have been resolved; and
  - a conclusion – a commitment to monitoring implementation as part of the next annual review.
- 3.8 A draft Statement is included at Appendix A for Member's consideration.
- 3.9 The recommendations set out in this report will help the Council to deliver its Corporate Objective of being a high performing organisation that delivers excellent and value for money services by demonstrating that it has effective

governance arrangements in place, and seeks to improve upon these arrangements where necessary.

#### **4. Options**

- 4.1 The report invites Governance and Audit Scrutiny Committee to approve the Annual Governance Statement for 2021/22. The Committee may, however, determine that amendments are required to the Statement as part of their consideration. Those amendments will be incorporated into the final Statement, as appropriate.

#### **5. Next Steps**

- 5.1 The Annual Governance Statement is expected to be up-to-date at the time of publication of the Statement of Accounts, so it should account for significant events that could affect the assessment of the Council's governance arrangements that might occur from April 2022.
- 5.2 At the time of reporting this report the External Auditor, BDO LLP, is still to conclude the audit and issue the Annual Audit Letter for 2019/20 and 2020/21. This will need to be reflected in the Statements for 2020/21 and 2021/22, therefore, it is recommended that delegated authority be given to the Head of Finance to make any required amendments to the Statement prior to its submission with the Statement of Accounts.

#### **6. Financial Implications**

- 6.1 There are no financial implications arising through the preparation and publication of the Annual Governance Statement.

#### **7. Legal Implications**

- 7.1 Meets requirement to undertake an annual review of the Council's governance arrangements as required by the Audit and Accounts Regulations 2015, as amended.

#### **8. Other Implications**

- 8.1 There are no other implications arising out of this report at this time.

#### **9. Equality and Diversity Implications**

- 9.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not

- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 9.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 9.3 Various aspects of the Annual Governance Statement are directly relevant to diversity and social inclusion. Examples include arrangements to consult with and encourage the participation of all sections of the community, communications with stakeholders, and the requirement for services to be provided in accordance with equality policies.

## **10. List of Appendices**

- 10.1 Appendix A - A draft of the Annual Governance Statement for 2021/22.

## **11. Background Papers**

- 11.1 'Delivering Good Governance in Local Government – Framework' published by CIPFA and SOLACE 2016.
- 11.2 Braintree District Council's Local Code of Corporate Governance agreed by the Governance and Audit Scrutiny Committee on 22<sup>nd</sup> July 2021.

## Braintree District Council Annual Governance Statement 2021/22

### 1. Scope of Responsibility

Braintree District Council (“the Council”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and provides value for money. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and for facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Local Code of Governance (the Code), which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework: *Delivering Good Governance in Local Government*. A copy of the Council’s Code is on our website: [Here](#)

The Code was approved by the Governance and Audit Scrutiny Committee on 22<sup>nd</sup> July 2021. The Code is reviewed as a minimum every two years or when there are significant changes to the Governance Standards.

The Annual Governance Statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations, which requires the Council to prepare an annual governance statement.

### 2. The Purpose of the Governance Framework

The Council’s governance framework comprises of the systems and processes, and culture and values, by which the Council is directed and controlled and those activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

The core elements of the framework are:

- **The Constitution**, which sets out how the Council operates and how it makes decisions. The Constitution details the process through which the Council is able to make decisions efficiently, transparently and accountably. The Monitoring Officer undertakes a review of the Constitution annually to ensure the Council’s arrangements remain compliant with legislative requirements and is fit for purpose in supporting the Council’s Corporate Strategy.
- **The Corporate Strategy**, which sets out the vision and priorities for the Braintree District for the four-year period 2020 to 2024. An Annual Plan details the agreed projects and initiatives to deliver each of the priorities of the Corporate Strategy as well as details of how the Council plans to measure

progress against these objectives. Due to the Covid pandemic the plan for 2020/21 was extended to cover the 18 month period April 2020 to September 2021, with a revised plan 'Bouncing back together' focusing on post pandemic recovery agreed for the period October 2021 to March 2023.

- **The System of Internal Control**, which is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- **The Local Code of Corporate Governance**, which sets out how the Council's strategies, policies, plans, procedures, processes, structures, attitudes and behaviours are in place to deliver good governance to all, as well as summarising the processes in place to support the delivery of strategic outcomes.

The core elements of the Council's governance framework are detailed against each principle in the CIPFA/SOLACE Framework:

### **A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

- The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in the Council's Constitution (including the Financial Procedure Rules), Schemes of Delegation, and the Procurement Procedure Rules all of which are regularly reviewed and revised where appropriate.
- Codes of Conduct are in place for elected members and officers to make sure that public business is conducted with fairness and integrity, which define the high ethical values and standards of behaviour expected.
- The Head of Governance is the Council's Monitoring Officer and is responsible for ensuring that the Council operates within the law and that decisions are administered correctly and in accordance with the Constitution.
- The Head of Finance is the Council's Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972.
- Corporate complaints policy agreed and published on the Council's website.
- Members and Officers are required to record any gifts and hospitality received in accordance with the Authority's agreed procedure.
- A Whistleblowing Policy which enables concerns to be raised in a confidential manner and dealt with in a proportionate manner.
- The Governance and Audit Scrutiny Committee may establish one or more Standards Sub-Committees with the aim of promoting high standards of conduct and to conduct a hearing into any allegation that a Member or Co-opted Member has breached the Member Code of Conduct.
- The Governance and Audit Scrutiny Committee members receive appropriate briefings supported by training from key officers and third parties to enhance the Governance Framework.

## **B. Ensuring openness and comprehensive stakeholder engagement**

- Council meetings are held in public unless one of the criteria in Schedule 12A of the Local Government Act 1972 are satisfied. Unless confidential, decisions made by Council, the Executive (Cabinet/Cabinet Members) or other Committees are documented in the public domain.
- Systems are in place to ensure that relevant decisions taken by officers are published in accordance with legislative requirements.
- A standard decision-making report format is used to ensure that the decision maker is presented with all of the information necessary to inform the decision, including outcomes of consultation and issues identified in the 'Corporate Implications' template.
- The views of the community are sought on a wide range of issues and regular consultation and engagement with residents and service users is undertaken.
- The Council demonstrates its openness by publishing the following:
  - A Pay Policy Statement;
  - The Constitution;
  - Council, Cabinet and Committee Reports;
  - Delegated decisions; and
  - Transparency information including: payments to suppliers, the remuneration of senior officers, Members' allowances and expenses, and gender pay reporting.
- A Councillor Community Grant Scheme is in place whereby voluntary and community groups can approach ward councillors for financial support for projects that benefit local residents. Each Member is provided with a financial allocation (currently £1500) which they can distribute as grants either individually or joint fund with another Member(s).
- The Council's Marketing and Communications Team proactively use all communication channels to ensure that key service and corporate messages are communicated effectively to residents and businesses.

## **C. Defining outcomes in terms of sustainable economic, social, and environmental benefits**

- The Council sets out the vision and priorities for the Braintree District in its Corporate Strategy. The Corporate Strategy is based on: public opinion about what is important in the district; issues which Members know to be of importance; data and research into key issues which affect the quality of life; and issues of national importance which need to be implemented at a local level.
- The 'Corporate Implications' template used in the decision making process considers risks and impacts for individuals and communities; safeguarding; and other legal or governance matters to ensure that fair access to services is not adversely affected. Changes to services are supported by an Equality Impact Assessment.
- The Council's Performance Management Framework.



