Braintree District Council

CORPORATE GOVERNANCE GROUP
AGENDA

Thursday, 24th October 2019 at 7:15pm

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

THIS MEETING IS OPEN TO THE PUBLIC
(Please note this meeting will be audio recorded)
www.braintree.gov.uk

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

Membership:-

Councillor P Euesden
Councillor D Hume
Councillor H Johnson (Vice Chairman)
Councillor D Mann
Councillor Miss V Santomauro
Councillor R van Dulken (Chairman)
Councillor D Wallace
Councillor T Walsh
Councillor Mrs L Walters

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

A WRIGHT
Chief Executive

INFORMATION FOR MEMBERS - DECLARATIONS OF INTERESTS

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

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

Question Time
The Agenda allows for a period of up to 30 minutes when members of the public can speak. Members of the public wishing to speak are requested to register by contacting the Governance and Members Team on 01376 552525 or email governance@braintree.gov.uk by midday on the working day before the day of the Committee meeting. For example, if the Committee Meeting is due to be held on a Tuesday, the registration deadline is midday on Monday, (where there is a bank holiday Monday you will need to register by midday on the previous Friday).

The Council reserves the right to decline any requests to register to speak if they are received after this time. Members of the public can remain to observe the public session of the meeting.

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

Health and Safety
Any persons attending meetings in the Council offices are requested to take a few moments to familiarise themselves with the nearest available fire exit, indicated by the fire evacuation signs. In the event of an alarm you must evacuate the building immediately and follow all instructions provided by officers. You will be assisted to the nearest designated assembly point until it is safe to return to the building.

Mobile Phones
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Webcast and Audio Recording
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Documents
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PUBLIC SESSION **Page**

1 Apologies for Absence

2 Minutes of the Previous Meeting
To approve as a correct record the minutes of the meeting of the Corporate Governance Group held on 25th July 2019 (copy previously circulated).

3 Public Question Time
(See paragraph above)

4 Declarations of Interest
To declare the existence and nature of any Disclosable Pecuniary Interest, other Pecuniary Interest or Non-Pecuniary Interest relating to items on the agenda having regard to the Code of Conduct for Members and having taken appropriate advice where necessary before the meeting.

Monitoring and Finance

5 Key Financial Indicators - 30th September 2019 **5 - 11**

Audit and Governance

6 Internal Audit Update, Including Progress Against Audit Plan 2019-2020 **12 - 20**

7 Annual Audit Letter for the Year Ended 31st March 2019 **21 - 72**

8 Treasury Management Mid-Year Report 2019-20 **73 - 90**

Standards

9 Monitoring Officer's Report on Standards **91 - 99**

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

CORPORATE GOVERNANCE GROUP
24th October 2019

Braintree District Council

Key Financial Indicators – 30th September 2019	Agenda No: 5

Portfolio	**Finance and Performance Management**
Corporate Outcome:	**A high performing organisation that delivers excellent and value for money services** **Delivering better outcomes for residents and businesses and reducing costs to taxpayers**
Report presented by:	**Trevor Wilson, Head of Finance**
Report prepared by:	**Trevor Wilson, Head of Finance**

Background Papers:	**Public Report**
None.	**Key Decision: No**

Executive Summary:

The attached schedule (Appendix A) of key financial indicators provides details of performance recorded for the financial year to 30th September 2019.

Commentary:

a) The net General Fund revenue budget for the year is £14.539million. The net expenditure incurred in the year to 30th September was £6.773million. This represents a positive variance of £555,000 compared to the profiled budget of £7.328million. This variance results primarily from additional income of £0.279million; with the main source being planning fees, and an underspend on salaries, see b) below. Accountants are currently working with service managers on this second quarter information to predict the outturn position for the year. The outcome of this will be included in the Quarterly Performance report which will be received by the Cabinet at the meeting scheduled for 2nd December 2019.

b) The total budget for Salaries for the year is £17.871million. Expenditure on salaries for the year to the end of September was £8.63million. This compares to a profiled budget of £8.84million. The positive variance of £210,000 is after allowing for £100,000 of the Efficiency Factor (£200,000 for the year).

c) The budget for the year for rental income received from commercial and industrial properties is £2.867million, which consists of 218 leases and is net of an allowance for voids of £53,380. The actual income received to the end of September is £2.215million against a profiled budget of £2.193million. Nine properties were unoccupied as at 30th September, however, seven have leases due to complete during October, with the two properties currently not subject to a lease agreement being 3/4 Century Drive (ground floor) and 1 Everitt Way, Sible Hedingham.

d) Expenditure on capital projects, to the end of September, was £2.601million against the updated Capital Programme of £11.603million, which includes estimated expenditure on Horizon 120 of £3.23million, Manor Street Development of £1.3million and I-Construct of £1.36million. The main schemes on which expenditure has been incurred are: Purchase of land at Chapel Hill to provide access to development site (£789k), Manor Street Development (£403k), Horizon 120 (£329k), Disabled Facility Grants (£331k) and I-Construct project (£111k).

e) The total Council Tax collectable debit for the year is £93.843million. The collection rate as at the end of September is 58.8% (£55.180million collected), which compares to a rate of 58.80% for the same period last year.

f) The total Business Rates (National Non-Domestic Rates) collectable debit for the year is £43.507million. The collection rate as at the end of September is 57.95% (£25.212million collected), which compares to a rate of 57.76% for the same period last year.

g) A total of 503 write-offs of Council Tax, with a value of £41,517 have been authorised in the year to 30th September: 89 in respect of the current year and 414 in respect of previous financial years.

h) A total of 45 write-offs of Business Rates, with a net value of £35,094, have been authorised in the year to 30th September: 22 in respect of the current year and 23 in respect of previous financial years.

i) The amount of sundry debts owed to the Council, i.e. monies other than for Council Tax and NNDR, was £3.391million, of which £1.71million was in respect of Housing Benefit overpayments. The target for 2019/20 is to reduce the debt outstanding, excluding Housing Benefit overpayments and invoices raised in March in respect of 2020/21, to £600,000 or less as at 31st March 2020. The total, excluding housing benefit overpayments of £1.525million.

j) The rate of return achieved on investment of the Council's balances and funds in the year to-date is 0.81%. This return was achieved on an average amount invested of £46.40million and relates solely to monies placed with banks, building societies, other local authorities, the Debt Management Office and in Money Market Funds.

k) Dividend received/declared in the year to 30th September is £491,766. The market values of these pooled funds show an unrealised net increase in the principal sum of £1.456million as at 30th September 2019. The total invested in pooled funds; equity, property and multi-asset funds, was £18million at the end of September, however, the Strategic Investment Group agreed that a further sum of £2million be invested in the Kames Diversified Fund; £1million was placed on 8th October. These investments have been placed in the knowledge that their capital values will be subject to volatility but overall their trend has been positive over the medium term (i.e. over a minimum of 3 years).

l) Details of the Council's investments of surplus monies, totalling £68.09million and in pooled funds, totalling £18million, as at 30th September 2019, is provided at Appendix B.

Recommended Decision:

Members are asked to accept the report of the Key Financial Indicators as at 30th September 2019.

Purpose of Decision:

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

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

Financial:	The net General Fund revenue budget for the year is £14.539million. The net expenditure incurred in the year to 30th September was £6.773million. This represents a positive variance of £555,000 against the profiled budget for the period. Capital expenditure was £2.601million at the end of September. Collection rates for both business rates and council tax are on course to achieve the targets for the year-end.
Legal:	None.
Safeguarding:	None
Equalities/Diversity:	None.
Customer Impact:	None.
Environment and Climate Change:	None.
Consultation/Community Engagement:	None.
Risks:	Regular consideration of a suite of Financial Health Indicators is recommended good practice.

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Key Financial Indicators at 30th September 2019

APPENDIX A

	Full Year Budget 2019/20	Actual 30 Sept 2019	Profile to 30 Sept 2019	Variance from Profile	
	£'000	£'000	£'000	£'000	%
General Fund - Expenditure					
Salaries	17,871	8,630	8,840	-210	-2.4%
Other Controllable Expenditure	42,742	21,669	21,735	-66	-0.3%
General Fund - Income					
Commercial & Industrial Property - Rental Income	-2,867	-2,215	-2,193	-22	1.0%
Other Controllable Income	-43,207	-21,311	-21,054	-257	1.2%
General Fund - Net Revenue (Controllable)	**14,539**	**6,773**	**7,328**	**-555**	**-7.6%**
Capital Programme (Excl. capital salaries incl. below)	11,603	2,601			

	Full Year Target	Actual 30 Sept 2019	Actual 30 Sept 2018	Variance
Council Tax collection in year - %	98.30%	58.80%	58.80%	0.00%
Council Tax collection - income collected for year - £m	£93.56	£55.18	£51.97	£3.21
Write-offs in year - £'000		£9	£17	-£8
Write-offs in year - number		89	76	13
Write-offs all years £'000		£42	£52	-£10
Write-offs all years - number		503	337	166
Business Rates collection in year - %	98.60%	57.95%	57.76%	0.19%
Business Rates collected for year - £m	£43.56	£25.21	£25.13	£0.08
Write-offs in year - £'000		£35	£23	£12
Write-offs in year - number		22	12	10
Write-offs all years - £'000		£97	£69	£28
Write-offs all years - number		45	28	17
Creditors - payment of invoices within 30 days of receipt	99.25%	98.67%	99.20%	-0.53%

Debtors - Balance Outstanding	**31-Mar-17**	**31-Mar-18**	**31-Mar-19**	**30-Sep-19**
	£'000	£'000	£'000	£'000
Service Level Agreement charges - principally Tabor Academy and residents of Twin Oaks, Stisted	303	197	190	182
Capital Projects	3	-	-	-
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	8	7	12	12
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	103	80	43	62
Development & Environment	619	538	485	530
Finance	108	111	91	257
Leisure	208	65	189	222
Operations	936	1,219	953	347
Housing	83	47	51	64
Sub-Total - excluding Hsg. Benefits	2,371	2,264	2,014	1,676
Housing Benefits	1,436	1,745	1,719	1,715
Total	**3,807**	**4,009**	**3,733**	**3,391**
Target is for Debt Outstanding (excluding Housing Benefits, charging orders and large value invoices raised in final days of the month-end) to be £0.6million by 31 March 2020.	760	651	521	1,525

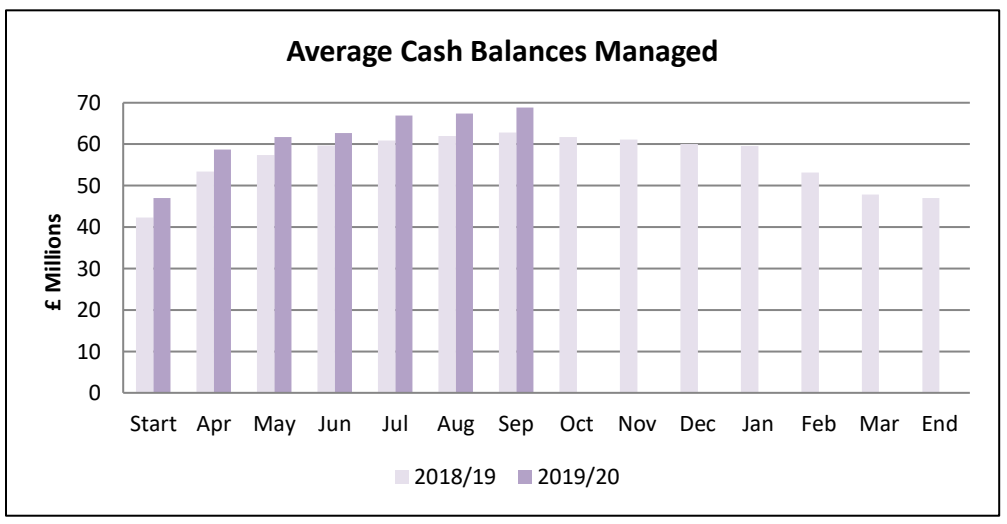
Profile by Recovery Stage:				
Invoice	2,561	2,542	2,109	1,516
Reminder	281	329	421	540
Final Notice	-	-	-	-
Pre-legal	212	567	366	459
Enforcement Agent	387	310	354	315
Tracing Agent	11	2	-	1
Charging Order	32	31	31	31
Attachment to Benefits/Earnings	322	228	452	529
Summons	1	-		
Total	**3,807**	**4,009**	**3,733**	**3,391**
Write offs (debits and credits) in year - value - £000	£25.5	£161.4	£5.1	£0.3
Write-offs in year - number	371	392	140	35

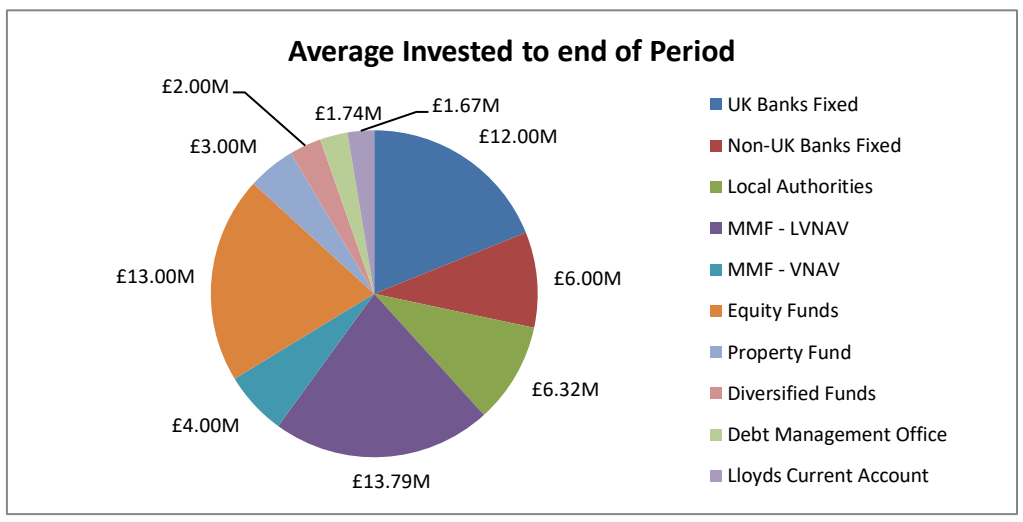
Progress on achieving Efficiency Savings Targets

The amount of the Efficiency Savings target included in the budget for 2019/20 is a net amount of £200,000. The underspend on salaries of £210,000, recorded above, is after offsetting £100,000 of the target.

