

# Supplementary Council Agenda



**Epping Forest  
District Council**

## ***Council Thursday, 29th June, 2006***

**Place:** Civic Offices, Epping  
**Room:** Council Chamber  
**Time:** 7.30 pm  
**Committee Secretary:** Council Secretary: Ian Willett  
Tel: 01992 564243 Email: iwillett@eppingforestdc.gov.uk

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### **6. STATUTORY STATEMENT OF ACCOUNTS - 2005/06 (Pages 3 - 32)**

Revised papers attached

### **10. MOTIONS (Pages 33 - 34)**

To consider the attached motions, notice of which has been given under Council Procedure Rule 11.

### **11. QUESTIONS BY MEMBERS (Pages 35 - 36)**

To answer the attached questions asked after notice in accordance with the provisions contained in paragraph 10.3 of the Council Procedure Rules of the Constitution:

- (a) to the Chairman of the Council;
- (b) to any Member of the Cabinet; or
- (c) to the Chairman of any Committee or Sub-Committee.

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## REVISED

### STATEMENT ON INTERNAL CONTROL FOR 2005/06

#### 1. SCOPE OF RESPONSIBILITY

- 1.1 Epping Forest District Council (EFDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this accountability, Members and senior officers are responsible for putting in place proper arrangements for the governance of EFDC's affairs and the stewardship of the resources at its disposal. To this end, EFDC has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Corporate Governance in Local Government: A Keystone for Community Governance*.
- 1.2 EFDC has in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to Corporate Governance is both adequate and effective in practice.
- 1.3 In addition, the Corporate Governance Group comprising of Management Board, the Monitoring Officer, Deputy Monitoring Officer, the Chief Financial Officer and the Chief Internal Auditor, review the arrangements to provide assurance on the adequacy and effectiveness of the Local Code and the extent of compliance with it.
- 1.4 In discharging these responsibilities, EFDC is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions, and which include arrangements for the management of risk.

#### 2. PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

- 2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
  - a) identify and prioritise the risks to the achievement of EFDC's policies, aims and objectives;
  - b) evaluate the likelihood of those risks being realised and the impact should they be realised; and
  - c) manage them efficiently and economically.
- 2.2 The basis of this system of internal control has been in place at EFDC for the year ended 31 March 2006, and up to the date of the approval of the accounts.

#### 3. THE INTERNAL CONTROL ENVIRONMENT

- 3.1 The key elements of the internal control environment are summarised below:
  - 3.1.1 **Establishing and monitoring of the Authority's objectives**

The EFDC Council Plan for 2003/07 was in place during 2005/06 and is available on the Council website. This document sets out the Council's main strategies on a four year rolling programme, and is based on a thematic, rather than service specific

approach to allow cross cutting issues to be identified and addressed more effectively. The themes are:

- a safe, healthy and attractive place
- an organisation that listens and leads to resolve local issues; and
- accessible, affordable and improving services

Progress towards the achievement of the objectives is monitored through the Performance Management Framework that was introduced in 2003/04 and updated during 2005/06. A full review of the actions included in the Plan took place in February 2006, carried out by the Finance and Performance Management Scrutiny Panel.

Towards the end of 2005/06 the Council Plan 2006/10 was drafted and was in the course of being consulted upon with a wide range of stakeholders. It is intended that the Plan will be formally adopted by the Council in July 2006, following extensive community consultation.

### **3.1.2 Policy and decision-making**

EFDC has a Constitution which details how the Council operates, how decisions are made and the procedures to be followed to ensure that these are efficient, transparent and accountable to local people. The Constitution also includes Financial Regulations, Contracts Procedure Rules and the Council's Scheme of Delegation. It is subject to regular review.

The Cabinet is responsible for key policy decisions. The Cabinet is made up of the Leader and eight other Portfolio Holders, who are all appointed by the Council. All decisions must be in line with the Council's overall policies and budget. Any decisions the Cabinet wishes to take outside the budget or policy framework must be referred to Council as a whole to decide.

A review of the Member level scrutiny function led to the introduction in 2005/06 of new arrangements based on a single Overview and Scrutiny Committee to support and monitor the work of the Cabinet. 'Task and Finish' Panels are now used for ad-hoc projects agreed in the annual work programme, for in-depth reviews of services/policies, and service development. Standing Panels will be used for cyclical topics such as Finance and Performance Review. A "call-in" procedure remains in place and allows the Overview and Scrutiny Committee to review Cabinet decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered.