**D. Determining the interventions necessary to optimise the achievement of the intended outcomes**

- The Corporate Strategy covers a four-year period, supported by a more detailed plan that sets out the agreed projects and initiatives to deliver each of the priorities of the Corporate Strategy for the period of the plan, as well as details of how the Council will measure progress against these objectives.
- In determining how services and other courses of action should be planned and delivered the Council has well established engagement frameworks with internal and external stakeholders which is undertaken at a strategic, service and individual level.
- The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local residents as stated in the Council's Corporate Strategy, values and priorities.

**E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

- The Chief Executive (as the designated role of Head of Paid Service) is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.
- Performance reviews of staff ensure performance is managed and development needs are identified and monitored. These reviews may be undertaken as part of regular 1-2-1 discussions. For the Chief Executive and Corporate Directors, performance reviews are carried out by a panel of Members which include the Leader and/or appropriate Cabinet Members and the Chairman of the Performance Management Scrutiny Committee.
- There are regular team meetings, staff and manager briefings, and 1-2-1s.
- There is a Member Induction and Member Development programme in place which includes specialist training for Members with specific committee roles such as licensing and planning. The content of the Member Development programme is reviewed and refreshed annually.
- The Learning & Development Team ensure an appropriate programme of training and development is available for staff and managers including via a new e-learning platform, the Learning Hive.
- The Council recognises the national agreements on pay and conditions of service. Where appropriate market supplements are paid to attract and retain staff.
- The Monitoring Officer provides training to officers on the application of the Constitution and other procedure rules.

**F. Managing risks and performance through robust internal control and strong public financial management**

- The Council has a Risk Management Policy and approach including robust systems of identification, evaluation and control of risks which threaten the Council's ability to meet its objectives to deliver services to the public.
- The Chief Finance Officer (the Section 151 officer) is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.
- The Council's system of internal financial control is based on a framework of Financial Procedure Rules, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability.
- The Council has a proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably.
- A Medium-Term Financial Strategy and annual revenue and capital budgets are based on corporate priorities developed by the Cabinet and supported by the Management Board, and presented for approval by Council in February each year.
- Revenue and Capital Budget Monitoring reports are presented to the Cabinet on a regular basis for monitoring and control purposes including the annual outturn.
- A Programme and Project Assurance Team (PPAT) meet regularly to review progress on the Council's strategic capital projects where risks and issues are considered along with project budgets. Each project has its own project risks and issues tracker.
- A steering group which includes the Leader of the Council and other Cabinet Members, along with Management Board and senior managers provide overall oversight of the Council's Investment and Development Programme (IDP), the aim of which is to deliver savings for the Budget and Medium Term Financial Strategy.
- Progress on delivering the Corporate Strategy and Annual Plan is communicated through a performance management framework. The Cabinet and Performance Management Scrutiny Committee receive quarterly reports on both performance against the Corporate Plan/ Objectives and financial monitoring. These quarterly reports focus by exception and set out corrective measures where key performance indicators have not been met or where there is any overspending against budget.
- All Statutory Officers are appropriately skilled and experienced, undertake training and support to carry out their duties effectively and, as appropriate, participate in continuous professional development.
- Items for decision are published in the Decision Planner to enable the public to be aware of future decisions. All reports are required to set out how a matter will help the Council to demonstrate that it is achieving its corporate objectives. In the event of an urgent item requiring a decision, the Chairman of the Performance Management Scrutiny Committee must agree that the decision is a matter of urgency, in accordance with the Access to Information Procedure Rules.
- The annual budget is supported by the Section 151 Officer commenting upon the robustness of the estimates made for the purposes of the budget requirement calculations, and the adequacy of the proposed financial reserves. The final accounts, of which this Statement is an integral part, outline the financial outturn

of the Authority and are prepared in accordance with professional standards and are subject to external audit review.

**G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

- The Audit, Insurance and Fraud Manager provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance. This is carried out by an in-house Internal Audit team in accordance with the Public Sector Internal Audit Standards. The findings of Internal Audit are reported to the Governance and Audit Scrutiny Committee which includes an annual opinion on the internal control environment.
- The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies. The Governance and Audit Scrutiny Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.
- The Council's scrutiny arrangements are well established and provide challenge and review and promote service improvement.
- The Scrutiny process as detailed in the Constitution enables those who are not Cabinet Members to call in key decisions should this be required.

**3. The impact of Covid-19 on the governance framework**

The Council's governance arrangements were impacted in 2020/21 by the outbreak of the coronavirus pandemic, with modifications having to be introduced much of which continued into 2021/22.

An active role in the Essex Local Resilience Forum (LRF) was maintained contributing to the wider LRF response and recovery programmes. The Council's Cabinet continued to have the role of recovery sponsors, whilst enhanced management arrangements were continued with a structure based on Gold (strategic) and Silver (tactical) throughout the year. Individual services were responsible for the operational delivery of the Covid response, including public health measures to control outbreaks and enforce compliance with Covid regulations.

Members were provided with updates on the response and implications arising from the pandemic through the regular Cabinet Reports to Full Council which were provided at meetings held in June, July, October, December 2021, and February and March 2022.

Following the outbreak of the pandemic, changes to processes and controls were necessary to recognise the shift towards remote working which paved the way to hybrid working where arrangements have now been adopted that best suits the business needs of individual services.

Significant financial support continued to be paid through the Council either as agent of government or based on local discretionary schemes, which included Test and Trace Self-Isolation payments, Restart grants, a further round of Additional Restrictions Grant and Omicron Hospitality and Leisure Grant. The Covid Additional Relief Fund, the details of which were not received until December 2021, will continue to be

administered during 2022/23. Where appropriate, staffing resources have been reprioritised to ensure the administration processes used were sound and effective. Service managers responsible for areas of activity potentially exposed to the risk of fraud received relevant information and guidance, including from government departments issued as part of grant scheme conditions.

A process of post-payment assurance and reconciliation is now underway with the relevant government departments.

Public meetings continued to be held virtually whilst ensuring that transparency and good governance prevailed and allowed access to the public and press via the Council's YouTube Channel. With Regulations coming to an end in May 2021, meetings returned to being held in-person with arrangements put in place for the decision-makers to be present at the Council Chamber. These arrangements allowed for a broader participation using hybrid platforms to ensure that the matters were fully considered and debated. Following the easing of all restrictions related to the pandemic the Council's decision-making process has reverted to in-person meetings.

The longer-term financial impact on the Council from the pandemic remains uncertain, with some areas of income generating activity and local tax collection still below pre-pandemic levels despite some recovery in 2021/22. The position is further complicated by the recent emergence of high inflation which will impact on residents and businesses across the District that will then have an impact on Council services.

#### **4. Review of Effectiveness of the Governance Framework**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the audit manager's annual report, and by comments made by the external auditors and other review agencies and inspectorates.

The key elements of the review of effectiveness are:

- a. Both in-year and year-end review processes have taken place. In-year review mechanisms include:
  - The Cabinet is responsible for monitoring overall financial performance and received comprehensive reports on a quarterly basis. Budgetary reports provided details of income and expenditure against profile together with a prediction of the financial position at the year-end. Key Performance Indicators and progress of projects are also included in the quarterly reports. The Budgetary reports also included details of the additional expenditure and reduced income due to the pandemic together with details of the funding

streams provided from central government to help address the impact on the Council's finances.