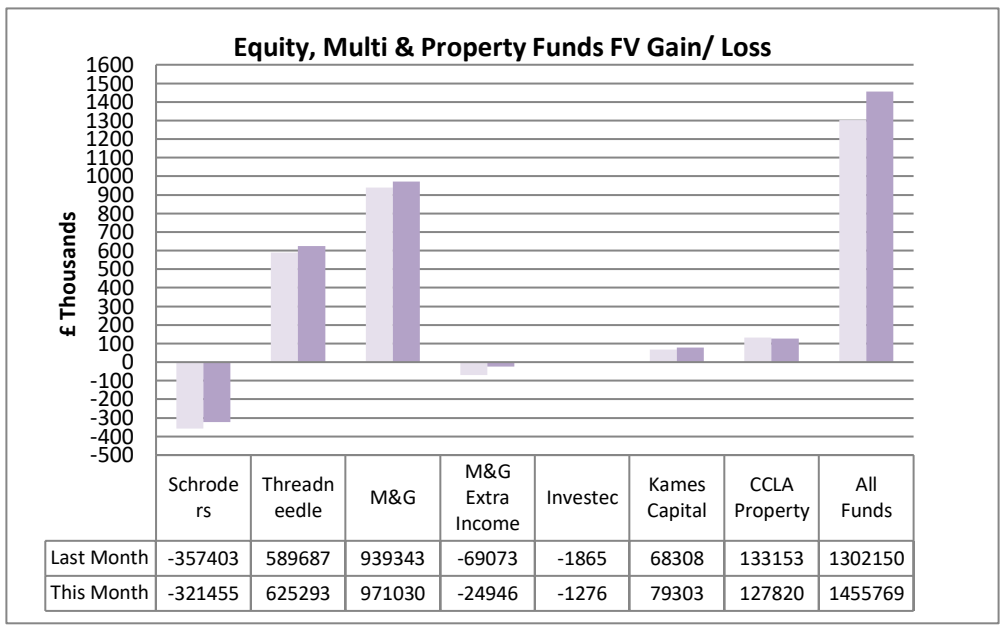
Treasury Management Monitor - September 2019

APPENDIX B





	Investment Activity			
	This Month		Cumulative	
	Made £m	Sold £m	Made £m	Sold £m
External Investments				
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	2.5	0.0	19.5	-10.0
MMF - VNAV	0.0	0.0	0.0	0.0
Sub-Total	**2.5**	**0.0**	**19.5**	**-10.0**
Deposits - Fixed				
UK Bank & Building Soc.	0.0	0.0	6.0	0.0
Non-UK Banks	0.0	0.0	3.0	0.0
Debt Mgt Office	20.0	-20.0	49.5	-45.0
Local Authorities	0.0	0.0	5.0	-6.0
Sub-Total	**20.0**	**-20.0**	**63.5**	**-51.0**
Lloyds Bank PLC	0.0	-1.1	0.0	-0.9
Sub-Total	**0.0**	**-1.1**	**0.0**	**-0.9**
Total	**22.5**	**-21.1**	**83.0**	**-61.9**



	Schroders	Threadneedle	M&G	M&G Extra Income	Investec	Kames Capital	CCLA Property	All Funds
Last Month	-357403	589687	939343	-69073	-1865	68308	133153	1302150
This Month	-321455	625293	971030	-24946	-1276	79303	127820	1455769

Commentary

Average sum invested in the month £68.88m (Last year £62.78m)

Average sum invested for the year to date £64.4m (Last year £59.36m)

Actual sum invested at the end of the period £68.09m (Last year £61.33m)

Interest secured on instant access accounts, fixed deposits, and MMFs at the end of the period £189278 a return of 0.81% [Annual Budget £171k]

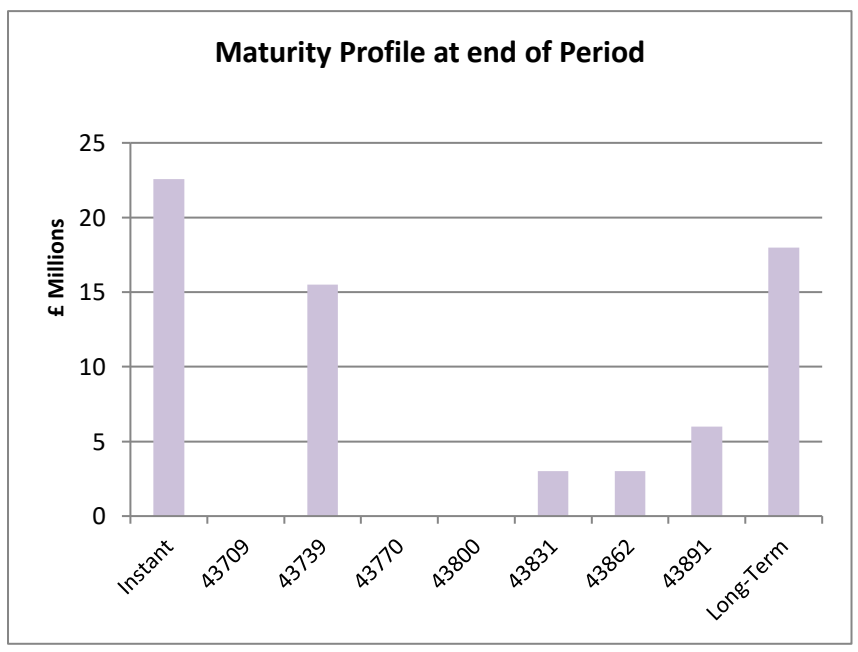
Note: 3mth Libid 0.74% 6mth LIBID 0.82%

Dividends earned (declared) on equity, property and diversified funds to the end of the period £491766 [Annual Budget £825k]

Unrealised gain/ -loss at end of period for equity, property and diversified funds is a net £1455769 a change of £153619 from last month

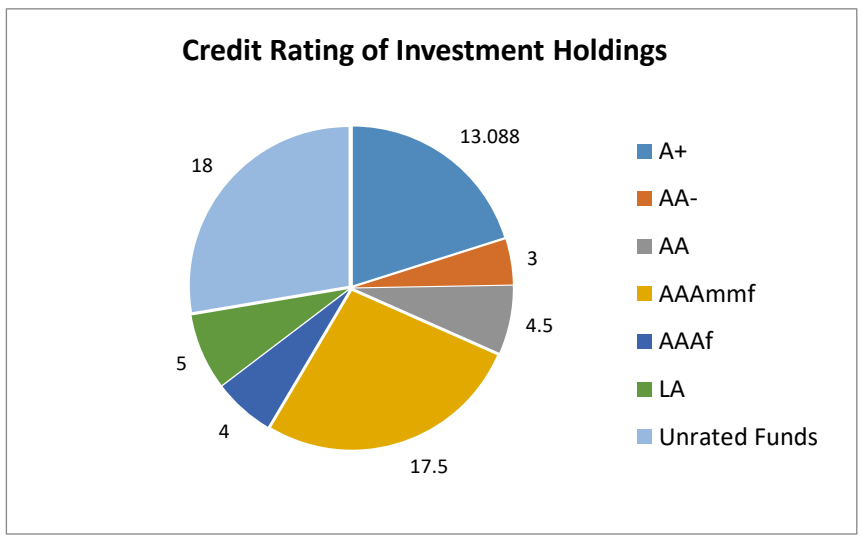
INVESTMENT HOLDINGS AT END OF PERIOD

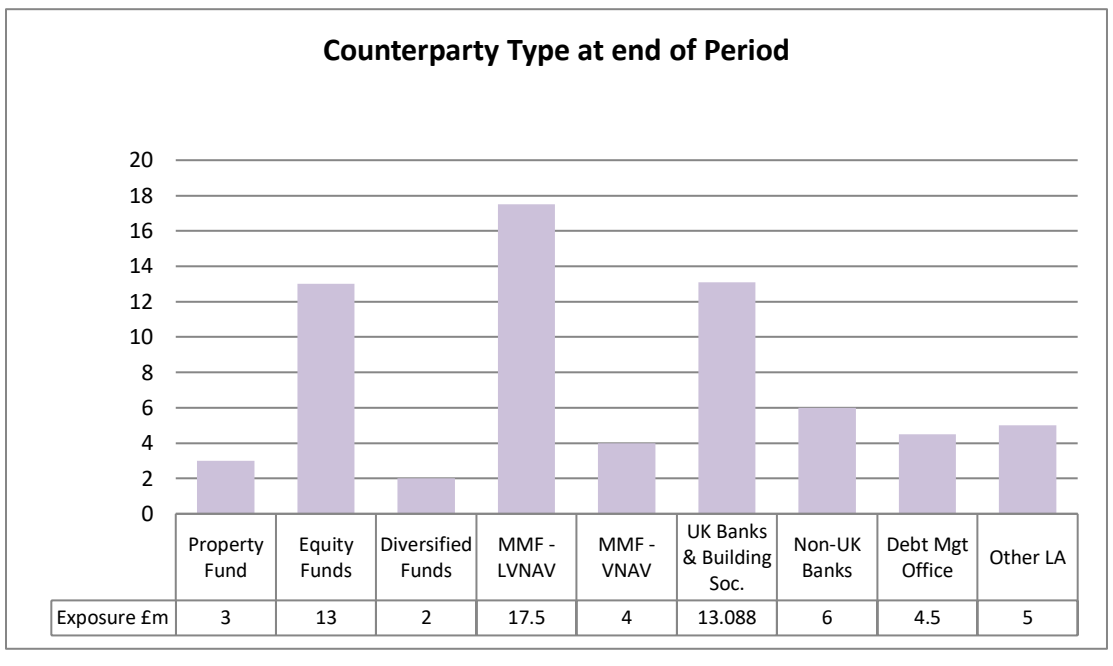
COUNTERPARTY	Type	Principal	Start	Maturity	Yield
SANTANDER	FIXED	3000000	01/08/2019	03/02/2020	0.79%
NATIONWIDE BS	FIXED	3000000	01/07/2019	02/01/2020	0.82%
COVENTRY BS	FIXED	3000000	01/04/2019	01/10/2019	0.94%
GOSPORT BOROUGH COUNCIL	DEPOSIT - LA	2000000	10/07/2019	16/10/2019	0.75%
THURROCK COUNCIL	DEPOSIT - LA	3000000	18/04/2019	18/10/2019	0.90%
AUST AND NZ BANKING	FIXED	3000000	20/09/2019	19/03/2020	0.85%
LANDESBANK HESSEN-THURINGEN (HEL	FIXED	3000000	01/04/2019	01/10/2019	0.91%
BANK OF SCOTLAND	FIXED	3000000	01/09/2019	02/03/2020	1.00%
DEBT MANAGEMENT OFFICE	FIXED	1500000	27/09/2019	02/10/2019	0.50%
DEBT MANAGEMENT OFFICE	FIXED	3000000	24/09/2019	02/10/2019	0.50%
LLOYDS BANK	CALL A/C	1088000	30/09/2019	01/10/2019	0.65%
DEUTSCHE	MMF	5000000	30/09/2019	01/10/2019	Variable
GOLDMAN SACHS	MMF	5000000	30/09/2019	01/10/2019	Variable
CCLA PUBLIC DEPOSIT	MMF	2500000	30/09/2019	01/10/2019	Variable
FEDERATED PRIME	MMF	0	30/09/2019	01/10/2019	Variable
ABERDEEN STANDARD	MMF	5000000	30/09/2019	01/10/2019	Variable



EXTERNAL FUND INVESTMENTS

SHRODERS INCOME MAX.	EQUITY	2500000	[redacted]	Variable
THREADNEEDLE UK EQUITY	EQUITY	5000000	[redacted]	Variable
M&G GLOBAL DIVIDEND	EQUITY	2500000	[redacted]	Variable
M&G EXTRA INCOME	EQUITY	3000000	[redacted]	Variable
KAMES CAPITAL	MULTI	1000000	[redacted]	Variable
INVESTEC	MULTI	1000000	[redacted]	Variable
CCLA – LAMIT PROPERTY	PROPERTY	3000000	[redacted]	Variable
ROYAL LONDON CASH PLUS	MMF-VNAV	4000000	[redacted]	Variable





CORPORATE GOVERNANCE GROUP
24th October 2019

Braintree District Council

Internal Audit Update, Including Progress Against Audit Plan 2019/2020	**Agenda No: 6**

Portfolio	**Finance and Performance Management**
Corporate Outcome:	**A high performing organisation that delivers excellent and value for money services**
Report presented by:	**Angela Mitchell, Audit Insurance and Fraud Manager**
Report prepared by:	**Angela Mitchell, Audit Insurance and Fraud Manager**

Background Papers:	**Public Report**
None.	**Key Decision: No**

Executive Summary:

The Internal Audit Plan for 2019/2020 was approved by the Governance Committee on 24th April 2019. This report provides Members with an update on progress against planned work and any other matters affecting the provision of the Internal Audit Service.

Recommended Decision:

Members note the progress against the Internal Audit Plan 2019/20.

Purpose of Decision:

The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit activity to report functionally to the Corporate Governance Group, being the Committee charged with independent assurance on the adequacy of the risk management framework and the associated internal control environment.

This report provides an update on Internal Audit activity, and progress and performance against the approved Internal Audit Plan in accordance with the Corporate Governance Group role and the requirements of the PSIAS.

Any Corporate implications in relation to the following should be explained in detail.	
Financial:	None.
Legal:	None.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Environment and Climate Change:	None.
Consultation/Community Engagement:	None.
Risks:	None.
Officer Contact:	Angela Mitchell
Designation:	Audit, Insurance and Fraud Manager
Ext. No:	2821
E-mail:	Angie.mitchell@braintree.gov.uk

1. INTRODUCTION

The revised Internal Audit Plan was approved by the Governance Committee on 24th April 2019. This report identifies progress against the plan, the outcome of audits completed since the last report to the Corporate Governance Group, and other work completed.

2. PROGRESS AGAINST THE INTERNAL AUDIT PLAN 2019/20

The progress against the Internal Audit Plan for 2019/20 is detailed in Appendix 1 to this report.

The following audits have been completed since the last report to the Corporate Governance Group (25th July 2019). Appendix 2 provides a summary of the outcomes of these audits:

- Development Management – **Significant Assurance**
- Corporate Governance – **Full Assurance**
- Access to Partner Information System (no assurance level assigned)
- Follow Up Reviews of implementation of recommendations made in 2018/19 audits.

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

- Significant resources were spent conducting formal investigations on matters brought to the attention of the Audit Team, the outcome of these investigations is reported to the Corporate Governance Group.
- The Trainee Auditor left the Council at the end of June 2019, her replacement commenced employment late September 2019.
- The Audit Manager's time is also spent on Insurance matters (including the renewal process, review of the scope of cover and claims management), and Fraud (including the application of sanctions, development of fraud related policies and strategies, and review of the scope of anti-fraud activity).
- Additional ad hoc advice and consultancy services have been provided in the areas summarised in Appendix 1.

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

APPENDIX 1 – PROGRESS AGAINST THE 2019/20 INTERNAL AUDIT PLAN

This Appendix summarises the work completed in respect of the 2019/20 Internal Audit Plan (approved by the Governance Committee in April 2019), and also reflects the audits from the 2018/19 Internal Audit Plan (approved by the Governance Committee in July 2018) which were in progress at the close of 2018/19. Audits are assigned based on their relative priority with consideration to Auditor experience and auditee preferred timescales.