A further review of this new structure took place in March 2006, and was held at a members' seminar which was externally facilitated. An action plan was agreed to streamline arrangements which were generally felt to have been effective. The key findings included the need to build capacity to support the Overview and Scrutiny function and follow up implementation reviews. No constitutional changes to Overview and Scrutiny were found to be necessary and the action plan will be reviewed by Overview and Scrutiny Committee during 2006/07.

### **3.1.3 Standards Committee**

The Council's independent Standards Committee was reappointed during 2004 for a 3 year term, and comprises three independent members, one parish representative (and deputy) and two District Councillors. The Terms of Reference of the Committee are defined by Statute and various Government Regulations. Amongst other things

the Committee gives advice and training on ethical governance issues and investigates/adjudicates on complaints against elected members as referred by the Standards Board for England. It is also available to assist with interpretation of Council protocols. The Committee submits an annual report on its activities to the Council.

During the year the Committee has undertaken its first two adjudications on complaints against Councillors. Work also commenced on its first two local investigations and these will lead to further local adjudications. The Committee has hosted four training courses on the Code of Conduct and Planning Protocol for both Parish and District Councillors. Revised ethical advice on conduct in respect of outside organisations, planning, on gifts and hospitality and use of member facilities were issued during 2005/06. Resourcing of the investigation/adjudication processes has emerged as a concern, as has the difficulty in ensuring that those processes remain able to resist challenges based on conflicts of role for the Monitoring Officer and her staff.

#### **3.1.4 Remuneration Panel**

The Statutory Remuneration Panel has met during the year. It advised the Council on member remuneration in relation to:

- a) changes in the number of Overview and Scrutiny Committees;
- b) changes in Cabinet portfolios; and
- c) payment of an additional Basic Allowance to assist Councillors with IT provision.

The Panel comprises the independent persons appointed in 2001.

#### **3.1.5 Compliance**

EFDC has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as is possible, all officers understand their responsibilities both to the Council and to the public. Two key documents are the Financial Regulations and the Contracts Procedure Rules, which are available to all officers via the Council's Intranet as part of the Constitution. Other documentation includes corporate policies on a range of topics such as Data Protection, Health and Safety and Counter Fraud. All policies are subject to internal review to ensure these are adequately maintained. The Council keeps all staff aware of changes in policy, or new documentation following new legislation by means of alerting them in a monthly newsletter, issued by Human Resources, and where appropriate by arranging training for all or key members of staff.

As part of the Local Code of Corporate Governance, EFDC has previously adopted a Risk Management Strategy. This document shows the role both Members and Officers have in the identification and control of risk.

As part of the risk management process, further work has been undertaken during 2005/06 on the development of the Council's risk register, and both officers and members have received training in risk management issues from a specialist consultant. Managers in each Service continue to take the lead on risk management issues and co-ordinate the production of Service risk management strategies. This ensures that risks are identified and that sound business arrangements operate in Service areas to deal with them. These managers meet on a quarterly basis to ensure a consistent approach to risk management across the Authority. During the year, Internal Audit followed up the findings of the audit of risk management undertaken in 2004/05, and were able to confirm that there had been further improvements in the Council's risk management processes.

The Council's systems of internal control identified some weaknesses in the application of some of the Council's systems, and occasional lapses in the application of Financial Regulations during 2005/06. The main concerns included the misappropriation of cash by an employee in one Service, and the abuse of time keeping by a group of employees in another Service. There was also a general concern regarding segregation of duties in all services between the raising and authorisation of purchase orders, and the certification of invoices. These issues were picked up through the Council's internal control mechanisms and were dealt with promptly by Service management in liaison with Internal Audit. The outcomes were reported to the Finance and Performance Management Cabinet Committee during the year via the Internal Audit quarterly monitoring reports, and immediate steps were taken to improve the respective systems. A follow up audit of the purchase ordering and invoicing system identified positive improvements in the system, following training provided to managers across all Services.

It should be borne in mind that the systems of internal control are designed to mitigate risk as far as possible, rather than aiming to eliminate it altogether. The key strategic risks to the Authority will, from 2006/07, be subject to regular review by the Management Board, Heads of Service and the Finance and Performance Management Cabinet Committee.

### **3.1.6 Use of Resources**

EFDC maintained its budgetary monitoring processes during 2005/06 to ensure that financial resources were being used to their best advantage, via management reporting to the officer Corporate Programme Groups, and to Members via the Finance and Performance Management Scrutiny Panel.