- Report by the Section 151 Officer on the robustness of the budget and the adequacy of balances.
- The work programme of the Performance Management Scrutiny Committee includes reviews of the Medium Term Financial Strategy and Budget Proposals for 2022/23, updates on the Investment and Development Programme, and a scrutiny review into the Commercialisation of Braintree Council Services.
- The Community Scrutiny Committee concluded its review into cycling and walking in the Braintree District, and has commenced a review of markets and associated events in the Braintree District; and the Partnership Scrutiny Committee received the Annual Report of the Braintree District Community Safety Partnership 2020/21, concluded a review into enforcement procedures at the Council, and commenced a review of litter management across the Braintree District.
- Full Council received detail of the response from the Cabinet to previous scrutiny reviews into: leisure provision and access to sport in the district; childhood vaccination programmes in the district; and community woodlands.
- A small number of complaints were raised under the Member Code of Conduct and these have been reviewed in line with the Council's processes by the Monitoring Officer. The issues raised are particular to their circumstances and do not reflect a wider or systemic issue within the Council and are not regarded as significant governance issues within the meaning of the Annual Governance Statement. There were no complaints referred to the Standards Sub Committee during the year.
- The Governance and Audit Scrutiny Committee provided independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. The Committee met three times during the year and received reports on risk management, internal control and governance matters.
- The Governance and Audit Scrutiny Committee also met in April 2021 to consider a review of the Council's Constitution, suggesting amendments and making comment for consideration prior to the final approval of the Constitution at the Council's Annual General Meeting.
- During the year there was a change to the membership of the Governance and Audit Scrutiny Committee, including the appointment of a new Chairman.
- The Council's Internal Audit Charter, as required under the Public Sector Internal Audit Standards, was reviewed and updated by the Governance and Audit Scrutiny Committee on 21<sup>st</sup> April 2022.
- Internal Audit, as an independent and objective assurance service to the management of the Council, completed a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangements. The effectiveness of Internal Audit and its conformance with the Public Sector Internal Audit Standards was externally assessed during 2017/18. The initial outcome was that it partially conforms to the Standards and an action plan was agreed to deliver improvement and achieve conformance. Significant progress against the action plan has been made and reported to the Governance and Audit Scrutiny Committee.

- The External Auditor, BDO LLP (BDO), continues to review the Council's arrangements for:
  - Preparing accounts in compliance with statutory and other relevant requirements
  - Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
  - Managing performance to secure economy, efficiency and effectiveness in the use of resources

The results of the review for 2019/20 were reported to the Governance and Audit Scrutiny Committee at its meeting held on 28<sup>th</sup> October 2021; however, a formal opinion on the accounts and Annual Audit Letter have yet to be issued. The audit review of the 2020/21 accounts is also still in progress and therefore remains unreported by the External Auditor.

- BDO indicated in their Audit Completion Report for 2019/20 that they anticipate issuing an unmodified opinion on the financial statements; however, they are proposing to issue an "except for" use of resources conclusion due to issues that the Council had previously identified in relation to one of its major projects.
- The Council's strategic risk register was reviewed by Management Board and by Members in May 2022. The strategic risk register together with details of Management Board's action plans to manage those strategic risks which have a high risk rating was agreed by Cabinet on 11<sup>th</sup> July 2022, and reported to the Governance and Audit Scrutiny Committee on 21<sup>st</sup> July 2022.
- External inspections during the year included:
  - On 20<sup>th</sup> April 2021, the Health and Safety Executive (HSE) attended Causeway House on an unannounced inspection to ensure the Council's operations were in accord with the Covid-19 restrictions in place at that time. A further unannounced inspection was also made to the Town Hall on 23<sup>rd</sup> June 2021. Both inspections found that the Council's working arrangements were satisfactory and in accord with the restrictions.
  - On 24<sup>th</sup> June 2021, the Driver and Vehicle Standards Agency (DVSA) carried out an unannounced inspection of the Council's Transport Service. The Council was deemed to be a fully satisfactory operator and there were no recommendations or actions to be addressed.
  - On 11<sup>th</sup> April 2022, Logistics UK undertook an audit of the Council's Operator Licence compliance. The audit covered a number of key areas of activity and performance was generally considered either satisfactory, good, or very good. Only three recommendations were made: 1 desirable, and 2 categorised as important, but not essential, and all recommended for implementation within the mid-range period of 1-2 months.
  - The Council's Cyber Security capability was assessed by an external certificated company, Hytec. This assessment identified a number of areas where systems required upgrading which are due to complete in 2022/23 and which will enable the Council to be achieve Cyber Essentials certification.
  - PSN (Public Service Network) compliant for 2022/23.
- Local Government and Social Care Ombudsman: In 2021/22 the Ombudsman resumed their pre-pandemic arrangements for the assessment and consideration of complaints. During the year the Ombudsman considered and determined a total of 7 matters. Of those matters the Ombudsman

upheld one complaint against the Council, but did not require the Council to take any remedial action. The service in question had already made a service improvement which satisfied the Ombudsman. The substantive area of complaint was parties being aggrieved by the decision of the Local Planning Authority in respect of Planning Applications.

- b. The year-end review of the governance arrangements and the control environment included:
- Signed Service Assurance Statements from Senior Managers, who report to a member of the Management Board, that key elements of the control framework were in place during the year in their areas of responsibility.
  - The Audit, Insurance and Fraud Manager's Annual Report for 2021/22 was considered by the Governance and Audit Scrutiny Committee on 21<sup>st</sup> July 2022. The conclusion was that 'the Council's systems for internal control, risk management and governance as at 31<sup>st</sup> March 2022 generally provide adequate assurance that key business processes and financial systems accord with proper practice. Significant progress has been made in improving weaknesses previously identified, but there remain some areas where actions are yet to be fully addressed and embedded.

The previous year's Annual Governance Statement identified that focus would be placed on the significant governance issues during 2021/22 and these are detailed below together with progress and actions taken:

Governance Issues identified for 2021/22	Action taken to date
The Coronavirus Act (2020) allowed authorities to conduct meetings and take decisions in ways other than face to face so that decisions could be made to maintain good governance, principles of openness and accountability. Virtual meetings were instigated to ensure transparency and good governance whilst also facilitating extensive access to the public and press. Despite councils wishing to continue these in 2021/22, emergency legislation is not to be extended beyond 7 <sup>th</sup> May 2021. As restrictions will not have been fully lifted at this date, the council will have to plan carefully for how to hold meetings in person.	The Council fully considered the outcome of the High Court Challenge to the application of the Local Government Act 1972 to the decision-making process. The Council has ensured throughout that members of the Public are able to attend the public meetings both in person and through hybrid platforms, whilst ensuring that the decision makers are physically in attendance at the time the decision is taken on any matter before the committee.