	Audit Priority		Current Status	Completed – Date Report to Corporate Governance Group
2018/19 Revised Internal Audit Plan – Audits In Progress At April 2019				
	Projects - Other	1	Completed	25 July 2019
	Asset Acquisitions	1	Completed	25 July 2019
	Business Continuity	1	Completed	25 July 2019
	Risk Management	1	Completed	25 July 2019
2019/20 Internal Audit Plan – All Audits				
1	Core Financial Systems	1		
2	Contract Management – Major Contracts	1	In Progress	
3	Online Payments system	1	In Progress	
4	Payroll	2	In Progress	
5	Overtime - Operations	2	Completed	25 July 2019
6	Operations Quotations	3		
7	Debtors Efficiency	3		
8	North Essex Garden Communities (NEGC)	1	Deferred	
9	S106 Income	2		
10	Development Management	1	Completed	24 October 2019
11	Planning Agreements	2		
12	Community Transport Volunteers	2	In Progress	
13	Handy Person Scheme	2	In Progress	
14	Safeguarding	2	In Progress	
15	Contract Management	1	In Progress	
16	DVSA Compliance	2		
17	Agency staffing – Operations Service	2	Completed	25 July 2019
18	Taxi Licensing	2	Completed	25 July 2019
19	Organisational Learning	3		
20	Pest Control	3		
21	Housing Application Document Verification	2	Staff Training arranged by HR	
22	Investments	2		
23	Risk Management	1		
24	Business Resilience	2		
25	Information Management	1	TOR prepared	

26	Corporate Governance	1	Completed	24 October 2019
27	Digital Strategy and Cyber Security	1	In Progress	
28	Culture & Ethics	2		
29	PCI DSS Compliance	2		
30	Uniform System - Street Scene Protection Scheme	3		
31	Performance Management	3		
32	Strategic Investment Projects - Advisory	1		
33	Annual Governance Statement	1		
34	Follow Up Reviews	2	In Progress / ongoing	24 October 2019
35	Fraud Risks	2	Review of NFI Matches is in progress	
Additional Work Completed				
	Barclaycard purchases		Completed	25 July 2019
	Vending Machine funds		Completed	25 July 2019
	Fitness Class Income		Completed	25 July 2019
	Access Cards (Members)		Completed	25 July 2019
	Council Tax Review (Members)		Completed	25 July 2019
	Access to Partner Information System		Completed	24 October 2019

ADDITIONAL WORK COMPLETED

Since the last report to the Corporate Governance Group the following additional work has been performed by the Internal Audit Function. The outcome from this work is summarised in Appendix 2:

- Review of a user's access to a Partner's information system

In addition, the team is currently scoping a review of a major project in conjunction with the Interim Corporate Director and Interim Commercial Project Director

Consultancy

Since the last report to the Corporate Governance Group the function has provided ad hoc advice and guidance in a number of areas, including:

- Advice on a Councillor Community Grant Application.
- Support with setting up payment profile on EPay.
- Review of ECC Access Card usage, locking inactive cards, and liaison with ECC security to review remaining cards.
- Review of Spontaneous Volunteer Toolkit.
- Advice on Authorised Signatory limits.
- Support in process for selection of BACS provider.
- Advice on determining Liability Insurance requirements for Street Traders.

APPENDIX 2 - OUTCOME OF AUDITS COMPLETED SINCE THE PREVIOUS REPORT TO GOVERNANCE COMMITTEE (25th July 2019)

The following work has been completed since the preparation of the report for the Corporate Governance Group meeting (25th July 2019):

Audit	Overview of Scope	Summary of Findings	Recommendation(s)	Priority	Agreed / Responsible Officer / Action Date
Development Management **Significant Assurance**	The audit reviewed the following: - Protocols to ensure a standardised approach to decision making and reporting - The accuracy of performance reporting - Learning from complaints to mitigate recurrence	Generally good practice relating to: - Processing dates and performance data were recorded accurately - Decisions reflected planning policies - Decisions on applications were made by the Committee or under delegated powers in line with the scheme of delegations - The Development Management Service has adopted an Improvement Plan There were some opportunities to improve: - Recording approved requests for Extensions of time - Timeliness of response to complaints (we noted that Improvement Plan actions are expected to result in improved response times)	a) Record requests for extensions of time b) Respond to complaints within 7 working days	Low Medium	Agreed - Development Manager January 2020
Corporate Governance **Full Assurance**	The audit reviewed the following: - Completion, recording and review of Member	Generally good practice relating to: - All elected Members had completed / updated their declarations - Declarations had been reviewed by the Governance Manager	N/A	N/A	N/A

	declarations of interest - Clarity of Policy on response to declared interests	- The Constitution includes policies and guidelines relating to the Code of Conduct and related complaints			

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

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

Follow Up Reviews of 2018/19 Audit Recommendations	A review of the implementation of high and medium priority Internal Audit recommendations is ongoing, the current status is: **COMPLETED: Recommendations included in the following Audits have been confirmed as completed:** - Fees and Charges(1 x medium priority recommendation) - Petty Cash (1 x medium priority recommendation) - Partnerships (2 x medium priority recommendations)

	- Asset Acquisitions (2 x medium priority recommendations) - Performance Indicators (2 x medium priority recommendations) **OVERDUE BUT IN PROGRESS / PENDING CONFIRMATION: Recommendations included in the following Audits are overdue but in progress, or confirmation of the status / evidence of completion is pending from the responsible officer:** - Refuse Collection (1 x Medium priority recommendation relating to forms for trade waste customers, forms were provided for 2018/19 sample, pending confirmation that 2019/20 forms received from one customer) - Debtors / Income (1 x Medium priority recommendation relating to scope of Grounds Maintenance Working Group (due March 2019) - Risk Management (5 x Medium priority recommendations relating to: review of Risk Management Policy Strategy and Implementation Plan, accessibility of Risk management Policy, Review scope and content of strategic risk register and ensure risks clearly identified, process for maintaining up to date operational risk registers linked to service business plans, and monitoring of risks to within risk tolerance levels – pending confirmation of status / planned implementation dates - Consultants (1 x Medium Priority recommendation relating to ensuring compliance with Contract Procedure Rules for number of quotes, extensions and exemptions – pending confirmation of status / planned implementation dates) **NOT YET DUE: The planned action dates for recommendations were included in the following audits has not yet elapsed, these will be followed up at a later date:** - Leased Cars (4 x Medium Priority Recommendations, not due until April 2020) - Projects (Other) – (2 x Medium Priority Recommendations, not due until November 2019) - Business Continuity – (3 x Medium Priority Recommendations, not due until March 2020) - Cyber Security – (2 x High Priority and 1 x Medium Priority recommendations, not due until March 2020)
The following unplanned work was also undertaken by the Internal Audit Team:	
Investigations: - **Access to Partner**	This was an unplanned review of access to a record on an external Partner's database. We concluded the access was a unique occurrence, and not malicious. Access was temporarily suspended in line with the Partner's instructions and appropriate management procedures were followed.

Information System **(No Assurance Level Assigned)**	

CORPORATE GOVERNANCE GROUP
24th October 2019

Braintree District Council

Annual Audit Letter for the Year Ended 31st March 2019	Agenda No: 7

Portfolio	**Finance and Performance Management**
Corporate Outcome:	**A high performing organisation that delivers excellent and value for money services**
Report presented by:	**BDO, External Auditor**
Report prepared by:	**BDO, External Auditor**

Background Papers:	**Public Report**
Final Audit Completion Letter 2018/19 Annual Audit Letter 2018/19	**Key Decision: No**

Executive Summary:

The External Auditor's draft Audit Completion Report was presented to the Corporate Governance Group on 25th July 2019. The Final Completion Report is attached at Appendix A, on receipt of this report and the Auditor's opinion the Letter of Representation was signed by Councillor Van Dulken on 31st July 2019. The key additions to the Final Completion report are:

- Two unadjusted Audit differences in were noted (pages 5 and 15 -17);
- The status of Audit Risks (page 7) now confirms there were no significant control findings in respect of the Audit risks subject to review, and comments were raised in respect of journal authorisation controls and information provided to valuers in respect of Non-Current Asset Valuations (see also page 10);
- Testing in respect of Revenue and Expenditure Recognition (page 9) did not identify any issues with recognition of grants income within the Comprehensive Income and Expenditure Statement (CIES) or the recording of expenditure;
- Assumptions used by the valuer for Non-Current Asset Valuations (page 11) were reasonable and the Auditor was able to tie them back to supporting evidence, the depreciated replacement cost valuations value had increased by +3.2%;
- No issues were noted in respect of pension liability assumptions and satisfactory assurances were received from the pension fund auditor (page 12). The Accounts have been amended to reflect the additional liability arising from the McCloud Judgement;
- One adjusted audit difference was noted (pages 18 -19).

The Annual Audit Letter summarises the key issues arising from the work carried out by BDO, External Auditor, in respect of the year ended 31st March 2019. A copy of the Letter is attached at Appendix B.

The key areas covered within the Letter are:

- Financial Statements – an unmodified opinion was issued, meaning BDO consider the financial statements gave a true and fair view of the Council's financial position, and income and expenditure, for the year;
- Use of Resources – an unmodified opinion was issued on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources, meaning BDO consider the Council has proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people;
- Summary of Reports Issued and Fees – the External Auditor is proposing to raise an additional fee of £1,500 as a result of the additional work relating to the McCloud pension adjustments. The Council has written to the External Auditor rejecting the additional fee and requesting explanation and justification for consideration.

Recommended Decision:

1. To note the External Auditor's Final Audit Completion Report for the year ended 31st March 2019.

2. To receive and note the External Auditor's Annual Audit Letter for the year ended 31st March 2019.

Purpose of Decision:

For Members to receive and note the Final Audit Completion Report and the Annual Audit Letter for the year ended 31st March 2019.

Any Corporate implications in relation to the following should be explained in detail.	
Financial:	The External Auditor has proposed a Fee increase of £1,500 relating to the additional work arising from the McCloud Pension adjustments.
Legal:	The report from the External Auditor for the work carried out for 2018/19 confirms an unqualified opinion on the Council's Accounts for 2018/19 and determining that arrangements are in place to achieve value for money.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Environment and Climate Change:	None.
Consultation/Community Engagement:	None.
Risks:	None.
Officer Contact:	Trevor Wilson
Designation:	Head of Finance
Ext. No:	2801
E-mail:	Trevor.Wilson@braintree.gov.uk

Report to the Corporate Governance Group

BRAINTREE DISTRICT COUNCIL

Audit Completion Report: Year ended 31 March 2019

IDEAS | PEOPLE | TRUST

BDO

CONTENTS

1	Introduction	3
	Welcome	3
2	Executive summary	4
	Overview	4
	The numbers	5
	Other matters	6
3	Financial statements	7
	Audit risks overview	7
	Management override of controls	8
	Revenue and expenditure recognition	9
	Non-current asset valuations	10
	Non-current asset valuations	11
	Pension liability assumptions	12
	Pension liability assumptions	13
	Matters requiring additional consideration	14
4	Audit differences	15
	Unadjusted audit differences: summary	15
	Unadjusted audit differences: detail	16
	Unadjusted audit differences: detail 1	17
	Adjusted audit differences: summary	18
	Adjusted audit differences: detail	19
	disclosure omissions and improvements	20
5	Other reporting matters	21
	Reporting on other information	21
	Whole of Government Accounts	22
6	Use of resources	23
	Overview	23
	Sustainable resource deployment	24
	Informed Decision Making	25
7	Control environment	26
	Significant deficiencies	26
	Other deficiencies	27
8	Audit report	28
	Overview	28
9	Independence and fees	29
	Independence	29
	Fees	30
10	Appendices contents	31

WELCOME
Introduction

Contents
Introduction
Welcome
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

We have pleasure in presenting our Audit Completion Report to the Corporate Governance Group. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2019, specific audit findings and areas requiring further discussion and/or the attention of the Corporate Governance Group. At the completion stage of the audit it is essential that we engage with the Corporate Governance Group on the results of our audit of the financial statements and use of resources comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

This report contains matters which should properly be considered by the Council as a whole. We expect that the Corporate Governance Group will refer such matters to the Council, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

Aphrodite Lefevre

31 July 2019

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Engagement lead

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Corporate Governance Group and those charged with governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any oth person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

Executive summary

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

This summary provides an overview of the audit matters that we believe are important to the Corporate Governance Group in reviewing the results of the audit of the financial statements and use of resources of the Council for the year ended 31 March 2019.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

Overview

We have completed our audit work and have issued our opinion on the financial statements and use of resources for the year ended 31 March 2019 in line with the agreed timetable.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

Audit report

We have issued an unmodified audit opinion on the financial statements and use of resources.

THE NUMBERS

Executive summary

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Final materiality

Final materiality was determined based on gross expenditure.

There were no changes to final materiality and triviality from that reported in our Audit Plan.

Material misstatements

Our audit identified one material misstatement.

As a result of the Government not being given leave to appeal in relation to the "McCloud" Age discrimination case after the Council had authorised the accounts for issue on 25 May 2019, an adjustment was required to the accounts. It has been determined that the Council should account for the additional expected pension liabilities in 2018/19 as a result of the principals of this case being expected to also apply to the LGPS move from Final Salary to career average benefits.

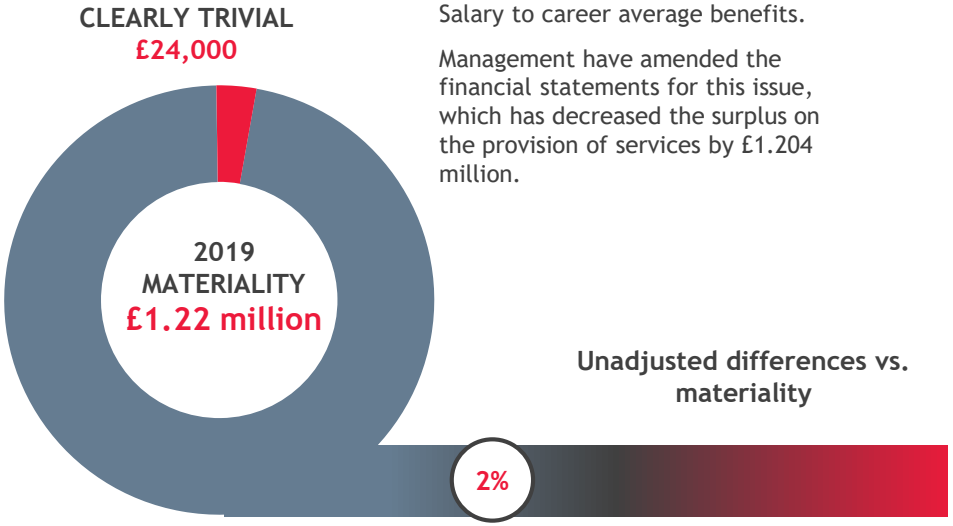
Management have amended the financial statements for this issue, which has decreased the surplus on the provision of services by £1.204 million.

Unadjusted audit differences

We did identified two audit differences that have not been adjusted.

The first of these would decrease the surplus on the provision of services and decrease net assets by £25,000 if adjusted.

The second adjustment does not impact on the general fund but instead reduces the other land and buildings and revaluation reserve on the balance sheet resulting in a reduction in net assets of £137,000.



OTHER MATTERS
Executive summary

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Financial reporting

- We have not identified any non-compliance with accounting policies or the applicable accounting framework.
- IFRS 9 *Financial Instruments* resulted in significant accounting policy changes that has impacted the current year resulting in the creation of a new Pooled Investment Fund Adjustment Account. We are satisfied with this accounting treatment.
- Going concern disclosures are deemed sufficient.
- The Narrative Report and other information included in the Statement of Accounts with the financial statements is consistent with the financial statements and our knowledge acquired in the course of the audit.
- The Annual Governance Statement is not inconsistent or misleading with other information we are aware of.
- The Council is below the audit threshold of £500 million for a full assurance review of the Whole of Government Accounts Data Collection Tool.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Council in accordance with the Financial Reporting Council's Ethical Standard.

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue and expenditure recognition
Non-current asset valuations
Non-current asset valuations
Pension liability assumptions
Pension liability assumptions
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

AUDIT RISKS OVERVIEW

As identified in our Audit Plan dated 11 January 2019 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant Management Estimates or Judgement	Use of Experts Required	Error Identified	Significant Control Findings	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	No	No	Controls around journals authorisation
Revenue and Expenditure recognition	Significant	No	No	No	No	No
Non Current Asset Valuations	Significant	Yes	Yes	Yes	No	Differences identified with inputs provided to valuers.
Pension Liability Assumptions	Significant	Yes	Yes	Yes [1]	No	No

Areas requiring your attention

[1]Amendment arises as a result of the Government being refused leave to appeal the age discrimination case brought in relation to the New Judicial Pension scheme (known as the McCloud Judgement) and therefore this issue needs to be considered by an Employment Tribunal. This confirms the constructive obligation arising from the decision of the High Court in January 2019.

MANAGEMENT OVERRIDE OF CONTROLS

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue and expenditure recognition
Non-current asset valuations
Non-current asset valuations
Pension liability assumptions
Pension liability assumptions
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.