Financial planning is underpinned by service planning, with increased expenditure in any service area being justified alongside other competing budget requests to the Overview and Scrutiny Committee's Finance and Performance Management Standing Panel and Cabinet, as part of the annual budget process. Key to the service planning process is a requirement to demonstrate planning for continuous improvement over several financial years. The Cabinet has to prioritise resource allocation to ensure that the objectives within the Corporate Plan are supported by the individual service plans, and that improvements are in line with corporate aims and objectives.

Economic, effective and efficient use of resources is subject to review through the work of both Internal and External Audit, through benchmarking and the use of comparative techniques with other service providers, and through independent external review.

From 2005/06 the Council's External Auditor, as part of the annual Use of Resources assessment, evaluates how well Councils manage and use their financial resources. The first assessment acknowledged that the Council was in a sound financial position and had established proper arrangements to monitor its financial position and take appropriate remedial action where necessary.

The reports recommended that the Council:

- a) improve the systems in place to ensure value for money was being delivered in all service areas. This work is now being taken forward by a multi disciplinary group led by a Head of Service.

- b) ensure that the new performance management system was embedded and used effectively so that it contributed towards demonstrable and sustained service improvement. The Head of Human Resources and Performance Management is driving improvement in this area and Internal Audit conduct regular reviews to monitor progress.
- c) ensure that the process to produce the accounts for 2005/06 and future years result in accounts that are free from material error and comply with the CIPFA/LASAAC statement of recommended practice. The Head of Finance is liaising closely with the external auditors to improve the closure of accounts process.
- d) continue to progress with the risk management agenda to ensure it is embedded throughout the Council. Officers from all services continue to meet on a quarterly basis to share good practice, and the corporate risk register is now in place following the involvement of Members in the process.

### 3.1.7 Financial Management

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Section 151 Officer. The systems of internal financial control provide reasonable but not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability.

In particular, the process in 2005/06 included:

- The rolling forward of the Council's four year financial strategy, now updated annually;
- The setting of the annual budget, continuing the existing practice of separating the base budget for continuing services, from the fund established to meet the cost of 'one off' items of revenue expenditure;
- The adoption of a three year capital strategy, previously assessed by the Government Office as "good";
- Monitoring of actual income and expenditure against the annual budget;
- Setting of financial and performance targets, including the monitoring of the prudential code and associated indicators;
- Periodic reporting of the Council's financial position to Members;
- Clearly defined capital expenditure guidelines;
- Management of the Council's property portfolio, including disposal of surplus sites, in line with the Council's Asset Management Plan;
- The monitoring of performance on a quarterly basis;

- Managing risk in key financial service areas.



The Internal Audit Team reports to the Joint Chief Executive (Resources) and operates under an annual Audit Plan, which sets the audit work plan for the year and the framework within which its activities are monitored by the Finance and Performance Management Cabinet Committee. The main responsibility of the Internal Audit Team is to provide assurance and advice to the Management Board and Members, on the internal control system of the Authority. Internal Audit provides an independent view on the adequacy, reliability and effectiveness of internal control within systems, and recommends areas for improvement. It also supports management in developing systems, and in providing advice on matters related to risk and control. The controls created by management are evaluated to ensure:

- Council objectives are being achieved;
- Economic and efficient use of resources;
- Compliance with policies, procedures, laws and regulations;
- The safeguarding of Council assets;
- The integrity and reliability of information and data; and
- The identification and control of risk

### **3.1.8 Performance Management**

Continuous service improvement is promoted via the Council's performance management framework, which links the aims and actions of the Council Plan to the targets and priorities of individual staff via the annual staff development review process.

The Council sets its overall priorities as a way of informing the decision making process and budget setting cycle. To this end the Council has three key 'policy themes', as referred to at paragraph 3.1.1 above. Within each theme there are a number of more specific aims, which are monitored through the performance management system. The new, draft Council Plan seeks to align the Council's priorities with those of the Local Strategic Partnership (LSP) where these are congruent.