<p>Additional demands were made on IT systems and staff with most office based staff continuing to work remotely throughout 2020/21. Changes to ways of working will need careful management as lockdown continues to ease in 2021/22.</p>	<p>A Hybrid Working Homeworking Policy and Guidance for managers and staff was introduced in the year. This sets out the framework for agreeing arrangements between employees and line managers which must take into consideration business needs, the impact on service delivery and customers, the wider team, and the individual.</p> <p>The Policy and Guidance includes a Homeworking Checklist and Initial Risk Assessment. A mandatory requirement is that a display screen equipment homeworking workstation self-assessment is carried out.</p> <p>All work carried out from home is subject to the Council's policies on security, confidentiality, information governance, and record management.</p> <p>A Remote Working Code of Practice applies to all users of Council and personal IT equipment when working on official business away from the Authority's premises.</p> <p>An internal audit review of homeworking and data security was undertaken which concluded that significant assurance could be obtained from the arrangements and policies in place and how these were generally being applied.</p>
<p>For 2021/22, there will be a focus on ensuring that audit work not completed in 2020/21 due to the Covid-19 pandemic is prioritised, where this is still appropriate. However, the overall plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks are reviewed over a three to five year audit cycle. The impact of the pandemic was routinely considered throughout the year. There will be a review of the control framework, compliance, policies and procedures, operating in 2020/21, to see what impact</p>	<p>Audits that were not completed in 2020/21 were considered in the review undertaken by the Audit, Insurance and Fraud Manager ahead of drafting the Internal Audit Plan for 2021/22, which was approved by the Governance and Audit Scrutiny Committee on 22<sup>nd</sup> July 2021.</p> <p>The audit planning process takes into account the Council's corporate risks and strategic priorities, along with a wider risk assessment undertaken through discussions with the Chief</p>



<p>the changes necessitated during the pandemic had on both risk and efficiency. Audit work will also focus on the recovery processes and review those areas, such as the distribution of Covid-19 grants, where risks have unavoidably increased.</p>	<p>Executive, Directors, and other Senior Managers. The audit planning process was endorsed by the Governance and Audit Scrutiny Committee when approving the Internal Audit Plan.</p> <p>A number of 'back to basic' reviews of key systems and controls were included in the 2021/22 audit plan to ensure that appropriate controls continued to be in place and remained effective.</p> <p>Internal Audit were involved in a number of post-payment assurance reviews of Covid grant schemes. Reviews were also carried out by the Audit Team where there was a requirement to confirm that eligible expenditure had been incurred by the Authority that was being reclaimed from government under various Covid related initiatives.</p>
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## 5. **Assurance Statement**

The review as detailed above, provides good overall assurance that the Council's governance arrangements have remained fit for purpose, even when having to be modified as a result of the ongoing pandemic. There has been no significant detriment on the Council's ability to deliver its services.

## 6. **Governance Issues**

Specific opportunities for improvement in governance and internal controls identified as part of the assurance processes have been addressed, or are included, in action plans for the relevant managers.

Services have continued to be impacted by the coronavirus pandemic and the Emergency Response Plan and the Gold and Silver emergency command structure has remained in place to coordinate a response to ensure that resources have been prioritised to those areas most in need.

The Council has maintained consistent essential services for residents, whilst adapting to provide alternative virtual services wherever possible. The Council's strong collaborative approach has been effective at achieving a unified response, working with key partners in the NHS, police and voluntary and community sectors. The ongoing response to the pandemic has added assurance to the effectiveness of the Council's business continuity plans, communications strategy and governance arrangements.

The risks moving forward have been detailed in the Areas of Significant Change.

## **7. Areas of Significant Change**

The Council faces a number of areas of significant change that will require consideration and action as appropriate in 2022/23 and the medium-term. Significant issues identified include:

### **Cost of living and inflationary pressures on the cost of services**

The Budget for 2022/23 was set before the rapid rise in inflationary costs which the country is facing. Consequently, the Council faces specific challenges on its day-to-day spending from price rises for goods and services, future energy costs, and potentially staff pay awards. The Council's capital programme is also likely to be adversely impacted as construction costs increase and supply chain shortages impact on delivery. Household incomes will fall and businesses are likely to face additional costs, with the real risk of an economic recession. There is increased risk to the Council's income streams and local tax collection performance, along with the potential for increased demand for support from services.

In the short-term, the Council may need to use its general balances and reserves to address any immediate financial impact that cannot be contained within the overall approved budget, whilst longer term actions are determined to address any ongoing budgetary pressures.

### **Other governance risks or issues for 2022/23**

- There is continued uncertainty regarding central government funding of local government. The Local Government Finance Settlement for 2022/23 provided the fourth single-year financial settlement along with a commitment to ensuring that future funding allocations for councils are based on an up-to-date assessment of needs and resources. The detail of any proposed changes is still awaited. There are still, therefore, real challenges in terms of budget setting and medium term financial planning.
- CIPFA's Financial Management Code was introduced in 2020/21. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. Whilst it is anticipated that the Council will comply with many aspects of the Code, a formal assessment that was due to be undertaken in 2021/22 was postponed due to the continuing high workloads on the finance team and changes in senior finance management. This outstanding review will be picked up during 2022/23 to confirm the level of compliance and to identify where changes and improvements may be required that can be reflected in an action plan.
- The Council is reviewing the way it works with the aim of developing a new agile and flexible working policy. A new group, the Agile and Flexible working group, has been set-up and will be looking at changes that are needed, how the Authority works and organises working environments, new ways of working for

staff, and new approaches to team work and management, including new measures of performance management.

**8. Conclusion**

The Council has in place strong governance arrangements which protect the Council's interests and provide the necessary assurance our residents and stakeholders. We propose over the coming year to take steps to address the matters identified above to further enhance our governance arrangements.

Graham Butland  
Leader of the Council

Andy Wright  
Chief Executive

**Agenda Item: 11**

<b>Report Title:</b> Internal Audit Plan 2022/23	
<b>Report to:</b> Governance And Audit Scrutiny Committee	
<b>Date:</b> 21 <sup>st</sup> July 2022	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Angela Mitchell, Audit, Insurance & Fraud Manager	
<b>Enquiries to:</b> Angela Mitchell, Audit, Insurance & Fraud Manager <a href="mailto:angmi@braintree.gov.uk">angmi@braintree.gov.uk</a> / 01376 557821	

**1. Purpose of the Report**

- 1.1 To ensure there is an Internal Audit Plan for 2022/23 which complies with the Public Sector Internal Audit Standards.

**2. Recommendations**

Members endorse the Internal Audit Plan process and draft Internal Audit Plan for 2022/23.

**3. Summary of Issues**

**3.1 Introduction**

- 3.1.1 Public Sector Internal Auditing Standards (PSIAS) require the Chief Audit Executive to 'establish risk based plans to determine the priorities of the Internal Audit activity, consistent with the organisation's goals'. The plan should take account of the organisation's risk management framework and be reviewed and adjusted as necessary in response to changes in the Council's business, risk, operations, programmes, systems and controls, and should:

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

- 3.1.2. This report presents (at Appendix 1) the Draft Internal Audit Plan for 2022/23. The Plan has been prepared in accordance with the Accounts and Audit Regulations 2015 (Section 5) requiring an effective internal audit of risk management, internal control and governance processes taking into account PSIAS and guidance, and sets out the programme of internal audit work for the year ahead and forms part of the Council's wider assurance framework, and it supports the requirement to produce an audit opinion on the Council's

overall internal control environment, and the robustness of risk management and governance arrangements. Delivery of the Plan is dependent on resources, and on changing audit needs which may arise during the year. Progress against the Plan, and any changes or additional work completed will be reported to future meetings of the Governance and Audit Scrutiny Committee.