Significant risk	■
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.

Under auditing standards there is a presumed significant risk of management override of the system of internal controls.

Work performed

We carried out the following planned audit procedures:

- Tested the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represented a risk of material misstatement due to fraud.
- Obtained an understanding of the business rationale for significant transactions that were outside the normal course of business for the Council or that otherwise appeared to be unusual, if any.

Results

Our audit work on journals has not identified any issues. We have noted that the Council does not have a policy of all journals requiring authorisation on the financial accounting system which we consider increases the risk of management override.

Our work on estimates has not identified any bias indicating a risk of material misstatement.

We have obtained an understanding for transactions outside the normal course of business for the Council such as land purchases and have not identified any indications of management override.

REVENUE AND EXPENDITURE RECOGNITION

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue and expenditure recognition
Non-current asset valuations
Non-current asset valuations
Pension liability assumptions
Pension liability assumptions
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Revenue and expenditure recognition

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

Under auditing Standards there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the completeness, accuracy and existence of income.

In particular, we consider there to be a significant risk in respect of the existence (recognition) and accuracy of revenue and capital of grants that are subject to performance and / or conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES).

Following our interim work, we have concluded that we can rebut the risk relating to fees and charges being materially misstated.

As most public bodies are net spending bodies due to being partly grant funded, the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. Therefore we also consider there to be a significant risk around the completeness of expenditure.

Work performed

We carried out the following planned audit procedures:

- Tested an increased sample of grants subject to performance and / or conditions to confirm that conditions of the grant have been met before the income is recognised in the CIES.
- Tested an increased sample of transactions to ensure that expenditure has been recorded in the correct period.

Results and Conclusion

Our testing has not identified any issues with recognition of grants income within the CIES or the recording of expenditure.

NON-CURRENT ASSET VALUATIONS

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue and expenditure recognition
Non-current asset valuations
Non-current asset valuations
Pension liability assumptions
Pension liability assumptions
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Non-current asset valuations

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

Local authorities are required to ensure that the carrying value of non-current assets is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date.

The Council appointed an external valuer to carry out revaluations on a sample of assets as at 31 March 2019.

Due to the significant value of the Council's non-current assets, and the high degree of estimation uncertainty, there is a risk over the valuation of non-current assets where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at the year-end.

Work performed

We carried out the following planned audit procedures:

- Reviewed the instructions provided to the valuer and the valuer's skills and expertise in order to determine if we can rely on the management expert.
- Confirmed that the basis of valuation for assets valued in year is appropriate based on their use.
- Reviewed the reasonableness of assumptions used in the valuation of non-current assets, the accuracy and completeness of the source data used by the valuer and the Council's critical assessment of the external valuer's conclusions.
- Checked that the accounting policy adopted in relation to the valuation of assets is reasonable.

Results and Conclusion

Our audit work in relation to the accuracy and completeness of the data provided to the valuer identified a number of not material differences where we were unable to agree asset areas. We also identified 2 leases where we were unable to agree in full the information provided to the valuer as source input.

We have reviewed the instructions to the valuer and the valuers skills and expertise and have determined that we are able to rely on them.

We have reviewed the accounting policy adopted for valuations and have no issues that we wish to report.

NON-CURRENT ASSET VALUATIONS

Continued

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue and expenditure recognition
Non-current asset valuations
Non-current asset valuations
Pension liability assumptions
Pension liability assumptions
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Significant accounting estimates

Overview

Land and buildings used by the council for operational purposes are valued by reference to existing use market values Investment properties are valued by reference to highest and best use market value.

We have benchmarked the valuation movements to land and building price indices for the year produced by Gerald Eve LLP and reviewed the information and assumptions used by the valuers.

Discussion

Land and buildings have increased by £3,458,000 (5.4%) in 2018/19.

Land and buildings have been valued using an appropriate basis of valuation (such as existing use, depreciated replacement cost or market value) depending on the use of the asset.

Our review of the assumptions used by valuer found that they were are reasonable. As part of this work we considered these bench marks and concluded that the increase in asset value was not materially different to our expectations.

Our benchmark report for rebuild costs from the national BCIS Tender Price Index suggests an increase in value for depreciated replacement cost (DRC) valuations of +3.2%, although this is subject to a higher degree of volatility and estimation from regional costs and other factors.

Investment properties have increased £1,050,000 (3%) in 2018/9. Our review of the assumptions used by the valuer found that they were reasonable and we were able to tie them back to supporting evidence such as rental income.

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PENSION LIABILITY ASSUMPTIONS

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue and expenditure recognition
Non-current asset valuations
Non-current asset valuations
Pension liability assumptions
Pension liability assumptions
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Pension liability assumptions

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

The net pension liability comprises the Council's share of the market value of assets held in the Essex County Council Pension Fund, and the estimated future liability to pay pensions.

An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

There is a risk the membership data and cash flows provided to the actuary as 31 March may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Work performed

- Reviewed the consulting actuary report over the competency and experience of the actuary and reasonableness of assumptions used.
- Reviewed the competence of the management expert (actuary).
- Agreed the disclosures to the information provided by the pension fund actuary.
- Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.
- Obtained assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary.
- Checked whether any significant changes in membership data have been communicated to the actuary.

Results

No issues have been noted from our work carried out in relation to the information provided to the actuary and we have received satisfactory assurances from the pension fund auditor. We have considered the assumptions used on the next page.

The Government have been refused leave to appeal the age discrimination case brought in relation to the New Judicial Pension scheme (known as the McCloud Judgement). Therefore the accounts have been amended to reflect the additional liability which is yet to be confirmed.

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue and expenditure recognition
Non-current asset valuations
Non-current asset valuations
Pension liability assumptions
Pension liability assumptions
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PENSION LIABILITY ASSUMPTIONS

Continued

Significant accounting estimates

Pensions disclosures with the councils accounts are based on a number of assumptions which are made by the Actuary as Managements Expert.

The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows.

Braintree's share of the LGPS net pension liability reduced by £8.2 million to £58.4 million in the year. This includes an increase in scheme assets of £9.1 million from interest and gains on investments and an increase in liabilities of £0.9 million.

We have compared the assumptions used to an acceptable range and those used across the local government actuaries. The PwC consulting actuary review of the relative strength of the main assumptions suggests that the methodologies used will produce reasonable assumptions for all employers.

We have compared the key financial and demographic assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

	Actual used	Acceptable range	Comments
Financials:			
- RPI increase	3.45%	3.40 - 3.45%	Reasonable
- CPI increase	2.45%	2.40 - 2.45%	Reasonable
- Salary increase	3.95%	3.10 - 4.35%	Reasonable (CPI +0% to 2020 and then CPI +1.5%)
- Pension increase	2.45%	2.40 - 2.45%	Reasonable
- Discount rate	2.4%	2.35- 2.45%	Reasonable
Mortality:			
- Male current	22.9 years	22.4 - 25.0	Reasonable
- Female current	25.4 years	25.0 - 26.6	Reasonable
- Male retired	21.3 years	20.6 - 23.4	Reasonable
- Female retired	23.6 years	23.2 - 24.8	Reasonable
Mortality gains	CMI 2018 (+1.25% improvement rate)		Reasonable

We note that the consulting actuary has stated that the assumptions used by Barnett Waddingham do tend to produce slightly lower LGPS liabilities calculations than the other actuaries, and the relative strength of assumptions compared to the average used by others could result in a liability being at 98.2% based on average of the assumptions used by all actuaries.

We consider that the assumptions and methodology used by the actuary are appropriate, and will result in an estimate of the net pension liability which falls within a reasonable range.

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MATTERS REQUIRING ADDITIONAL CONSIDERATION

Contents
Introduction
Executive summary
Financial statements
Audit risks overview
Management override of controls
Revenue and expenditure recognition
Non-current asset valuations
Non-current asset valuations
Pension liability assumptions
Pension liability assumptions
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Fraud

Whilst the directors have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We have sought confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Plan on 23 January 2019.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Internal audit

We reviewed the audit work of the Council's internal audit function to assist our risk scoping at the planning stage.

Related parties

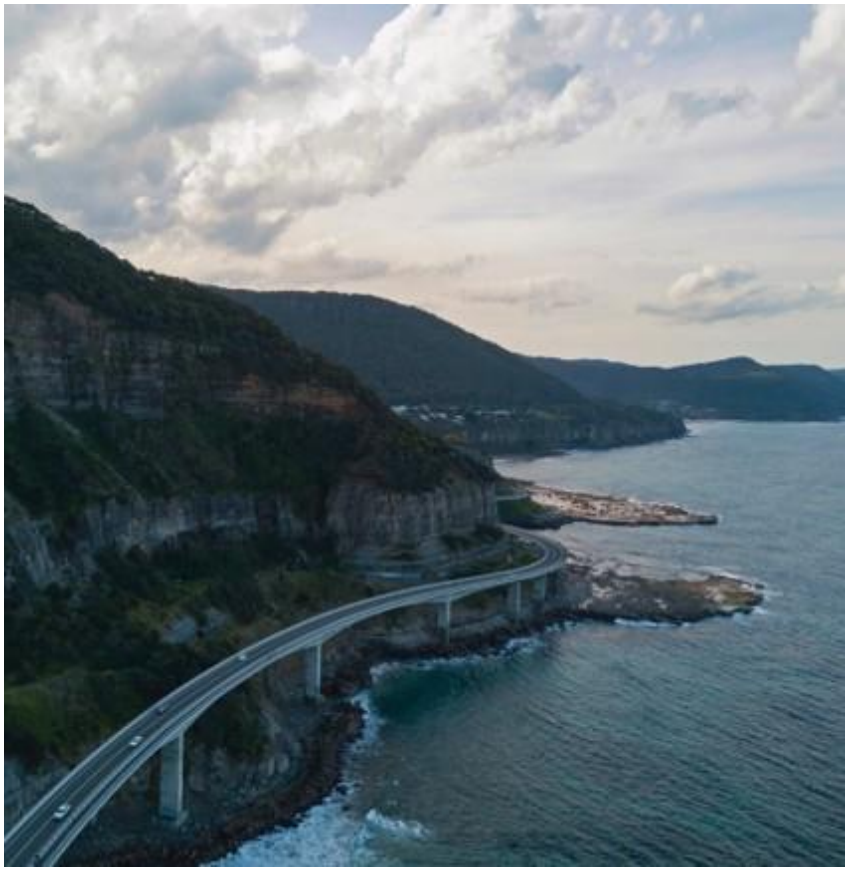
Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

We did not identify any significant matters in connection with related parties.

UNADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted audit differences: detail 1
Adjusted audit differences: summary
Adjusted audit differences: detail
disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents



We are required to bring to your attention unadjusted differences and we request that you correct them.

There are two unadjusted audit differences identified by our audit work. The first of these would decrease the surplus on the provision of services and decrease net assets by £25,000 if adjusted. The second adjustment does not impact on the general fund but instead reduces the other land and buildings and revaluation reserve on the balance sheet resulting in a reduction in net assets of £137,000.

The general fund balance would decrease by £25,000 of these audit differences were adjusted.

You consider the differences to be immaterial in the context of the financial statements as a whole.

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted audit differences: detail 1
Adjusted audit differences: summary
Adjusted audit differences: detail
disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

		Income and expenditure		Statement of Financial Position	
Unadjusted audit differences	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Surplus on the provision of services before unadjusted audit differences	(4,786)				
1: Creditor not accounted for					
DR Expenditure on Cost of Services		25			
CR Short Term Creditors					(25)
2: Differences in information provided to valuer					
DR Other Land and Buildings				137	
CR Revaluation Reserve					(137)
Total unadjusted audit differences		25		137	(162)
Surplus on the provision of services if above issues adjusted	(4,761)				

UNADJUSTED AUDIT DIFFERENCES: DETAIL 1

Details for the current year

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted audit differences: detail 1
Adjusted audit differences: summary
Adjusted audit differences: detail
disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Impact on the General Fund balance	General Fund balance £'000
Balance before unadjusted audit differences	28,412
Impact on surplus on the provision of services above	(25)
Adjustments that would be reversed from the General Fund through the Movement in Reserves Statement	-
Balances after the above adjustments	**28,387**

ADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted audit differences: detail 1
Adjusted audit differences: summary
Adjusted audit differences: detail
disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

There was one audit difference identified by our audit work that was adjusted by management. This decreased the draft surplus on the provision of services and decreased net assets by £1,204,000.

There was no impact on the general fund balance.

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted audit differences: detail 1
Adjusted audit differences: summary
Adjusted audit differences: detail
disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

		Income and expenditure		Statement of Financial Position	
Adjusted audit differences	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Surplus on the provision of services before adjustments	(5,990)				
1: Change in Pension Liability as a result of the McCloud Judgement					
DR Pensions Past Service Cost		1,204			
CR Pensions reserve (unusable reserve)				1,204	
Total adjusted audit differences	1,204				
Adjusted surplus on the provision of services	(4,786)				

DISCLOSURE OMISSIONS AND IMPROVEMENTS

Contents
Introduction
Executive summary
Financial statements
Audit differences
Unadjusted audit differences: summary
Unadjusted audit differences: detail
Unadjusted audit differences: detail 1
Adjusted audit differences: summary
Adjusted audit differences: detail
disclosure omissions and improvements
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

We are required to bring to your attention other financial reporting matters that the Corporate Governance Group is required to consider.

Unadjusted disclosure omissions and improvements

We have no matters to report.

Adjusted disclosure omissions and improvements

One disclosure matter was noted. The Council sold land in June with a material value, this has been disclosed as a non adjusting subsequent event.

REPORTING ON OTHER INFORMATION

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Reporting on other information
Whole of Government Accounts
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that the other information in the Narrative Report is consistent with the financial statements and our knowledge.
We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council.	We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements and our knowledge.

WHOLE OF GOVERNMENT ACCOUNTS

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Reporting on other information
Whole of Government Accounts
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Matter	Comment
Auditors are required to review Whole of Government Accounts (WGA) information prepared by component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure. The Council falls below the threshold for review and there is no requirement for further work other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure.	Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 28 June 2019. The Council met this deadline. We will submit the relevant section of the assurance statement to the National Audit Office on 31 July 2019.

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Overview
Sustainable resource deployment
Informed Decision Making
Control environment
Audit report
Independence and fees
Appendices contents

OVERVIEW

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:

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

There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- Informed decision making
- Working with partners and other third parties.

As identified in our Audit Plan we assessed the following matters as being the most significant risks regarding use of resources.

Audit Risk	Criterion	Risk Rating	Issues identified that impact on conclusion
Sustainable finances	Sustainable resource deployment	Significant	No
Commercialisation agenda	Informed decision making	Significant	No

SUSTAINABLE RESOURCE DEPLOYMENT

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Overview
Sustainable resource deployment
Informed Decision Making
Control environment
Audit report
Independence and fees
Appendices contents

Sustainable resource deployment

Significant risk	■
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

The update to the Medium Term Financial Strategy to 2022/23 has forecast further reductions in Government core grant funding. The Council is in a relatively strong financial position due to successfully achieving savings plans in previous years, largely from its commercialisation agenda. A balanced budget has been set for the next few years, with a budget gap expected to arise from 2020/21 of £508k.

Work performed

We have:

- Reviewed the assumptions used in the Medium Term Financial Strategy, particularly around the likely levels of income from commercial activities.
- Reviewed the Council's capital/revenue planning for future capital projects and investments.
- Monitored the delivery of the budgeted savings in 2018/19 and the plans to deliver identified savings for 2019/20.

Results and conclusion

The Council has appropriate arrangements in place to ensure that it can sustainably deploy resources in the medium term.