The former Overview and Scrutiny Committees identified potential enhancements in the performance monitoring systems to improve their usability and value to the Council. This formed the basis of a revised system of monitoring under the new scrutiny arrangements for 2005/06. At its meeting on 6 June 2005, the Cabinet adopted an objective, for performance against 40% of all BVPIs for the year (40 in number), to be in the top quartile of district councils. These key BVPIs are monitored by Management Board on a quarterly basis and regular reports are now submitted to the Finance and Performance Management Scrutiny Panel, in order to drive and monitor improvement in those Service areas considered to be of vital importance in delivering the Council's main policy and Service objectives. Following the first year of monitoring in this way, the make up of the 40 key performance indicators will now be reviewed in the context of the evaluation of performance for the full set of BVPIs.

#### **4. REVIEW OF EFFECTIVENESS**

- 4.1 EFDC has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by:
- The work of the Internal Auditors;
  - The work of managers within the Council;
  - The External Auditors in their annual audit letter and other reports; and
  - Comments by other review agencies and inspectorates.
- 4.2 The Finance and Performance Management Cabinet Committee receives quarterly updates from the Chief Internal Auditor on the progress against the Audit Plan during the year, along with an annual assessment at the year end. Within these reports there is a strong focus on matters relating to the effectiveness of internal controls.
- 4.3 Individual Cabinet Members receive regular feedback from senior officers within their portfolios, on the delivery of services and the achievement of objectives and targets. Issues of strategic importance are now reported via the Overview and Scrutiny Committee.
- 4.4 Based on an overview of the work undertaken throughout the year, in conjunction with previous years' work and current risk assessments, the Chief Internal Auditor has placed a satisfactory level of assurance on the systems of internal control in place during 2005/06.
- 4.5 Within the external Comprehensive Performance Assessment undertaken in 2004, the Council was assessed in overall terms to be a "good" and financially sound Authority. A detailed Improvement Plan is in place and progress is regularly monitored by the Council's Management Board and the joint Member/Officer Improvement Team.
- 4.6 The Council has, over the past few years, received positive Annual Audit letters from the External Auditor, which includes unqualified accounts.

#### **5. IMPROVEMENTS DURING THE YEAR**

- 5.1 In the period covered by this Statement, improvements have been made to the Council's arrangements in respect of the following areas:

##### **Improvement Areas for 2005/06 identified in last year's Statement**

- A 'user friendly' summary of Financial Regulations, to help raise awareness and understanding, has been published on the Council's intranet. This followed four sessions of finance awareness training, provided to 90 managers and other staff with financial responsibilities across the Council.
- Following a review of the Council's performance management arrangements, monitoring of key BVPIs by Members is now focussed on 40 indicators where a target has been set to achieve top quartile status for District Councils. All BVPIs and Service improvement areas continue to be monitored by Management Board on a quarterly basis. A new performance management system is being introduced in July 2006, with the aim of providing better quality, more timely information to management.

- The Council's risk management processes have continued to be strengthened by the training of officers and members, the completion of risk management action plans across Service areas, and the production of a new Corporate Risk Register in March 2006.

### **Other Improvements during 2005/06**

- The Council's Contract Standing Orders have been updated and a revised version was published during 2005/06.
- A revised scheme of virement was adopted in 2005/06, designed to facilitate more flexible financial management.
- In July 2005 the Council approved formal guidelines to Members on the acceptance of gifts and hospitality.
- A protocol on the use of Council facilities by Members (including IT facilities) has been agreed by the Council in liaison with the local Standards Committee.
- Revisions to the Council's planning protocol were agreed by the Council in December 2005
- A protocol to guide Members and officers when representing the Council on Outside Organisations was formally adopted during 2005/06.
- A management instruction was issued to all staff, reminding them about acceptable use of the internet. The Council's Internet Policy was revised towards the end of 2005/06 and will be re-issued to all staff in 2006/07.
- A Staff Code of Conduct was drafted in 2005/06 and will be issued to all staff in 2006/07 once it has been through the consultation process with staff representatives, and approved by the Council.
- The Council's Anti-fraud Strategy is available to the majority of staff via the Council's intranet, and induction training on the existence and purpose of the strategy is given to new Council employees.
- A policy for dealing with close personal relationships at work was introduced in July 2005. This ensures that risks are identified and managed in such circumstances.
- In order to demonstrate accountability, and improve communications with Service users and other stakeholders, a suite of annual reports for 2005/06 have been prepared. The reports cover the functions of the Cabinet, Overview and Scrutiny, the Standards Committee and the Remuneration Panel.
- All Heads of Service have again reviewed the internal controls operating within their Service Areas, and have provided assurance statements confirming their belief that appropriate controls were in place during 2005/06. The issues previously identified in 2004/05 have also been addressed in the latest statements.