### 3.2. **Internal Audit Planning Process**

3.2.1. The proposed Internal Audit Plan for 2022/23 relates audit work to the Council's strategic risks and corporate priorities. The plan is flexible and responsive to changing corporate needs, delivery is dependent on resources and work is prioritised to ensure these are focussed on the areas of greatest audit need. The time on each review will be responsive to relative priority and ongoing assessment throughout the audit, if additional resources are considered necessary to enable the delivery of planned work this will be communicated to Senior Management and the Governance and Audit Scrutiny Committee.

3.2.2. The Plan has been developed following meetings with Senior Managers and Directors to discuss their services and key objectives and risks, with the feedback from these meetings informing a wider risk assessment that has prioritised the Council's activities for audit coverage considering the following factors:

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

3.2.3 The Audit Manager has assessed the scope of planned work to ensure adequate coverage across key areas which support provision of the annual audit opinion, the plan therefore includes work contributing to the following areas:

- Governance and Information Management
- Risk Management
- Financial Management

- Performance Management
- Culture and People Management
- Asset Management
- Commissioning and Procurement
- Major Contracts and Projects

- 3.2.4 The Audit Plan includes some allocation to **Key Financial Systems**, including risk based review of key controls to ensure they are operating effectively. These systems are key to achievement of Corporate Objectives and would significantly impact the organisation were they to fail. Whilst controls arrangements in these areas remain reasonably static, the Plan includes risk based review of key controls to provide continued assurance over their operation.
- 3.2.5 The Plan includes Audits around the areas of external funding / grant claims (to ensure compliance with funding body rules and regulations and grant certification), and governance (to ensure robust and transparent arrangements including risk management, performance management, promotion of ethics and values)
- 3.2.6 **Follow up reviews** are conducted on high and medium priority recommendations to provide assurance on the extent to which key risks have been properly mitigated
- 3.2.7 The Plan includes **other activities** that, whilst not audits, are chargeable to the audit plan as they are integral to its delivery. These activities include audit planning, reporting to Members and other audit management tasks such as reviewing the Audit Charter.

### 3.3. Assurance Framework

- 3.3.1. In planning audit work, an assessment is made of sources of assurance, internal and external, received across the Council. The Institute of Internal Auditors 3 lines model (Appendix 1) demonstrates principles of accountability, responsibility for managing risk, and assurance, and emphasises the need for strong working relationships and coordination / collaboration between Internal Audit, management and the governing body, and recognises the contribution of other oversight / evaluation roles in the provision of assurance.

### 3.4 Delivery of the Internal Audit Plan

- 3.4.1. The Audit Manager considers the range of knowledge, skills, qualifications and experience needed to deliver the audit plan, and will seek external support where appropriate for specialist areas of planned work.

### 3.3 **Corporate Objectives**

3.3.1. The recommendations set out in this report will help the Council to deliver the following Corporate Objectives:

- The Internal Audit function conducts work to deliver assurance across all Corporate Objectives:
  - A sustainable environment and a great place to live, work and play;
  - A well connected and growing district with high quality homes and infrastructure;
  - A prosperous district that attracts business growth and provides high quality employment opportunities;
  - Residents live well in healthy and resilient communities where residents feel supported;
  - A high performing organisation that delivers excellent and value for money services;
  - Delivering better outcomes for residents and businesses and reducing costs to taxpayers.

#### **4. Options**

4.1. Option 1 - To approve the Audit Plan for 2022/23

The Committee is invited to approve the Internal Audit Plan 2022/23, this is the preferred option as the plan provides for sufficient assurance on those activities / risks which are deemed key to achievement of the Council's aims and objectives, to support the provision of the statutory annual audit opinion.

4.2. Option 2 - To not approve or to make amendments to the Audit Plan 2022/23

PSIAS identify the Committee role is to approve (but not direct) the work of Internal Audit, although the Committee may challenge whether the plan is sufficient and adequately focussed, particularly given the plan's purpose to provide the Committee with a key source of assurance to consider when it decides whether to recommend the Annual Governance Statement for signing by the Chief Executive and Leader of the Council.

#### **5. Financial Implications**

There are no financial implications arising from the recommendation to approve the Internal Audit Plan

#### **6. Legal Implications**

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 *Public Sector Internal Auditing Standards or guidance*' (PSIAS)

The PSIAS require the Chief Audit Executive to establish '*risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals*' and '*the risk-based plan must take into account the requirement to produce an annual opinion and the assurance framework*'. The plan '*must incorporate or be linked to a strategic or high level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter...*'

## **7. Other Implications**

There are no other implications arising from the recommendations in this report.