We have reviewed the MTFS and the assumptions used for revenue planning and are content that these are reasonable. The Council made a surplus compared to budget of £1.5million in 2018/19 which is currently being reviewed to help understand the different elements and impact on future years' savings targets. The Council is budgeting a small surplus for 2019/20 and deficits totalling £700,000 for the following 3 years. However, these deficits are considered relatively small compared to the unallocated general fund balance of £5.7 million and the surplus made this year and it is likely that savings will be identified by the Council.

We have reviewed the Councils approach to capital planning and found no issues with their approach. All capital spend requires approval as part of the budget setting process.

INFORMED DECISION MAKING

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Overview
Sustainable resource deployment
Informed Decision Making
Control environment
Audit report
Independence and fees
Appendices contents

Informed Decision Making

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings
Letter of Representation point

Risk description

The Council continues to have a large commercialisation agenda to assist in generating income. This includes the Town Centre Redevelopment, Housing Developments, new Doctors' Surgeries, new industrial units, Garden Communities and the Horizon 120 project. Due to the nature and scale of some of these projects, there is a risk that the Council could not be adequately informed prior to the decision making as well as over the Council's ability to deliver such projects within the resources available.

Work performed

We have:

- Checked that any current or future borrowing considerations are in line with CIPFA's Prudential Code for Capital Finance in Local Authorities and CIPFA's Treasury Management Code.
- Reviewed the current governance and corporate arrangements for some of the large capital projects currently underway to ensure that they are fit for purpose.

Results and Conclusion

The Council has suitable arrangements in place for monitoring spend on the commercialisation projects that it is currently undertaking.

We have reviewed the Treasury Management strategy and Capital Strategy and confirmed that these are in accordance with the CIPFA Prudential code and Treasury Management code. The Treasury Management Strategy sets out how the Council has complied with the guidance and the prudential indicators that it measures itself against.

The Council are applying their standard expenditure and Budget monitoring polices to the Commercialisation projects. Initial approval is obtained from Full Council on recommendation of the Cabinet as part of the capital programme for the year. Delegated authority then applies to decisions in line with the Council's Constitution. Any decision made by the Cabinet remains subject to call in procedures.

SIGNIFICANT DEFICIENCIES

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Significant deficiencies
Other deficiencies
Audit report
Independence and fees
Appendices contents

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Corporate Governance Group.

As the purpose of the audit is for us to express an opinion on the Council's financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We do not have any significant deficiencies to report.

OTHER DEFICIENCIES

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Significant deficiencies
Other deficiencies
Audit report
Independence and fees
Appendices contents

Area	Observation & implication	Recommendation	Management response
Journals Authorisation	During the course of our work we noted that the Council does not require all journals to be authorised on the financial accounting system and instead relies on budgetary control to identify errors in posting. Currently controls include incoming journals to the finance team come from authorised individuals as recorded in a register maintained by Internal Audit; and only journals being produced in accountancy by senior staff with considerable knowledge/ expertise. Journals are then generally processed by other staff. All journals are referenced indicating the source of the journal, and who has processed the journal.	Introduce a system of journal authorisation or review within the financial accounting procedures to reduce the risk of fraudulent or incorrect journals being posted.	Procedures will be reviewed to assess whether it is practicable to introduce any additional controls over those currently in place.

OVERVIEW

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Overview
Independence and fees
Appendices contents

Opinion on financial statements

We have issued an unmodified opinion on the financial statements.

There are no matters that we wish to draw attention to by way of an 'emphasis of matter'.

Conclusion on use of resources

We have issued an unmodified use of resources conclusion.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Council's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

Annual Governance Statement

We have no matters to report in relation to the Annual Governance Statement as it is not inconsistent or misleading with other information we are aware of.

INDEPENDENCE

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Independence
Fees
Appendices contents

Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2019.

Details of services, other than audit, provided by us to the Council during the period and up to the date of this report are set out in the appendices and were provided in our Audit Plan. We understand that the provision of these services was approved by the Corporate Governance Group in advance in accordance with the Council's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Plan.

We note that the Councils Head of Internal Audit is a former BDO employee and left BDO in January 2018. She did not work with the current audit team and therefore we do not consider there to be a threat to our objectivity or independence.

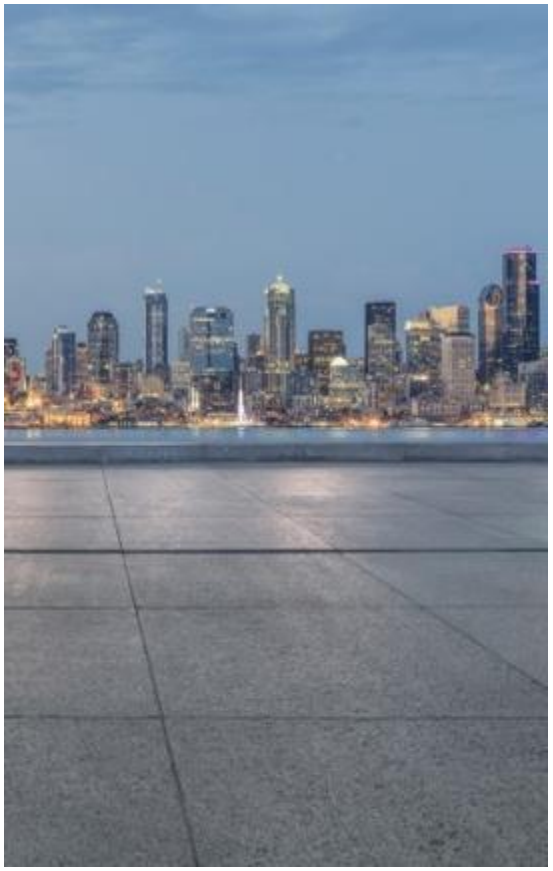
We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Council / Pension Fund.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

FEES

Contents
Introduction
Executive summary
Financial statements
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Independence
Fees
Appendices contents

Fees summary	2018/19 Actual £	2018/19 Planned £	2017/18 Actual £
Audit fee			
• Code audit fee: financial statements and use of resources	46,012	46,012	59,579
Non-audit assurance services			
Fees for reporting on government grants:			
• Housing benefits subsidy claim	Work not yet started	10,000	13,728
Fees for other non-audit services	-		16,333
Total fees		**56,012**	**89,817**



APPENDICES CONTENTS

A	Our responsibilities	32
	Responsibilities and reporting	32
	Additional matters we are required to report	33
	Communication and reports issued	34
B	Audit quality	35
	Audit quality	35
C	Letter of representation	36
	Representative letter	36
	Representative letter 2	37
	Representative letter 3	38

RESPONSIBILITIES AND REPORTING

Responsibilities and reporting

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Audit quality
Representative letter
Representative letter 2
Representative letter 3

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the 'other information' contained in the Statement of Accounts such as the Narrative Report. We consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report where we consider that the Council has not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Corporate Governance Group and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Audit quality
Representative letter
Representative letter 2
Representative letter 3

ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

COMMUNICATION AND REPORTS ISSUED

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Audit quality
Representative letter
Representative letter 2
Representative letter 3

Those Charged with Governance (TCWG)

References in this report to those charged with governance are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Corporate Governance Group.

Communication, meetings and feedback

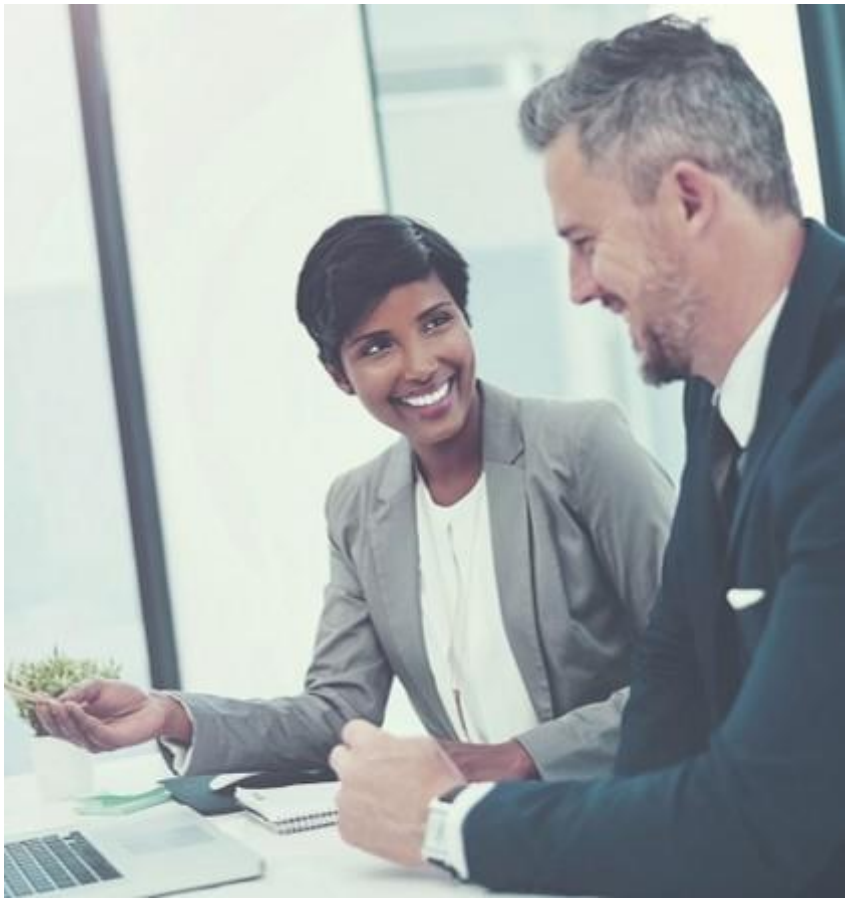
We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Fee Letter	28 April 2018	Governance Committee
Audit Plan	23 January 2019	Governance Committee
Draft Audit Completion Report	25 July 2019	Corporate Governance Group
Final Audit Completion Report	31 July 2019	Corporate Governance Group
Annual Audit Letter	August 2019	Corporate Governance Group

AUDIT QUALITY

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Audit quality
Representative letter
Representative letter 2
Representative letter 3



BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing all necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

Letter of representation

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Audit quality
Representative letter
Representative letter 2
Representative letter 3

[Client name and Letter headed paper]

BDO LLP
Yare House
62-64 Thorpe Road
Norwich
NR1 1RY

Dear Sirs

Financial statements of Braintree District Council for the year ended 31 March 2019

We confirm that the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2019 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Corporate Director (Finance) has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2019 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Council have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Council's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Council's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which require changes to be made to the figures included in the financial statements; however, one non-adjusting event, the sale of land, has been disclosed by way of a note. Should any other material events of this type occur, we will advise you accordingly.

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Audit quality
Representative letter
Representative letter 2
Representative letter 3

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 30 to the financial statements, there were no loans, transactions or arrangements between the Council and Council members or their connected persons at any time in the year which were required to be disclosed.

The disclosures in the financial statements concerning the controlling party of the Council are accurate.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Accounting estimates

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- Rate of inflation (CPI): 2.45%
- Rate of increase in salaries: 3.95%
- Rate of increase in pensions: 2.45%
- Rate of discounting scheme liabilities: 2.4%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication and reports issued
Audit quality
Representative letter
Representative letter 2
Representative letter 3

b) Valuation of other land and buildings and investment properties

We are satisfied that the useful economic lives of the other land and buildings, and their constituent components, used in the valuation of the council dwellings and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to other land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

We are satisfied that investment properties have been appropriately assessed as Level 2 on the fair value hierarchy for valuation purposes and valued at fair value, based on highest and best use.

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for non-domestic rates, housing rent and sundry debt arrears are reasonable, based on collection rate data.

d) Non domestic rates appeals provision

We are satisfied that the provision recognised for non-domestic rates appeals is materially correct, and the calculation of historical appeals are consistent with those advised to me by the Valuation Office Agency. We confirm that the successful rates applied to outstanding appeals as at 31 March 2019 are consistent with our knowledge of the business.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director or member of the Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Chris Fleetham

Corporate Director (Finance)

[date]

Councillor Richard van Dulken

Chair of Corporate Governance Group

[date]

FOR MORE INFORMATION:

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m: 07715 487411
e: aphrodite.lefevre@bdo.co.uk

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Audit Manager

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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BRAINTREE DISTRICT COUNCIL

Annual Audit Letter

Year ended 31 March 2019

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EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

This Annual Audit Letter summarises the key issues arising from the work that we have carried out in respect of the year ended 31 March 2019.

It is addressed to the Council but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

Responsibilities of auditors and the Council

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice (the Code). Under the Code, we are required to report:

- Our opinion on the Council's financial statements; and
- Whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

BDO LLP

BDO LLP

29 August 2019

Audit conclusions

Audit area	Conclusion
Financial statements	Unmodified opinion issued 31 July 2019
Use of resources	Unmodified conclusion issued 31 July 2019
Certificate of completion of the audit	Issued 31 July 2019

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the audit.

FINANCIAL STATEMENTS

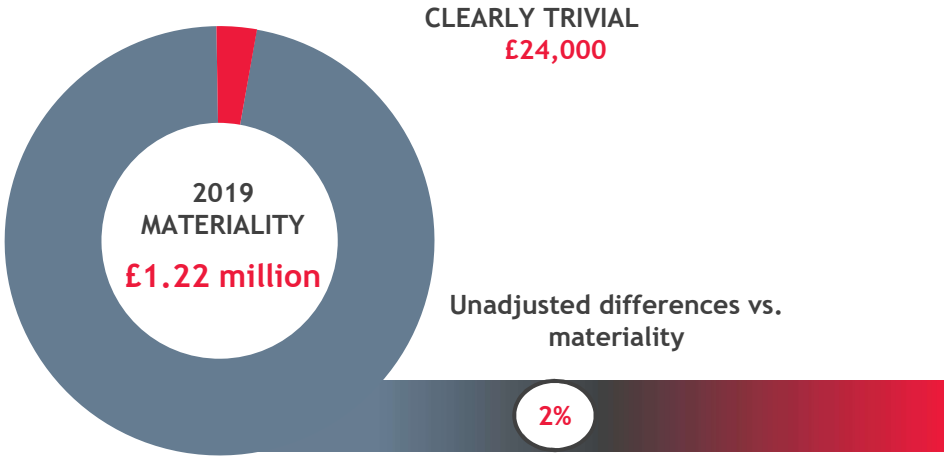
Audit opinion on the financial statements

We issued an unmodified audit opinion on the financial statements. This means that we consider that the financial statements:

- Give a true and fair view of the financial position and its income and expenditure for the year; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19.

Final materiality

Materiality was calculated at £1.22 million based on a benchmark of 1.75% of gross expenditure.



Corrected misstatements

Our audit identified one misstatement that was corrected by management.

As a result of the Government not being given leave to appeal in relation to the "McCloud" Age discrimination case after the Council had authorised the accounts for issue on 25 May 2019, an adjustment was required to the accounts. It was determined that the Council should account for the additional expected pension liabilities in 2018/19 as a result of the principals of this case being expected to also apply to the LGPS move from Final Salary to career average benefits.

Management amended the financial statements for this issue, which decreased the surplus on the provision of services by £1.204 million.

Unadjusted audit differences

We identified two audit adjustments that, if posted, the net effect of which would decrease the net surplus on provision of services for the year by £25,000.

FINANCIAL STATEMENTS

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and the direction of the efforts of the audit team.

Risk description	How the risk was addressed by our audit	Results
Management override of controls	We carried out the following planned audit procedures: • Tested the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. • Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represented a risk of material misstatement due to fraud. • Obtained an understanding of the business rationale for significant transactions that were outside the normal course of business for the Council or that otherwise appeared to be unusual, if any.	No issues were identified by our audit of journals and accounting estimates for management override of controls or management bias.
Revenue and Expenditure recognition	We carried out the following planned audit procedures: • Tested an increased sample of grants subject to performance and / or conditions to confirm that conditions of the grant have been met before the income is recognised in the CIES. • Tested an increased sample of transactions to ensure that expenditure has been recorded in the correct period.	No issues were identified by our audit of revenue and expenditure recognition.