**6. SIGNIFICANT INTERNAL CONTROL ISSUES**

- 6.1 Internal audits undertaken during 2005/06 have shown that weaknesses persist in some of the Council's systems of internal control as defined in Financial Regulations. It is proposed to assist managers and other staff by repeating the finance awareness training during 2006/07, and by issuing ad hoc advice where appropriate.
- 6.2 The quality of performance information is still not satisfactory in all Services, and both Internal and External Audit have raised concerns about the quality of PI data and an apparent lack of consistency in the approach to quality checking by managers. Improvements will be monitored with a view to avoiding such criticisms in future.
- 6.3 The arrangements for the recovery of the Council's debts has been recognised as an area for improvement, and an external consultants' report has also indicated that corporate processes are in need of review in order to improve cash flows and reduce the level of write offs. Finance and Legal Services have been working on a system of enhanced procedures. Internal Audit will be conducting a detailed review during 2006/07.
- 6.4 A number of Internal Audit reviews and investigations have suggested that there is a degree of misuse, by some staff, of the Council's internet, email, and telephone facilities. The local policies for the use of these facilities are currently under review, and will be re-issued to staff during 2006/07 with a strong message from senior management that abuse will not be tolerated.
- 6.5 On the basis of the relevant internal audit reports, the unqualified nature of the Council's accounts in recent years, and the assurance statements provided by Heads of Service, we are satisfied that, except for the matters referred to in paragraphs 6.1 to 6.4 above, the internal control arrangements for Epping Forest District Council are adequate, appropriate and operating effectively.

**7. CERTIFICATION**

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority, plans to address the weaknesses and ensure continuous improvement of the system is in place.

We are satisfied that these steps will address the need for improvements that have been identified during the year and we will review their implementation and operation as part of our next annual review.

**Signatures:**

..... **Leader of the Council**

**Date:** .....

..... **Joint Chief Executive  
(Resources)**

**Date:** .....

..... **Joint Chief Executive  
(Community)**

**Date:**.....

## Supplementary Papers to Accompany the Statutory Statement of Accounts

1. The Finance and Performance Management Cabinet Committee considered the draft Statutory Statement of Accounts on Monday 19 June. At that meeting Members were advised that the disclosure requirements in relation to South Herts. Waste Management going into administration had been raised with the District Auditor and that a response was awaited. A response has now been received that requires the information that had been shown under Contingent Liabilities to be moved to the Post Balance Sheet Events section. This has necessitated changes to pages 29 and 31 and so amended pages 29, 30 and 31 are attached as Appendix 1.
2. Members of the Finance and Performance Management Cabinet Committee were also advised that the Cash Flow Statement and accompanying notes, pages 33 and 34, were still being completed. The Cash Flow Statement and accompanying notes have now been completed and so amended pages 33 and 34 are attached as Appendix 2.
3. The Statement on Internal Control forms part of the Statutory Statement of Accounts, pages 35 to 43, however the Accounts and Audit Regulations require that the Statement on Internal Control be considered separately from the Statutory Statement. Members of the Finance and Performance Management Cabinet Committee considered the Statement on Internal Control on Monday 19 June and asked for some amendments to clarify the involvement of Members with internal control issues. The Statement on Internal Control has accordingly been updated and is attached as Appendix 3.
4. In checking the Statutory Statement of Accounts an error has been identified on page 10. An item that should be part of the FRS17 Adjustment has been included in Pensions Interest/Return on Investments. This has now been corrected and an updated page 10 is attached as Appendix 4.

## Explanatory Comments on the Statutory Statement of Accounts

1. A very clear message from the finance training provided for Members on 9 and 10 June was the need to make financial information more user friendly. To make the Statutory Statement of Accounts more accessible the following explanatory comments are provided to aid interpretation and highlight key issues. Detailed reports on the Capital Outturn (Cabinet 5 June) and the Revenue Outturn (Finance and Performance Management Cabinet Committee 19 June) have already been made and Members attention is also drawn to these reports.

### Introduction and Explanatory Foreword (pages i to vi)

The introduction considers the Council's financial position, picks up the main variances from the outturn reports and comments on some future issues.

- Key Issues
- A new system of allocating Government grant was announced in the year and this will benefit EFDC.