## **8. Equality and Diversity Implications**

8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

8.3 The proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

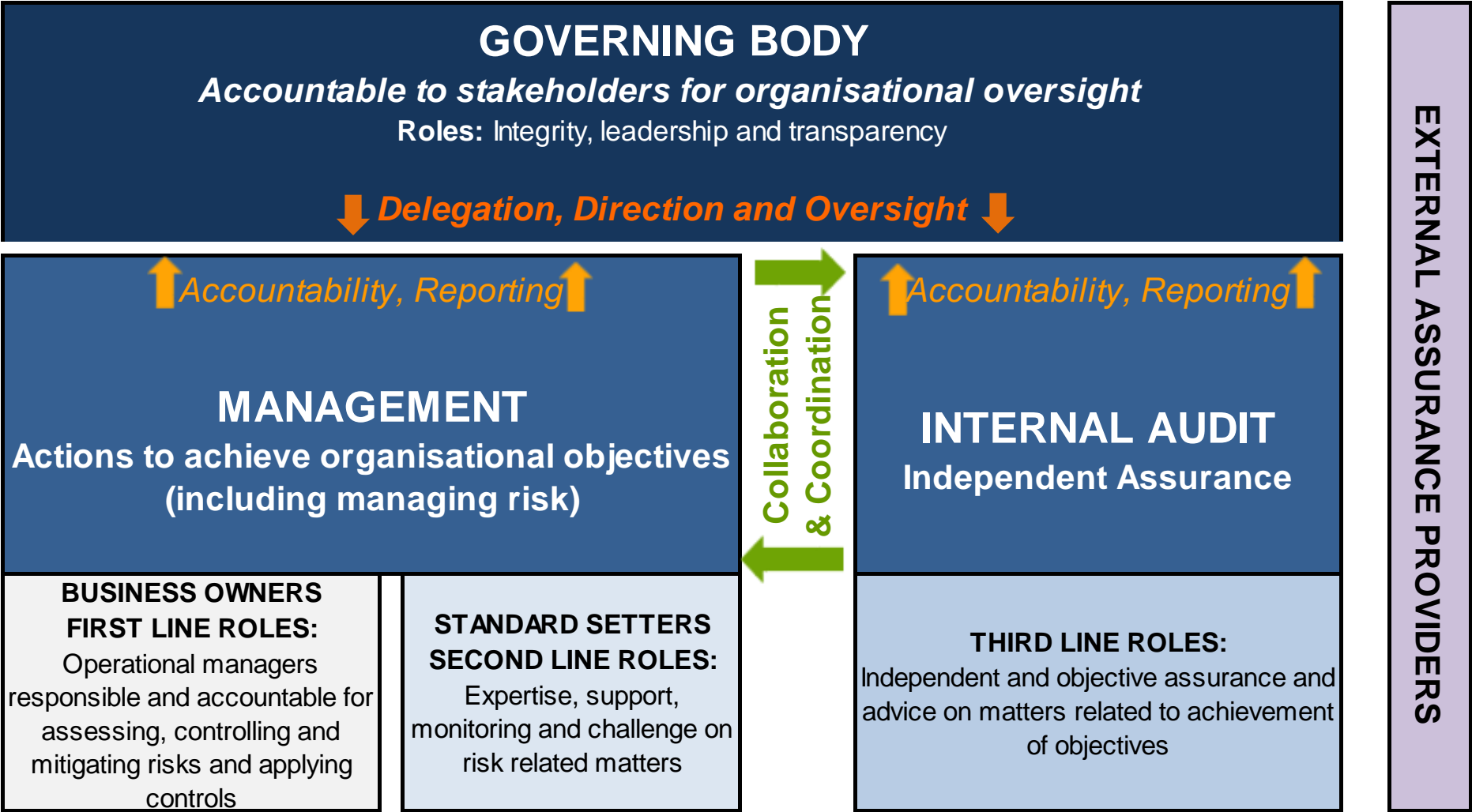
## **9. List of Appendices**

Appendix 1 – Assurance Framework  
Appendix 2 - Internal Audit Plan 2022/23

## **10. Background Papers**

Public Sector Internal Audit Standards (published CIPFA in collaboration with the Institute of Internal Auditors).





# DRAFT INTERNAL AUDIT PLAN 2022/23

Ref	Audit Title	Outline Scope	Priority *	Review Type	Links to Corporate Priorities	Audit Sponsor
<b>Risk 1 Medium Term Financial Strategy:</b> Unable to set balanced budget, arising from impact of the pandemic and economic conditions on residents and businesses, difficulty in predicting long term behaviours, Government funding changes, planned savings not achievable, incorrect financial assumptions, reduced Business Rates income, and legislative change						
1	Core Financial Systems – Back to Basics Reviews	<p><i>Periodic reviews of core financial systems are considered for significant changes in system or processes, and to provide assurance over Business as Usual. Systems include: Debtors, Creditors, Business Rates, <b>Council Tax, LCTS, Investments, Payroll, Cash &amp; Bank, and General Ledger</b></i></p> <p><i>The Council's response to Covid-19 resulted in some changes to controls and the way the Council operates, we will continue conducting 'Back to Basics' reviews in key areas to ensure basic controls and oversight arrangements are maintained, and will review a selection of transactions from the pandemic period</i></p>	1	Assurance / Financial Management	Delivering & Innovating	Head of Finance
2	Payroll Shared Service	Review controls relating to operation of payroll service (for BDC and partner authorities): Process for ensuring only valid employees on the Payroll, HR reconciliation of Payroll data, arrangements for review of Net Pay Exceptions, ensure Payroll data is stored safely and only accesses by authorised persons, adequacy and timeliness of management sign-off via self-service (eg starters, temporary adjustments to pay), assess risks associated with any generic logins used on self-service, & ensure holiday pay calculations are correct	1	Assurance / Financial Management	Delivering & Innovating	Head of Finance
3	Budget Monitoring	Review Budget setting arrangements including assumptions made (such as on spending habits and business resilience). Assess arrangements for ensuring regular review / monitoring and adjustment where appropriate. Ensure budgets, including savings and their estimated consequences are subject to effective scrutiny and challenge by Senior Management and Members Review budget update reporting arrangements.	1	Corporate Governance / Risk Management	Delivering & innovating	Head of Finance
4	Fraud Risks	Identify fraud risk areas and review against monitoring for: NDR / Council Tax, and Payments	1	Corporate Governance /	Delivering & innovating	Head of Finance

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				Risk Management		
5	North Essex Parking Partnership (NEPP)	Review arrangements for cash collection and counting, and ensure reconciliations of income expected and banked are completed, and any differences are identified / resolved Review NEPP delivery against SLA for the management of Car Parks / off street parking	2	Assurance / Financial Management	Delivering & Innovating	Head of Operations / Head of Finance
6	Energy Rebate	High level review of arrangements for determining eligibility and payment	2	Corporate Governance	Supporting Our Communities / Delivering & Innovating	Head of Finance
7	Town Hall Income	Adequacy of arrangements for collection, banking and recording	2	Corporate Governance	Delivering & innovating	Head of Housing & Community
8	Money Laundering	Compliance with policy including client identification procedure requirements	2	Corporate Governance	Delivering & innovating	Heads of Finance / Governance
<b>Risk 2 Economic Development:</b> Planned District economic growth not achieved, economy impacted by long term effects of Covid-19 and international socio/political disruption affecting how people and businesses operate. Requires partnership working and funding						
9	Business Support Grants / External Funding Assurance	Where required for any further grants or funding provided, provide Post payment assurance on compliance with grant / funding eligibility requirements	1	Compliance / Fraud / Financial Management	Promoting Prosperity	Head of Finance
10	Shared Prosperity Funding	To provide assurance that the governance arrangements and assurance processes supporting delivery of local Shared Prosperity Funding projects are operating effectively	1	Assurance / Governance / Financial Management	Promoting Prosperity	Head of Planning & Economic Development
11	Leisure Provision Contract	Review arrangements for challenge of business plan and contractual performance targets, ensure monitoring against targets, and accurate and up to date information provided to support decision making	1	Assurance / Governance /	Supporting our Communities	Head of Housing & Community

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				Financial Management		
<b>Risk 3 Planning:</b> Changed Government policy requiring delivery of more homes and demonstration of a deliverable 5 year supply of housing land. Also changes to Planning system from Levelling Up and Regeneration Bill.						
12	Planning including Time Extensions, Pre-Application & Notices	Review accuracy of recording key dates and information, and reporting related performance	2	Performance Management	Connecting People & Places	Head of Planning & Economic Development
13	Section 106 Agreements	Review receipt and use of income, communications between services to ensure contributions are obtained and spend managed, and monitoring to ensure completion within funding timescales	2	Assurance /Financial Management	Connecting People & Places / Promoting Prosperity	Head of Planning & Economic Development
<b>Risk 4 Community Resilience:</b> Food and child poverty, health inequalities, lack of skills and lower paid employment exacerbated by cost of living crisis and welfare changes mean Community may not have resilience, leading to increased demand for Council and other Public Sector services.						
14	Community Safety and Safeguarding Partnerships	Assess Partnership arrangements for compliance with our statutory duties, and review partnership governance arrangements to ensure policies and objectives are consistent with BDC requirements, communication & decision making framework, effective performance monitoring is in place, there is assurance over delivery, management of partnership risks and reporting of partnership outputs.	1	Programme & Project Management / Risk Management	Delivering & Innovating / Supporting Our Communities	Corporate Director / Head of Housing & Community
15	Cost of Living Crisis	Review Council response to the cost of living crisis, including in assessing the impact on vulnerable people, and assess communication and prevention activity to support residents (such as with energy efficiency)	1	Programme & Project Management / Risk Management	Delivering & Innovating / Supporting Our Communities	Corporate Director / Head of Housing & Community
<b>Risk 5 Service and Project Delivery:</b> Service and project delivery failure arising from reduced resources, staff turnover and difficulty in recruitment. Instability in the socio-economic and political environment and increased supply chain costs. Risk of service delivery failure, inability to deliver key projects , disengaged staff and loss of corporate memory etc						