FINANCIAL STATEMENTS

Risk description	How the risk was addressed by our audit	Results
Non Current Asset Valuations	We carried out the following planned audit procedures: • Reviewed the instructions provided to the valuer and the valuer's skills and expertise in order to determine if we can rely on the management expert. • Confirmed that the basis of valuation for assets valued in year is appropriate based on their use. • Reviewed the reasonableness of assumptions used in the valuation of non-current assets, the accuracy and completeness of the source data used by the valuer and the Council's critical assessment of the external valuer's conclusions. • Checked that the accounting policy adopted in relation to the valuation of assets is reasonable.	Our audit work in relation to the accuracy and completeness of the data provided to the valuer identified a number of immaterial differences where we were unable to agree asset areas. We also identified 2 leases where we were unable to agree in full to the information provided to the valuer as source input. We have reviewed the instructions to the valuer and the valuer's skills and expertise and determined that we were able to rely on them. We reviewed the accounting policy adopted for valuations and had no issues that we wish to report.

FINANCIAL STATEMENTS

Risk description	How the risk was addressed by our audit	Results
Pension liability assumptions	We carried out the following planned audit procedures: • Reviewed the consulting actuary report over the competency and experience of the actuary and reasonableness of assumptions used. • Reviewed the competence of the management expert (actuary). • Agreed the disclosures to the information provided by the pension fund actuary. • Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data. • Obtained assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary. • Checked whether any significant changes in membership data have been communicated to the actuary.	No issues were identified in relation to the information provided to the actuary and we received satisfactory assurances from the pension fund auditor. We considered that the assumptions and methodology used by the actuary were appropriate. The Government have been refused leave to appeal the age discrimination case brought in relation to the New Judicial Pension scheme (known as the McCloud Judgement). Therefore the accounts were amended to reflect the additional liability.

USE OF RESOURCES

Audit conclusion on use of resources

We issued an unmodified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. This means that we consider that in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We set out below the risks that had the greatest effect on our audit strategy.

Risk description	How the risk was addressed by our audit	Results
Sustainable resource deployment	We carried out the following planned audit procedures: • Reviewed the assumptions used in the Medium Term Financial Strategy, particularly around the likely levels of income from commercial activities. • Reviewed the Council's capital/revenue planning for future capital projects and investments. • Monitored the delivery of the budgeted savings in 2018/19 and the plans to deliver identified savings for 2019/20.	We reviewed the MTFS and the assumptions used for revenue planning and are content that these are reasonable. The Council made a surplus compared to budget of £1.5million in 2018/19 which at the time of the audit was being reviewed to help understand the different elements and impact on future years' savings targets. The Council is budgeting a small surplus for 2019/20 and deficits totalling £700,000 for the following 3 years. These deficits are considered relatively small compared to the unallocated general fund balance of £5.7 million and the surplus made this year and it is likely that savings will be identified by the Council. We have reviewed the Councils approach to capital planning and found no issues to report. We did not identify any significant issues and concluded that the Council has appropriate arrangements in place to ensure that it can sustainably deploy resources in the medium term.

USE OF RESOURCES

Risk description	How the risk was addressed by our audit	Results
Informed Decision Making	We carried out the following planned audit procedures: • Checked that any current or future borrowing considerations are in line with CIPFA's Prudential Code for Capital Finance in Local Authorities and CIPFA's Treasury Management Code. • Reviewed the current governance and corporate arrangements for some of the large capital projects currently underway to ensure that they are fit for purpose.	We have reviewed the Treasury Management strategy and Capital Strategy and confirmed that these are in accordance with the CIPFA Prudential code and Treasury Management code. The Treasury Management Strategy sets out how the Council has complied with the guidance and the prudential indicators that it measures itself against. The Council are applying their standard expenditure and Budget monitoring polices to the Commercialisation projects. Initial approval is obtained from Full Council on recommendation of the Cabinet as part of the capital programme for the year. Delegated authority then applies to decisions in line with the Council's Constitution. Any decision made by the Cabinet remains subject to call in procedures. We did not identify any significant issues and concluded that the Council has suitable arrangements in place for monitoring spend on the commercialisation projects that it is currently undertaking.

REPORTS ISSUED AND FEES

Fees summary

	2018/19 Final £	2018/19 Planned £	2017/18 Final £
Audit fee – PSAA scale fee	47,512*	46,012	59,579
Non-audit assurance services:			
Fees for reporting on government grants:			
• Housing benefits subsidy claim	Work not yet completed	10,000	13,728 16,333
Fees for other non-audit services	-	-	-
Total fees		56,012	89,817

* We are proposing to raise an additional fee of £1,500 as a result of the additional work in relation to the McCloud pension adjustments. This additional fee will require approval by PSAA.

Communication

Reports	Date	To whom
Audit plan	23 January 2019	Governance Committee
Audit completion report	31 July 2019	Corporate Governance Group

FOR MORE INFORMATION:

Aphrodite Lefevre

Director

e: aphrodite.lefevre@bdo.co.uk

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CORPORATE GOVERNANCE GROUP
24th October 2019

Braintree District Council

Treasury Management Mid-Year Report 2019/20	Agenda No: 8

Portfolio	**Finance and Performance Management**
Corporate Outcome:	**A high performing organisation that delivers excellent and value for money services** **Delivering better outcomes for residents and businesses and reducing costs to taxpayers**
Report presented by:	**Phil Myers, Financial Services Manager**
Report prepared by:	**Phil Myers, Financial Services Manager**

Background Papers:	**Public Report**
Treasury Management Strategy Statement 2019/20 – approved by Full Council on 25th February 2019 as part of the Council's Budget for 2019/20 Council Budget and Council Tax 2019-20 and Medium-Term Financial Strategy 2019-20 to 2022-23	**Key Decision: No**

Executive Summary:

1. Background

1.1 The Council's treasury management activities are regulated by statutory requirements and by a Code of Practice ("the Code") issued by the Chartered Institute of Public Finance (CIPFA).

1.2 One of the key requirements of the Code is that, along with an annual strategy to be approved prior to the commencement of the financial year and an annual report after the financial year-end, the Council should also receive at least one mid-year report on its treasury management activities.

2. Treasury Management Strategy

2.1 The Treasury Management Strategy Statement (TMSS) for 2019/20 was approved in February 2019 as part of the overall Budget and Council Tax setting for 2019/20. The TMSS was based on the following presumptions:

- A forecast spend on the capital programme of around £30million, funded by a combination of £11million of own resources and the balance from a mixture of internal and external borrowing, this borrowing being for projects under the District Investment Strategy.

- The availability of cash balances for investment – the assumption was that these would average around £41million comprising core cash of circa £30million and in-year cash flows of £11million.
- Maintaining the Council's approach to risk by diversification of its investments including retaining longer-term investments to counter the risks associated with a prolonged period of low interest rates.

3. External Context

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

3.2. In summary:

- UK Consumer Price Index (CPI) fell to 1.7% year/year in August from 2.0% in July, which was weaker than the consensus forecast and below the Bank of England's target of 2.0%. The first estimate of Q2 Gross Domestic Product (GDP) growth showed the UK economy contracted by 0.2% following the 0.5% gain in Q1 which was distorted by stockpiling ahead of Brexit.
- The Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at 0.75% and in its August Inflation Report noted the deterioration in global activity and sentiment and confirmed that monetary policy decisions related to Brexit could be in either direction depending on whether or not a deal is ultimately reached by 31 October.
- After rallying early 2019, financial markets have been adopting a more risk-off approach in the following periods as equities saw greater volatility and bonds rallied (prices up, yields down) in a flight to quality and anticipation of more monetary stimulus from central banks. The Dow Jones, and Financial Times Stock Exchange (FTSE) indices are broadly at the same levels seen in March/ April.
- Gilt yields remained volatile over the period on the back of ongoing economic and political uncertainty. From a yield of 0.63% at the end June, the 5-year benchmark gilt yield fell to 0.28% at the start of September before recovering to 0.49% by the middle of the month. There were falls in 10-year and 20-year gilts over the same period, before bouncing back.
- Recent activity in bond markets and PWLB interest rates highlight that weaker economic growth remains a global risk. The US yield curve remains inverted, and yields on German government securities continue to remain negative in secondary markets.

4. Capital Expenditure and Financing

4.1. Capital spending is forecast to be £11.603million a reduction of £18.738million from that originally anticipated in the TMSS. This reflects slippage across a number of District Investment Strategy (DIS) projects, and as such is also reflected in a reduction in the amount of funding via internal and external borrowing. A lower drawdown on the DIS reserve is also contributing towards higher investment balances.

5. Capital Financing Requirement

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

5.2. The forecast CFR at 31 March 2020 is now £14.951million which is lower than that originally estimated (£30.363million) but still higher than the amount at the start of the year due to expected spend on the Horizon 120 project. Whilst the CFR has increased this will not have an impact on the MRP charge to revenue as this project is still in its development stage.

6. Borrowing and Other Long-Term Liabilities

6.1. External borrowing is expected to remain at £6million during this year; however, there are reductions in finance lease liabilities which will reduce in line with contracted annual payments. At the end of the year total borrowing and other long-term liabilities is estimated to be £8.194million, well within the limit sets by Full Council which had reflected spending plans at that time for the DIS projects.

7. Investment Activity

7.1. The TMSS sets out the parameters used for selecting suitable investment counterparties and related exposure limits (duration/ amounts).

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

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

7.4. At 31 March 2019, cash balances were £46.527million, which was higher than originally anticipated in the TMSS due to a number of reasons: increased capital receipts and contributions in 2018/19, coupled with lower capital funding requirements; revenue underspend and additions to earmarked reserves; and an increase in Collection Fund balances due to amounts set aside for business rate appeals and better in-year taxbase growth and collection rates.

7.5. For the period April to end September 2019, investments have averaged £64.403million, with a high of £71.414million. Cash balances typically peak around August/ September before reducing over the remainder of the year. The current forecast is for investments to average around £60million for the year, which is much higher than assumed in the TMSS (£41million).

7.6. By the end of the year investment balances are expected to be circa £43million – a reduction from that at the start of the year but higher than originally anticipated. A downward trend in investment balances is still expected to occur over the medium-term as major projects under the DIS proceed.

7.7. Funds managed to date this year have been invested in a mixture of fixed term deposits and call accounts with UK and non-UK financial institutions; money market funds (MMF); UK Government through the Debt Management Office; lending to other local authorities; and pooled funds.

7.8. Two new MMF accounts have recently been opened: the CCLA Public Sector Deposit Fund; and a short-term fund with Federated Prime. These accounts have been opened to extend the range of MMF funds available to the Council as cash balances have been higher and there has been a need to increase the range of counterparties available. However, as both funds are domiciled in the UK, this action is also in line with the advice given to clients of Arlingclose for preparing for a potential no-deal Brexit as a contingency against any liquidity issues that might arise with non-UK domiciled funds.

7.9. In the period April to September 2019 new investments of £83million have been made, with around £61million maturing or being sold. Investment and other cash balances at 30 September was £68.088million.

7.10. At the Strategic Investment Group meeting held on 31 July 2019, it was agreed that, subject to taking further advice from Arlingclose, an additional £2million be added to the Council's long-term pooled fund investments, which would take the total invested to the maximum set by Council of £20million. Further advice was required due to accounting changes that, subject to statutory mitigation ending in March 2023, would in the future have the effect of increasing the volatility of amounts that might need to be recognised when setting the Council's budget and council tax arising from changes in the market value of funds. In addition, timing of investment was to be considered in light of the ongoing uncertainty regarding Brexit. Subsequent to seeking this advice, £1million was added to the Kames Diversified Fund on 8th October, with the remaining £1million to be placed in mid-November, subject to further review at that time.

7.11. The overall return to the end of September was £681,044 or 2.11% (annualised). Interest earned on short-term investments was £189,278 equating to a return of 0.81%. Dividends from long-term pooled funds are paid quarterly and can vary quarter on quarter. Up to the end of September dividends received/ declared were £491,766 or 5.45%. The Budget for investment income is £996,000, and based on performance to date it is expected this will be overachieved by £157,000 giving a projected income of £1.153million.

7.12. The value of the Council's investments in pooled funds can fluctuate in response to changing market sentiment. Under current accounting rules these changes in value are unrealised and have no effect on the General Fund revenue account until such time investments are sold. At the 30 September 2019 the overall valuation of funds was £19.456million, representing an unrealised gain of £1.456million (£1.308million at 31 March 2019).

7.13. The progression of credit risk and return metrics for the Council's investments are shown in the report based on the Arlingclose quarterly investment benchmarking. This shows that the Council compares favourably in terms of overall income return; however, total return (including changes in market values) is lower than average reflecting the recent volatility experienced in equity markets. The measure of credit quality and bail-in exposure shown in the benchmarking reflects the Council's investments in fixed term deposits and money market funds which comprise a relatively high proportion of internal investments (i.e. investments excluding strategic funds).

8 Non-Treasury Management Investments

8.1. Although not classed as treasury management activities, the CIPFA Code now requires the Council to report on investments for policy reasons outside of normal treasury management. This includes service investments for operational and/or regeneration as well as commercial investments which are made mainly for financial reasons. The Council holds direct property investments with a market value of £36.303million comprising: industrial land and units; shops; offices; and other commercial property. Properties are leased to third parties generating rental income for the Council. In 2019/20 the net rental income expected to be in excess of £2million, representing a return of around 6%. Further income is generated from non-commercial property, e.g. through mixed use of Causeway House; and business start-up units.

8.2. The Council also has a number of loans which have been made for service reasons. At 31 March 2019, the amount outstanding on these was £0.325m. Since then one mortgage loan amounting to £0.047million has been repaid early, with a further loan of £0.200million expected to be repaid in November. This will leave just two loans outstanding (total value of £0.078million) that are being repaid in monthly instalments.

9 Outlook for remainder of 2019/20

9.1. The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased dramatically.

9.2. Parliament appears to have frustrated the desire of the UK Government to exit the EU on 31 October. The probability on a no-deal EU exit in the immediate term has decreased, although a non-deal Brexit cannot be entirely ruled out for 2019 and the risks of this event remains for 2020. The risk of a general election in the near term has, however, increased.

9.3. There appears no near term resolution to the trade dispute between China and the US, a dispute that the US appears comfortable exacerbating further. With the 2020 presidential election a year away, this stance is unlikely to change.

9.4. Arlingclose expects the Bank Rate to remain at 0.75% for the foreseeable future but there remains substantial risks to the forecast, dependant on Brexit outcomes and the evolution of the global economy. Arlingclose judges that the

risks are significantly weighted to the downside.

9.5. Gilt yields have fallen to historic lows. The risks to economic growth from global political uncertainty appear to have crystallised, dampening rate expectations and dragging yields lower. Arlingclose expects gilt yields to remain at low levels for the foreseeable future and see the risks as broadly balanced. Volatility will continue to offer longer-term opportunities for borrowing where there is a clear need.

Recommended Decision:

To recommend to Cabinet acceptance of the Treasury Management Mid-Year Report 2019/20 prior to its submission to Full Council.

Purpose of Decision:

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

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

Treasury Management Mid-Year Report 2019/20

1. Background

1.1. The Council's treasury management activities are regulated by statutory requirements and by a Code of Practice ("the Code") issued by the Chartered Institute of Public Finance (CIPFA).