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16	Constitution (Financial Regulations, Contract Procedure Rules, Procurement Rules)	Review of compliance with rules, including assessment of arrangements for ensuring knowledge of and adherence to the Rules by all staff and contractors/ consultants. Review staff understanding of Scheme of Delegation and ensure compliance with decision making protocols. Review compliance with Procurement Rules including use of Exemptions	1	Compliance / Assurance	Delivering & Innovating	Head of Governance / S151 Officer
17	Authorised Signatories	Review of governance and oversight arrangements for ensuring authorisations are up to date and consistent with Council policy, and that signatory lists are maintained and up to date	1	Corporate Governance	Delivering & innovating	Corporate Management
18	Business Planning	High level review to assess links between Organisational Goals and Objectives, Service Business Plans and assigned responsibility for related actions. Assess arrangements for determining whether organisational objectives and goals have been accomplished.	2	Corporate Governance	Delivering & innovating	Corporate Management
19	Plant & Vehicle Workshop	Assess adequacy of arrangements for stocks and inventory (including stock security and storage, procedures, segregation of duties, accounting for receipts to / issues from stock, and stock checks). Assess arrangements for measuring and reporting performance statistics, and adequacy of the Council's response. Assess assurance gained from DVSA inspection reports, and response to any issues identified in reports.	2	Assurance / Performance Management	Delivering & Innovating	Corporate Director / Head of Operations
20	Agency Supply Contract	Assess the adequacy of arrangements for managing the delivery of the agency supply contract, ensuring adherence to contract terms relating to supply of appropriately trained staff and checks on staff suitability	2	Assurance / People Management	Delivering & Innovating	Head of Operations
21	Facilities Contracts	Review arrangements for checking supplier spend against Facilities contracts, ensure clarity on current status of Facilities contracts and ensure compliance with procurement requirements	2	Compliance / Assurance / Contract Management	Delivering & Innovating	Corporate Director / ICT & Facilities Manager
22	Employee Engagement	Review Strategic Risk register actions and to establish mechanisms for delivery and measuring effectiveness. Assess collection and analysis of	2	People and Asset	Delivering & innovating	Corporate Director / HR

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		standard data (eg sickness, leavers) to identify employee engagement issues, and effectiveness of resolution		Management / Risk Management		Business Partner
23	Policy Management	Review arrangements for ensuring policies are maintained & updated, Equality Impact Assessments are completed, and Data Protection Impact Assessments are completed	3	Corporate Governance	Delivering & Innovating	Corporate Management
<b>Risk 6 Affordable Housing and Homelessness</b> Affordable housing needs not met, resulting in increased demand for temporary accommodation, Council is reliant on market delivery of new homes, increased homelessness, inability to provide suitable supported accommodation for larger families and under 35's, young/key people leave District, increased costs & workload						
24	Accuracy of Housing Application Processing	Compliance with allocations policy	2	Compliance / Performance Management	Connecting People & Places / Supporting Our Communities	Head of Housing & Community Services
<b>Risk 7 Return on Investments:</b> Loss of investment principle or interest, or loss of rental income and increased costs (such as unoccupied business rates) arising from failure of investment counterparty, tenant ceasing trading, or market conditions being such that funds suspend trading						
25	Asset Management and Service Charges	Assess adequacy of arrangements for new developments: <ul style="list-style-type: none"> <li>- setting service charges (considering all costs associated with administering developments)</li> <li>- Billing for rent and service charges in accordance with agreed leases</li> </ul> Ensure rent reviews are up to date Review Asset Management Strategy assumptions Review arrangements for Asset related record retention	1	Financial management	Promoting Prosperity / Delivering and Innovating	Corporate Director / Asset Manager
26	The Plaza (Horizon 120)	Review operational arrangements for managing The Plaza (set up, governance, management and monitoring)	1	Programme & Project Management	Promoting Prosperity / Delivering & innovating	Corporate Director
27	Land and Property Inspections	Ensure oversight responsibility is assigned for all Council owned land and property, and that robust arrangements are in place for inspections, including areas vacant pending sale.	2	Risk management /	Enhancing our Environment /	Corporate Directors / Asset

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				People & Asset Management	Delivering & Innovating	Manager / Operations Manager
<b>Risk 8 Emergency Planning</b> Inadequate civil contingency arrangements leading to failure to respond appropriately to a major incident or civil emergency, risk to residents or staff or loss of assets & premises, inability to deliver key / critical services through lack of preparedness						
28	Risk Management	Overview of corporate risk management framework and risk maturity, ensuring risk management processes support and align with Council priorities and strategic objectives, and response to risks identified aligns with the defined risk appetite Review of sample of risks to assess existence and effectiveness of mitigating controls	1	Risk management	Delivering & Innovating	Corporate Director / Head of Finance
29	Suppliers / Contractor Resilience	Assess arrangements for identifying emerging risks and contractor resilience for suppliers on which the Council depends (for key suppliers ensure there is a clear approach to assessment, financial stability of contractors and contractor business continuity arrangements are assessed at procurement, ongoing monitoring is conducted and Council Business Continuity arrangements address supplier resilience risks)	1	Risk Management / Business Continuity & Emergency Planning	Delivering & Innovating / Promoting Prosperity	Head of Environment Leisure & Health
<b>Risk 9 Information Management and Cyber Security</b> Increased use of technology (including for agile working) and larger volumes of information increase impact of cyber security threats. Loss of ability to deliver key services, enforcement, unable to collect money / pay money, unable to share data with partners, vulnerable to cyber attack or data breach incident						
30	Mobile Device Management	Review of access to the BDC Network to ensure all devices accessing the network are managed by BDC and have up to date policies and secure access arrangements Ensure reconciliation of invoices to inventory and contract	1	Information Management & Governance	Delivering & Innovating	Corporate Director / ICT & Facilities Manager
31	CCTV GDPR Compliance	Identify services using CCTV cameras, establish what checks made to ensure each camera is known to ICT, licenced and GDPR compliant	1	Information Management & Governance	Delivering & innovating	ICT & Facilities Manager
32	Cyber Security	Review alternative sources of assurance (results of IT Health Check / PSN / Cyber Essentials) and Corporate response.	1	Information Management & Governance /	Delivering & Innovating	Corporate Director

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				alternative source of assurance		
33	Culture & Ethics	Review staff survey results and organisational response, review data on Exit interviews and Grievances, and assess extent to which corporate culture responds to Inclusion, Equality and Diversity and whether the Council is meeting its policies and statements in this respect <i>EQA recommendation to include this area in the Audit Plan</i>	2	Corporate Governance / People and Asset Management	Delivering & innovating	Corporate Management / Business Solutions Manager
34	Performance Management	Sample check of performance indicators to review relevance of measures, robustness of data collation and accuracy of presentation of results	3	Assurance / Performance Management	various	Various / Business Solutions Manager
<b>Risk 10 Strategic Investment</b> Lack of infrastructure inhibits delivery of required housing, businesses relocate away from the District, reduced growth in CT/NDR, costs of aborted projects, business cases impacted by socio-economic conditions and market conditions on supply chains / cost inflation. Inadequate project management systems and processes.						
35	Major Projects – general, including Programme & project Assurance Team (PPAT)	<ul style="list-style-type: none"> <li>Review decision making processes / assessment of viability (including Business Cases) to determine which projects are moved to delivery phase.</li> <li>Ensure project management processes includes regular review of viability of current projects</li> <li>Review decision making processes for current projects</li> <li>Ensure Project Post Implementation Reviews are conducted of concluded projects, and outcomes inform corporate learning</li> <li>Review effectiveness of change control processes, including recording and approving change, and reporting change</li> <li>Review effectiveness of project document controls (including signing / retention of key project documents)</li> <li>Where consultants are appointed, assess on-boarding process to ensure they operate in accordance with corporate protocols</li> </ul>	1	Assurance / Programme & project Management	Connecting people & Places / Promoting Prosperity / Delivering innovation	Corporate Director / Heads of Finance & Governance & Strategic Investment

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		<ul style="list-style-type: none"> <li>PPAT provides oversight of likely future performance of approved projects for key stakeholders. Review to assess robustness of PPAT assessment and reporting arrangements</li> </ul>				
36	Major project – in depth review	Lessons learned from the project, including relating to decision making and appointment / oversight of contractor and contract documentation. ( <i>Horizon 120</i> )	1	Programme & project Management	Connecting People & Places / Promoting Prosperity / Delivering & Innovating	Corporate Directors / Head of Finance & Governance
37	Strategic Investment	Identify fraud risks for Strategic Growth and assess against protocols	2	Assurance / Fraud / Programme & project Management	Promoting Prosperity / Delivering & Innovating	Corporate Director / Head of Strategic Investment
<b>Risk 11 – Climate Change</b> The Council has declared a climate emergency with an aim to make the Council’s activities, as far as practical, carbon neutral by 2030 – risk of failure to deliver targets						
38	Climate Change	Review Climate Change targets to ensure they are SMART, ensure responsibilities are defined, assess arrangements for monitoring progress / performance against targets, and for completed actions ensure completion is supported by evidence	1	Assurance / Governance	Enhancing Our Environment / Delivering & Innovating / Supporting Our Communities	Head of Environment
39	Energy Performance	Assess adequacy of arrangements for ensuring legal requirements relating to Energy Performance Certificates (provision of certificate and minimum rating) are met. Assess reporting of the same.	2	Assurance / Governance	Enhancing Our Environment / Delivering & Innovating / Supporting Our Communities	Asset Manager
<b>Other Planned Work</b>						

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40	Office for Local Government	Assess implications from the Internal Audit perspective of changes arising from the introduction of the Office for Local Government	1	Corporate Governance / Audit planning and compliance	Delivering & Innovating	
41	Health & Safety	Attendance at Corporate Health Safety & Welfare meetings to gain assurance on risk recognition and Corporate response	1	Corporate Governance	Delivering & innovating	Head of Environment
42	Cyber Security	Attendance at ICT Cyber Security Sub Group meetings to gain assurance on risk recognition and Corporate response	1	Information Management & Governance	Delivering & Innovating	Head of ICT
43	Annual Governance Statement	Review of process for producing and evidence supporting the Council's AGS. Ensure the AGS covers all elements set out in best practice Ensure Assurance statements have been obtained to support the elements of the AGS To confirm areas of improvement identified in the AGS are clear and have action plans in place with arrangements for monitoring progress Review arrangements for challenging non-responses to Service Assurance Statements	1	Assurance / Governance	Delivering & Innovating	Head of Finance
44	Follow Up Reviews	We will follow up all Limited Assurance reports and review evidence of implementation of high and medium priority recommendations from previous years <ul style="list-style-type: none"> <li>- <b>Contract Management</b> (2019/20)</li> <li>- <b>Manor Street</b> (2019/20)</li> <li>- <b>Housing Application Document Verification</b> (2019/20)</li> <li>- <b>Contract Management – Major Contracts</b> (2020/21)</li> <li>- <b>Managers Self Service</b> (2021/22)</li> <li>- <b>Project Realisation of Benefits</b> (2021/22)</li> </ul>	2	Follow Up	Various	Various
45	Additional work	Additional work arising during the year will be accepted where relevant to the provision of the opinion over corporate governance, risk or internal control, and to corporate priorities or strategic risks	N/A	various	Various	various
<b>Other Activity Chargeable to the Audit Plan</b>						

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	Audit Planning	To develop the 2022/23 Internal Audit Plan				Head of Finance
	Report to the Governance & Audit Scrutiny Committee	To prepare reports required by the Governance and Audit Scrutiny Committee throughout 2022/23				Head of Finance
	Audit Management	To undertake required Audit Management activity including quality assurance and continuous improvement processes, and to review and update where necessary the Audit Charter and Strategy				Head of Finance

**Auditors will be mindful of the following when conducting general audit work:**

- Information management / GDPR
- Risk management
- Data Quality
- Governance

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### STRATEGIC PLANNING – ITEMS FOR CONSIDERATION FOR THE INTERNAL AUDIT PLAN 2023/24 or beyond

The areas will be reviewed during planning for 2023/24:

- **Major Project Post Completion Review** (including of Pedestrianisation project) to identify learning from the project, assess whether relevant services were engaged, and to review Business Plan assumptions, issues and transparency of reporting
- **Business Support** – review of strategic arrangements to support the development and growth of Business and Tourism in the District
- **Code of Conduct** – check compliance with Code of Conduct (to be revised 2022/23)
- **Health & Safety Strategy** – review of new Strategy (to be written 2022/23). High level review of corporate monitoring and oversight arrangement, policies and guidance, risk assessments
- **Food Safety** – Assess adequacy of arrangements for ensuring inspections are conducted in a timely manner
- **Equality & Diversity** - Assess corporate arrangements against the Equality Framework for Local Government, including development of associated policies
- **Pest Control** - Overview of set up of 'My Account' including data accuracy and security, and fraud risks. Consider outcome of Scrutiny review
- **IT Applications** – review purchase of applications to ensure ICT input to specification
- **Legacy Systems** – review system / application versions to ensure up to date, supported, and compliant with GDPR requirements
- **Shadow IT (Unsupported Technology)** – review arrangements for ensuring purchase of any form of Information and Communications Technology device or digital service, software or hardware is approved by the ICT team in advance of purchase, and the purchase is undertaken in collaboration with the ICT team
- **Elections** - Review of governance, and authorisation for / evidence of spend and reconciliation
- **HR Procedures and processes** – assess consistency of application of defined protocols
- **Data Sharing Agreements** - Ensure the Council has identified where such agreements are required, and has implemented them in accordance with Data protection Requirements
- **Authorised Signatories** - Review arrangements for governance and oversight, and ensure authorisations are up to date and limits are consistent with the Council's Constitution
- **Housing Stock Condition Survey** – Assess Council response to survey results (survey to be conducted in 2023/24)
- **Environmental Social & Governance** – assess framework for tracking social value / ESG progress
- **Information Security** - Review arrangements for assessing compliance with Information Security policy
- **Staff declarations of interest compliance** – consider data matching to ensure potential interests are declared and managed – to inform ethics / culture audit
- **Business Continuity / Disaster Recovery** – review of arrangements
- **Fraud - arrangements to prevent & detect Parking concession fraud**
- **Stocks and Stores** – review of arrangements for accounting for receipt and distribution of items from stores, stock checks, and reconciliation of stock

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