1.2. One of the key elements of the Code is that, along with an annual strategy to be approved prior to the commencement of the financial year and an annual report after the financial year-end, the Council should also receive at least one mid-year report on its treasury management activities.

1.3. The Council invests substantial sums of money and continues to hold legacy borrowing and is therefore exposed to a range of financial risks. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management activities.

2. Treasury Management Strategy

2.1. The Treasury Management Strategy Statement (TMSS) for 2019/20 was approved in February 2019 as part of the overall Budget and Council Tax Setting for 2019/20. At the same time the Council also approved a Capital Strategy, Investment Strategy (Commercial Property) and Minimum Revenue Provision Policy.

2.2. The TMSS was based on the following presumptions:

- A forecast spend on the capital programme of around £30 million, funded by a combination of £11 million of own resources and the balance from a mixture of internal and external borrowing, this borrowing being for projects under the District Investment Strategy.
- The availability of cash balances for investment – the assumption was that these would average around £41 million comprising core cash of circa £30 million and in-year cash flows of £11million.
- Maintaining the Council's approach to risk by diversification of its investments including retaining longer-term investments to counter the risks associated with a prolonged period of low interest rates.

3. External Context

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

3.2. In summary:

- UK Consumer Price Index (CPI) fell to 1.7% year/year in August from 2.0% in July, which was weaker than the consensus forecast and below the Bank of England's target of 2.0%. The first estimate of Q2 Gross Domestic Product (GDP) growth showed the UK economy contracted by

0.2% following the 0.5% gain in Q1 which was distorted by stockpiling ahead of Brexit.

- The Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at 0.75% and in its August Inflation Report noted the deterioration in global activity and sentiment and confirmed that monetary policy decisions related to Brexit could be in either direction depending on whether or not a deal is ultimately reached by 31 October.
- After rallying early 2019, financial markets have been adopting a more risk-off approach in the following periods as equities saw greater volatility and bonds rallied (prices up, yields down) in a flight to quality and anticipation of more monetary stimulus from central banks. The Dow Jones, and Financial Times Stock Exchange (FTSE) indices are broadly at the same levels seen in March/ April.
- Gilt yields remained volatile over the period on the back of ongoing economic and political uncertainty. From a yield of 0.63% at the end June, the 5-year benchmark gilt yield fell to 0.28% at the start of September before recovering to 0.49% by the middle of the month. There were falls in 10-year and 20-year gilts over the same period, before bouncing back.
- Recent activity in bond markets and PWLB interest rates highlight that weaker economic growth remains a global risk. The US yield curve remains inverted, and yields on German government securities continue to remain negative in secondary markets.

3.3. The table below summarises the level of market interest rates over the period 1st April to 30th September 2019:

Market Rates

	UK Base Rate	Money Market Rates					
		Overnight	7-day	1mth	3mth	6mth	12mth
Average	**0.75**	**0.55**	**0.70**	**0.67**	**0.74**	**0.83**	**0.94**
Maximum	0.75	0.70	0.70	0.70	0.83	0.96	1.08
Minimum	0.75	0.01	0.60	0.42	0.64	0.72	0.80
Spread	0.00	0.69	0.10	0.28	0.19	0.24	0.28

4. Capital Expenditure and Financing

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

Capital Expenditure & Financing 2019/20			
	TMSS £000	**Forecast £000**	**Change £000**
Capital programme	3,943	4,131	188
District Investment Strategy	26,398	7,472	(18,926)
Total Expenditure	**30,341**	**11,603**	**(18,738)**
Funded by:			
Capital receipts	(2,740)	(2,703)	37
District Investment Strategy reserve	(4,528)	(1,454)	3,074
Better Care Funding	(1,122)	(1,001)	121
Other Grants & Contributions	(1,253)	(1,528)	(275)
Revenue and reserves	(2,011)	(1,497)	514
External borrowing	(12,157)	0	12,157
Internal borrowing	(6,530)	(3,420)	3,110
Total Finance	**(30,341)**	**(11,603)**	**18,738**

4.2. The above table shows that the forecast capital spend has reduced significantly from that originally projected. This is mainly due to slippage in a number of the District Investment Strategy (DIS) projects and as such is largely reflected in the reduction in the amount of funding via internal and external borrowing. A lower drawdown on the DIS reserve is also contributing towards higher investment balances.

5. Capital Financing Requirement

5.1. The Capital Financing Requirement (CFR) is a balance sheet derived amount which indicates the extent to which the Council has previously invested in capital but not financed the spending from its own capital resources. The CFR is therefore an indicator of the amount of borrowing the Council could potentially justify as being required to meet expenditure with lasting benefits. Actual borrowing may differ from the CFR, e.g. if the Council has internally borrowed (as demonstrated in the table at 4.1). However, generally internal borrowing is only a short-medium term option.

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

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

Capital Financing Requirement (CFR) 2019/20	TMSS £000	Forecast £000	Change £000
CFR at start of the year	12,366	12,215	(151)
Increase due to internal borrowing	18,687	3,420	(15,267)
Minimum Revenue Provision	(382)	(379)	3
Finance leases annual principal repaid	(308)	(305)	3
Est. net change in CFR	**17,997**	**2,736**	**(15,261)**
Est. CFR at end of the year	**30,363**	**14,951**	**(15,412)**

5.4. The table above shows that by the end of year the CFR is expected to be lower than the original TMSS, albeit there is still an increase over the amount at the start of the year due to some internal borrowing for the Horizon 120 project. Whilst the CFR is expected to increase this will not have an immediate impact on the MRP charge to revenue as this project is still in its development stage and funding is still anticipated to be generated from the sale of serviced land plots.

6. Borrowing and Other Long-Term Liabilities

6.1. The following table shows the expected movement on borrowing and other liabilities in 2019/20:

Borrowing and Other Long-Term Liabilities	Borrowing £000	Finance Leases £000	Total £000
Amounts owed 1 April 2019	6,000	2,499	8,499
Additions	-	-	-
Repayments	-	(305)	(305)
Est. amounts owed 31 March 2020	**6,000**	**2,194**	**8,194**

6.2. There are no changes expected to external borrowing in the year; however, finance lease liabilities are expected to reduce in line with contracted annual payments.

6.3. The Council approved borrowing limits within the TMSS: an Operational Limit of £35 million; and an overall Authorised Limit of £50 million (the maximum level of borrowing). These limits were set based on the plans in place at that time regarding the expected progress for a number of DIS projects. Actual borrowings to the end of September have been well within these limits for the reasons set out above, and compliance is expected for the remainder of the year.

7. Investment Activity

7.1. The TMSS sets out the parameters used for selecting suitable investment counterparties and related exposure limits (duration/ amounts).

7.2. The treasury management strategy is based on the investment priorities being:

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

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

Investment Balances

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

7.5. At 31st March 2019, investment balances were £46.527million, which was significantly higher than originally anticipated in the TMSS – this was mainly due to higher amounts of capital receipts and contributions held, as amounts received in the year were higher than expected, and the capital programme underspent against profile; revenue underspends against budget along with increases to earmarked reserves; and higher balances held on the Collection Fund due to a combination of amounts set aside for business rate appeals and better in-year taxbase growth and collection rates.

7.6. For the period April to end September 2019 investments have averaged £64.403million, with a high of £71.414million. Cash balances typically peak around August/ September before reducing over the remainder of the year. The current forecast is for investments to average around £60million for the year, which is much higher than assumed in the TMSS (£41million).

7.7. By the end of the year the forecast is for investment balances to be circa £43million – a reduction from that at the start of the year but which is significantly higher than was originally forecast in the TMSS (circa £26million). A downward trend in investment balances is still expected to occur over the medium-term as major projects under the DIS proceed.

Investment Policy and Activity

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

- Fixed term deposits with major UK and non-UK banks and building societies, which meet the Council's credit criteria.
- Deposits on call or instant access accounts with major UK banks meeting the Council's credit criteria.

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

7.9. Two new MMF accounts have recently been opened: the CCLA Public Sector Deposit Fund; and a short-term fund with Federated Prime. These accounts have been opened to extend the range of MMF funds available to the Council as cash balances have been higher and there has been a need to increase the range of counterparties available. Both these funds have been selected specifically as they are domiciled in the UK, this action is in line with the advice given to clients of Arlingclose for preparing for a potential no-deal Brexit as a contingency against any liquidity issues that might arise with non-UK domiciled funds.

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

Investment Activity 1 April to 30 September 2019

		Investments:		
	Balance 01/04/19 £000	**Made £000**	**Matured/ Sold £000**	**Balance 30/09/19 £000**
Long-Term Investments				
Equity funds	13,000	-	-	13,000
Property fund	3,000	-	-	3,000
Diversified Funds (multi-asset)	2,000	-	-	2,000
Sub-Total Long-Term	**18,000**	**0**	**0**	**18,000**
Short-Term Investments				
UK Banks & Building Societies	6,000	6,000	-	12,000
Non UK Banks	3,000	3,000	-	6,000
Debt Management Office (UK Govt.)	0	49,500	(45,000)	4,500
Other Local Authorities	6,000	5,000	(6,000)	5,000
Money Market Funds – LVNAV	8,000	19,500	(10,000)	17,500
Money Market Funds – VNAV	4,000	-	-	4,000
Sub-Total Short-Term	**27,000**	**83,000**	**(61,000)**	**49,000**
Long and Short-Term Investments	**45,000**	**83,000**	**(61,000)**	**67,000**
Lloyds Bank current account	1,527		(439)	1,088
Total Cash & Investment Balances	**46,527**	**83,000**	**(61,000)**	**68,088**

7.11. At the Strategic Investment Group meeting held on 31st July 2019, it was agreed that, subject to taking further advice from Arlingclose, an additional

£2million be added to the Council's long-term pooled fund investments, which would take the total invested up to the maximum set by Council of £20million. Further advice was required due to accounting changes that, subject to statutory mitigation ending in March 2023, would have the effect of increasing the volatility of amounts that need to be recognised when setting the Council's budget and council tax arising from changes in the market value of funds. At present these are not realised until shares/ units in funds are sold. In addition, timing of investment was to be considered in light of the ongoing uncertainty regarding Brexit. Subsequent to seeking this advice, £1million was added to the Kames Diversified Fund on 8th October, with the remaining £1million to be placed in mid-November, subject to further review at that time.

7.12. The current holdings in pooled funds is shown in **Appendix B**.

Investment Returns and Fair Values

7.13. The overall return to the 30th September 2019 was £681,044 or 2.11% (annualised). Interest earned on short-term investments was £189,278 equating to a return of 0.81%. Dividends from long-term pooled funds are paid quarterly and can vary quarter on quarter. Up to the end of September dividends received/ declared were £491,766 or 5.45%. The Budget for investment income is £996,000, and based on performance to date it is forecast that this will be overachieved by £157,000 giving a projected income of £1.153million.

Investment Returns 1 April to 30 September 2019

	Average Invested £000	Interest/ Dividends £	Return (annualised) %
Long-Term Investments			
Equity Funds	13,000	377,087	5.79%
Property Fund	3,000	65,001	4.32%
Diversified Funds (multi-asset)	2,000	49,678	4.95%
Sub-Total Long-Term	**18,000**	**491,766**	**5.45%**
Short-Term Investments			
UK Banks & Building Societies	12,000	54,620	0.91%
Non UK Banks	6,000	28,593	0.95%
Debt Management Office (UK Govt.)	2,544	6,377	0.50%
Other Local Authorities	6,104	27,727	0.91%
Money Market Funds – LNAV	14,085	49,661	0.70%
Money Market Funds – VNAV	4,000	16,854	0.84%
Lloyds Bank current account	1,671	5,446	0.65%
Sub-Total Short-Term	**46,404**	**189,278**	**0.81%**
Long and Short-Term Investments	**64,404**	**681,044**	**2.11%**

7.14. The value of the Council's investments in pooled funds fluctuates in response to changing market sentiment. At present these changes in value are unrealised and have no effect on the General Fund revenue account until such time investments are sold. At 30th September the overall valuation of funds was £19.456million representing an unrealised gain of £1.456million

(£1.308million at 31st March 2019).

Investment Benchmarking

7.15. The progression of credit risk and return metrics for the Council's investments are shown in the following extract from the Arlingclose quarterly investment benchmarking:

	Credit Score	Credit Rating	Bail-in Exposure	WAM (days)	Income Return	Total Return
31-Mar-19	4.34	AA-	64%	74	2.41%	3.29%
30-Jun-19	4.58	A+	78%	38	1.96%	1.10%
30-Sep-19	4.50	A+	73%	38	1.80%	1.10%
Similar LAs	4.26	AA-	61%	80	1.68%	1.58%
All LAs	4.28	AA-	62%	28	1.34%	1.22%

WAM = weighted average days to maturity

7.16. The table above shows that the Council compares favourably in terms of overall income return; however, total return (including changes in market value) is lower than average reflecting the recent volatility experienced in equity markets. Credit quality and bail-in exposure reflects the Council's investments in fixed term deposits and money market funds which comprise a relatively high proportion of internal investments (i.e. investments which exclude strategic funds).

8. Non-Treasury Investments

8.1. Although not classed as treasury management activities, the CIPFA Code now requires the Council to report on investments for policy reasons outside of normal treasury management. This includes service investments for operational and/or regeneration as well as commercial investments which are made mainly for financial reasons. The Council holds direct property investments with a market value of £36.303million comprising: industrial land and units; shops; offices; and other commercial property. Properties are leased to third parties generating rental income for the Council. In 2019/20 the net rental income is expected to be in excess of £2million, representing a return of around 6%. Further income is generated from non-commercial property, e.g. through mixed use of Causeway House; and business start-up units.

8.2. The Council also has a number of loans which have been made for service reasons. At 31st March 2019, the amount outstanding on these was £0.325million. Since then one mortgage loan amounting to £0.047million has been repaid early, with a further loan of £0.200million expected to be repaid in November. This will leave just two loans outstanding (total value of £0.078million) that are being repaid in monthly instalments.

9. Outlook for remainder of 2019/20

9.1. The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and

the downturn in global activity. In response, global and UK interest rate expectations have eased dramatically.

9.2. Parliament appears to have frustrated the desire of the UK Government to exit the EU on 31st October. The probability on a no-deal EU exit in the immediate term has decreased, although a no-deal Brexit cannot be entirely ruled out for 2019 and the risks of this event remains for 2020. The risk of a general election in the near term has, however, increased.

9.3. There appears no near term resolution to the trade dispute between China and the US, a dispute that the US appears comfortable exacerbating further. With the 2020 presidential election a year away, this stance is unlikely to change.

9.4. Arlingclose expects the Bank Rate to remain at 0.75% for the foreseeable future but there remains substantial risks to the forecast, dependant on Brexit outcomes and the evolution of the global economy. Arlingclose judges that the risks are significantly weighted to the downside.

Interest Rate Forecast - Official Bank Rate

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

Source: Arlingclose

9.5. Gilt yields have fallen to historic lows. The risks to economic growth from global political uncertainty appear to have crystallised, dampening rate expectations and dragging yields lower. Arlingclose expects gilt yields to remain at low levels for the foreseeable future and see the risks as broadly balanced. Volatility will continue to offer longer-term opportunities for borrowing where there is a clear need.

Appendix A – Economic and Market Commentary by Arlingclose

Economic background: UK Consumer Price Inflation (CPIH) fell to 1.7% year/year in August 2019 from 2.0% in July, weaker than the consensus forecast of 1.9% and below the Bank of England's target. The most recent labour market data for the three months to July 2019 showed the unemployment rate edged back down to 3.8% while the employment rate remained at 76.1%, the joint highest since records began in 1971. Nominal annual wage growth measured by the 3-month average excluding bonuses was 3.8% and 4.0% including bonuses. Adjusting for inflation, real wages were up 1.9% excluding bonuses and 2.1% including.

The first estimate of Q2 GDP growth showed the UK economy contracted by 0.2% following the 0.5% gain in Q1 which was distorted by stockpiling ahead of Brexit. Only the services sector registered an increase in growth, a very modest 0.1%, with both production and construction falling and the former registering its largest drop since Q4 2012. Business investment fell by 0.5% as Brexit uncertainties impacted on business planning and decision-making.

Politics, both home and abroad, continued to be a big driver of financial markets over the last quarter. Boris Johnson won the Conservative Party leadership contest and has committed to leaving the EU on 31st October regardless of whether a deal is reached with the EU. Mr Johnson prorogued Parliament which led some MPs to put forward a bill to block the UK from leaving without a deal. The move was successful and having been approved by the House of Lords will now pass into law.
Tensions continued between the US and China with no trade agreement in sight and both countries imposing further tariffs on each other's goods. The US Federal Reserve cut interest rates in a pre-emptive move to maintain economic growth amid escalating concerns over the trade war and a weaker economic environment leading to a more pronounced global slowdown. These elevated concerns have caused government yield curves in the US and UK to invert, something seen by many commentators as a predictor of a global recession. Market expectations are for further interest rate cuts from the Fed and in September the European Central Bank reduced its deposit rate to -0.5% and announced the recommencement of quantitative easing from 1st November. The Bank of England maintained Bank Rate at 0.75% and in its August Inflation Report noted the deterioration in global activity and sentiment and confirmed that monetary policy decisions related to Brexit could be in either direction depending on whether or not a deal is ultimately reached by 31st October.

Financial markets: After rallying early in 2019, financial markets have been adopting a more risk-off approach in the following period as equities saw greater volatility and bonds rallied (prices up, yields down) in a flight to quality and anticipation of more monetary stimulus from central banks. The Dow Jones, FTSE 100 and FTSE 250 are broadly back at the same levels seen in March/April.

Gilt yields remained volatile over the period on the back of ongoing economic and political uncertainty. From a yield of 0.63% at the end of June, the 5-year benchmark gilt yield fell to 0.28% at the start of September before recovering to 0.49% by the middle of the month. There were falls in the 10-year and 20-year gilts over the same period, with the former dropping from 0.83% to 0.43% before bouncing back to 0.71% and the latter falling from 1.35% to 0.84% before rising again to 1.06%. 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.65%, 0.75% and 1.00% respectively over the period.

Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth remains a global risk. The US yield curve remains inverted with 10-year Treasury yields lower than US 3-month bills. History has shown that a recession hasn't been far behind a yield curve inversion. Following the sale of 10-year Bunds at -0.24% in June, yields on German government securities continue to remain negative in the secondary market with 2 and 5-year securities currently trading around -0.71 and -0.72% respectively.

Credit background: Credit Default Swap (CDS) spreads rose and then fell again during the quarter, continuing to remain low in historical terms. After rising to almost 120bps in May, the spread on non-ringfenced bank NatWest Markets plc fell back to around 83bps by the middle of September, while for the ringfenced entity, National Westminster Bank plc, the spread fell slightly from 40bps to 38bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 32 and 66bps at the end of the period.

There were minimal credit rating changes during the period. Moody's upgraded The Co-operative Bank's long-term rating to B3 and Fitch upgraded Clydesdale Bank and Virgin Money to A-.

Appendix B

Pooled Funds at 30 September 2019

Fund	Invested £000
Schroder UK Income Maximiser Seeks to provide income and capital growth with target income of 7% p.a. by investing in mainly UK equities	2,500
Threadneedle UK Equity Income Steady growth in income and acceptable capital growth. Aims for a yield greater than 110% of the FTSE All Share Index	5,000
M&G Global Dividend Fund Aims to: deliver an income stream that increases every year; deliver a yield above that available from the MSCI All Countries World Index over any five year period; and deliver a higher total return over the MSCI All Countries World Index over any five year period	2,500
M&G UK Income Distribution Fund Aims to increase income distributions over time and targets a yield greater than the FTSE All-Share Index. The investment manager will also aim for capital growth.	3,000
CCLA Local Authorities Property Fund Aims to provide long-term capital and income return. The fund must pay out the income it generates.	3,000
Investec Diversified Income Fund Aims to provide steady income (4-6% p.a.) and the opportunity to grow the value of the investment over the long term by investing in an actively managed global multi-asset portfolio	1,000
Kames Diversified Monthly Income Fund Aims to provide income with the potential for capital growth over the medium term. The fund also aims for half to two-thirds of the volatility of the MSCI World Index.	1,000
Total	**18,000**

Corporate Governance Group
24th October 2019

Braintree District Council

Monitoring Officer's report on Standards	Agenda No: 9

Portfolio	**Corporate Services and Asset Management**
Corporate Outcome:	**A high performing organisation that delivers excellent and value for money services**
Report presented by:	**Ian Hunt, Head of Governance and Monitoring Officer**
Report prepared by:	**Ian Hunt, Head of Governance and Monitoring Officer and Emma Wisbey, Governance and Members Managers and Deputy Monitoring Officer**

Background Papers:	**Public Report**
Chapter 1 of the Constitution – Article 10 (paragraph 4.4.2) Code of Conduct Local Government Ethical Standards A Review by the Committee on Standards in Public Life – January 2019	**Key Decision: No**

Executive Summary:

This report provides Members with an update on the functioning of the Member Standards Framework for the period 2018/19 in respect of the Member Induction for Code of Conduct and Interests.

The Monitoring Officer is the proper officer for the discharge of the Council's functions under the Localism Act 2011, including the assessment and determination of complaints made in respect of the Code of Conduct as adopted by Braintree District Council and the Code of Conducts as adopted by all Parish and Town Councils in the Braintree District.

Following the publication of the Committee on Standards in Public Life report, a comparison of the Council's arrangements for standards has been carried out against the best practices identified in the Report. Where the Council's arrangements do not align with best practice, the Monitoring Officer would welcome views of Members in order to review the Council's procedures.

Recommended Decision:

Members are requested to:

1. Note the Annual Report for 2018/19.
2. Note the Council's position regarding the good practice as set out in the Local Government Ethical Standards A Review by the Committee on Standards in Public Life (January 2019).

Purpose of Decision: To comply with provisions Article 10, Chapter 1 of the Council's Constitution. To be aware of the Council's position in respect of the good practices identified by the Committee on Standards in Public Life.

Any Corporate implications in relation to the following should be explained in detail.	
Financial:	No matters directly arising out of this report.
Legal:	Relevant matters are addressed within the report.
Safeguarding:	No matters arising out of this report.
Equalities/Diversity:	If it has not been necessary to conduct an Equality Impact Assessment. This report seeks to advise Members of the work of the Monitoring Officer and how the Council arrangements for the Code of Conduct compare with the good practice as identified by the Committee on Standards in public life.
Customer Impact:	No matters arising out of this report.
Environment and Climate Change:	No matters arising out of this report.
Consultation/Community Engagement:	No matters arising out of this report.
Risks:	No matters arising out of this report.
Officer Contact:	Ian Hunt, Head of Governance and Monitoring Officer and Emma Wisbey, Governance and Members Manager and Deputy Monitoring Officer
Designation:	See above
Ext. No:	2629 or 2610
E-mail:	ian.hunt@braintree.gov.uk emma.wisbey@braintree.gov.uk

1. Introduction

This is the Annual Report of Braintree District Council's Monitoring Officer and covers the civic year 2018/19. The purpose of this report is to review the functions of the Standards Framework during the above mentioned period.

The Monitoring Officer is Ian Hunt, Head of Governance. Ian Hunt appointed Emma Wisbey, Governance and Member Manager, as his Deputy Monitoring Officer.

2. Complaints received by the Monitoring Officer.

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

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

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

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

The majority of contacts where advice is sought relates to residents (or individual Councillors) who have concerns about either specific decisions of Parish Councils or the failure to make a specific decision. These are generally not a "Code" matter as it is not about individual behaviours, the District Council does not have jurisdiction relating to the decision making of parish Councils.

2.1 Complaints received by the Monitoring Officer

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

During the year 2018/19, the Monitoring Officer received a number of formal complaints which have been considered. No concluded matters have required formal investigation and referral to the standards subcommittee.

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

- The appropriateness of individual Councillors actions at meetings. A recurring theme related to the actions of the Chairman in managing debates / restricting debates. These cases are often linked to the outcome of the decision, in some cases this is down to an unrealistic expectation from the public. We have also provided support and guidance in relation to some cases where the approach was strong but not unreasonable.
- There have been a number of challenges around perceptions of bias or unreasonable preference, although this has not been substantiated.
- A small number of Parish Clerks have had issues with individual Members, this has been in relation to challenging behaviors where support has been given.

2.2 Referrals to the Standards Sub-Committee

The Monitoring Officer may refer any complaint to the Standards Sub-Committee for them to make the initial decision on whether or not to investigate the matter. For the year 2018/19 there has been no matters which required referral to the Standards Sub-Committee.

2.3 Referral to Essex Police

For the year 2018/19 there has been no referrals to Essex Police by the Monitoring Officer.

3. Applications for Dispensation against Member Interest

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

3.1 Applications by District Councillors

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

3.2 Applications by Parish Councillors.

Ridgewell Parish Council has delegated to the District Council's Monitoring Officer the function of the Proper Officer for the purpose of dispensations.

The Monitoring Officer received no applications for dispensation during 2018/19.

4 Registers of Interest

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

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

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

It is the responsibility of Councillors to ensure that their Registers of Interests remains up to date. To assist Councillors with this duty, periodic reminders were sent in 2018/19 to all District Councillors and the Parish Clerks to ensure compliance.

A review of the Register of Interests was undertaken in April 2019 in preparation of the District and Parish Elections. The templates for the Registers of Interests was assessed against the legal framework for declarations of Members' Interests and was found to be sound. The Template was refreshed to incorporate the Data Processing Statement for compliance with Data Protection obligations and additional guidance was included to explain the obligations of Elected Members and the Monitoring Officer.

5. Support to Parish and Town Councils and Councillors

Leading up to the Parish Elections in May 2019, the Monitoring Officer wrote to all Parish Clerks with the new Register of Interests template giving guidance on the arrangement they needed to undertake for their Parish Councillors, requiring them to complete a new Register of Interests and to submit them to the Monitoring Officer for compliance with the provisions of the Localism Act 2011.

6. Support to District Councillors

Existing Councillors prior to the election were provided with guidance and support on managing their role as Candidates and Councillors through the election period.

Following the District Council Elections all Councillors were invited to attend a Member Induction Session. The Induction Session held on 16th May 2019, focused on Members roles at Committees, Ethical Standards including the Code of Conduct and the Declaration of Members' Interests.

A Register of Interest was provided to all elected District Councillors, either on the night of the election or the subsequent week, as part of their Member Induction packs. The Monitoring Officer and his Deputy meet with a number of new and returning Councillors to support them with the completion of their Registers.

All Registers have been duly completed and returned to the Monitoring Officer and published on the Council's website.

7. Local Government Ethical Standards A Review by the Committee on Standards in Public Life – January 2019

This was a welcome and comprehensive review of the current situation relating to the Member Standards framework as it has evolved since the introduction of the changed structures under the Localism Act 2011. The Committee has no formal powers and is an advisory body set up under the Cabinet Office to advise the Prime Minister on ethical standards across the whole of public life in England. It monitors and reports on issues relating to the standards of conduct of all public office holders.

The review highlighted that the majority of Councillors and Councils operate effectively and with good governance and Member Standards. However, there are some areas of specific concern where a minority of Councillors nationally engage in inappropriate behaviour and that this has a disproportionate impact on the delivery of the standards framework.

The committee felt that the benefits of the devolved arrangements should be retained, however that there is a need to strengthen the overall framework. A significant proportion of the reports recommendations will require statutory change to implement. This reflects that the current framework is relatively restricted in its statutory scope. As yet the government has not indicated that there are any proposed changes to the relevant legislation.

Following the publication of the Committee on Standards in Public Life Report, the Monitoring officer has carried out a desktop assessment of the Council's process for dealing with Standards against the list of best practice as listed in the Committee's report. The best practices are directed by the Committee to Local Authorities with an expectation that they can and will implement them. The Committee have indicated in their report that they intend to review the implementation of their best practice recommendation in 2020.

Best practice 1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

Prohibition on Bullying is included in the Council's Code of Conduct (Section 5.3.2). Harassment is not specifically mentioned, however the Council's Code in Section 5.3.3 addresses intimidation (and attempts). The Monitoring Officer would view those provision adequate to address behaviours which were reported as harassment, however the Code could be amended to make specific reference to "harassment". No

specific definitions or list of examples of defined behaviour are included in the Code at present.

Best practice 2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.

The Council's Code does not have this as a provision at present.

Generally speaking Members have responded to complaints, whilst this provision would set out an expectation it would not automatically mean a Councillor who wished to disregard the Code would participate.

The Assessment Criteria for dealing with complaints adopted by the Council sets out the type of complaints which are not usually referred for investigation, which includes complaints which are:

Not considered sufficiently serious to warrant investigation
simply motivated by malice or is "tit-for-tat"
to be politically motivated

The Monitoring Officer has not considered that based upon the behaviours of the Councillors that is it necessary to have this as a specific provision of the Code of Conduct.

Best practice 3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

No specific annual review of the Code is undertaken at present. He Council uses a model Code of Conduct which was agreed through the work of Essex Councils through Public Law Partnership in 2011. Monitoring is undertaken of changes in our peer group of Councils and there has been relatively limited change.

Best practice 4: An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

The Code of Conduct is accessible as part of the Council's Constitution which is published on the Councils' website together with the Council's adopted procedures and guidance for complaints against Councillors. It is clearly linked in the Complaints section of the website.

Best practice 5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

Gift and Hospitality declarations are published on the website site for each District Councillor. These are updated as and when declarations are received by the Monitoring Officer (and Deputy) and the Governance and Members Team.

Best practice 6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.

The Assessment Criteria adopted by the Council sets out how the Monitoring Officer will filter complaints; this does not include a defined public interest test.

Best practice 7: Local authorities should have access to at least two Independent Persons.

The Council has in the past had two Independent Persons (IP). Due to the restriction on the number of terms of office an IP may hold, the Council currently has one. The Monitoring Officer is reviewing the IP process.

Best practice 8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.

The Council's procedure for handling complaints states that the Monitoring Officer will consult with an Independent Person before making their decision as to whether a complaints merits no further action; merits early informal resolution or mediation or merits further investigation or referral to the Sub-Committee.

Best practice 9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

This is incorporated within the process for a Standards Committee Hearing.

Best practice 10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

This is the Council's current practice.

Best practice 11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.

The Council's procedures allow anyone to be a complainant. However, where the Monitoring Officer has received a complaint from a Parish Clerk in respect of their own Parish's Councillor, the Monitoring Officer will review the matter to ensure that the complaint is not one which

would be considered arising out of the “employment” relationship between Clerk and Parish Council before advancing any assessment.

Best practice 12: Monitoring Officers’ roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

The Monitoring Officer has one deputies and all individuals receive training to undertake their roles and have support within the organisation.

Best practice 13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

The Monitoring Officer’s current practice in such circumstances is to use an external Investigator where appropriate.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

This is partially addressed by the Council’s Annual Governance Statement, however we are currently working with partners to ensure that this is fully reflected and undertaken.

Best practice 15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

The Chief Executive has regular meetings with Political Group Leaders, the scope of these meetings can include both specific and generic standards matters. Historically when relevant the Monitoring Officer has and would continue to be part of these discussions, either in person or providing advice and support outside of the meeting. If relevant the Monitoring Officer is able to add an item to these agendas.