- The Council has remained debt free and has been allowed to keep £1.6 million of capital receipts that would otherwise have been paid over to the Government.
- Revenue accounts achieved higher surpluses than had been anticipated.
- Some capital projects have been subject to delay and the resources carried forward to the next financial year.
- Items that will impact on the Council in the future include:
  - a) Lyons Review of local government finance;
  - b) Customer Services Transformation Programme;
  - c) Changes in methods of service provision; and
  - d) Changes to concessionary fares schemes.

#### Statement of Accounting Policies (pages 1 to 5)

This statement sets out how the figures in the accounts have been arrived at. There have been no changes to these policies and no key issues arise from them.

#### Housing Revenue Account (pages 6 to 9)

The Council is required to keep a separate account of all income and expenditure that relates to the provision of council housing.

- Key Issues
- For the financial year 2005/06 income exceeded expenditure by £765,000, this was £357,000 more than had been estimated.
  - Income from other charges and interest was higher than expected whilst expenditure on staff was lower than anticipated.
  - There were 40 properties sold during the year but there are still 6,680 dwellings managed by the Council.
  - The regulations that set out the valuation method that must be used for council housing have changed, now only 46% of open market value can be included instead of the 57% allowed previously. This has had the effect of reducing the value of council housing shown in the accounts by £71 million, although the value used is still some £530 million.

#### Consolidated Revenue Account (pages 10 to 17)

This account brings together income and expenditure relating to all of the Council's activities for the 2005/06 financial year.

- Key Issues
- For the year income exceeded expenditure by £968,000, this was £639,000 more than had been estimated.
  - Income from Court costs was higher than anticipated and expenditure on staff and dealing with the homeless were lower than anticipated.
  - Trading Operations (Industrial Estates and North Weald Centre) generated a surplus of £803,000, up from £695,000 in the previous year.
  - Spending on the District Development Fund, which is used

to fund one-off projects, was £710,000 below the estimate. However, requests have been made to carry forward £575,000 of this under spend to 2006/07.

#### Collection Fund (pages 18 to 20)

This shows the income and expenditure for the 2005/06 financial year of the Council as a billing authority in relation to the collection and distribution of the Council Tax and Non Domestic Rates. The Council Tax paid by the residents of the Epping Forest District is shared between a number of different organisations:

Essex County Council	73.1%
Epping Forest District Council	10.5%
Essex Police Authority	8.3%
Essex Fire Authority	4.5%
Parish/Town Councils	3.6%

- Key Issues
- Collection rates for both Council Tax (98.02%) and Non Domestic Rates (98.86%) were up (previously 97.60% and 98.70% respectively).
  - Council Tax income was £66.9 million, of which £9.3 million was retained by EFDC.
  - Non Domestic Rate income was £24.4 million. EFDC was allowed to retain £165,000 to help pay for the costs of collection and received £3.5 million of funding back from the National NDR Pool.

#### Consolidated Balance Sheet (pages 21 to 31)

This lists what the Council owns, what is owed to the Council and what the Council owes to others as at 31 March 2006. This produces a figure known as Total Assets less Liabilities, which is matched by the amounts shown as Reserves.

- Key Issues
- The biggest figure on the balance sheet is fixed assets, which has reduced from £699 million as at 31 March 2005 to £635 million as at 31 March 2006. This reduction is due to the change in the valuation method for council housing mentioned earlier. During the year £8.8 million was spent on additions to fixed assets.
  - The next largest asset is temporary investments, this is money invested with selected financial institutions, which totalled £43 million at the year-end.
  - Debtors have reduced from £8.6 million to £6.7 million; this is good as it illustrates an improvement in collection rates.
  - The largest liability on the balance sheet is the Pensions Liability of £37.4 million. This shows the extent of the Council's liability if the pension fund was to close on 31 March 2006. It does not mean that this full liability will have to be paid over in the near future.
  - Creditors have reduced from £12.2 million to £8.5 million; this is due to a reduction in the end of year balancing payment due to the National Non Domestic Rate Pool.

- The Council has substantial revenue reserves on both the General Fund (£6.5 million) and the Housing Revenue Account (£5.6 million).

#### Statement of Total Movements in Reserves (page 32)

This shows the items that have been added to or taken away from the Council's Reserves during the year.

- Key Issues
- The biggest single movement is a £60.9 million unrealised loss following the reduction in the valuation of council housing mentioned above.
  - The Pensions Reserve is a negative reserve that represents the equal and opposite entry for the Pensions Liability described above.
  - There was a surplus on the disposal of assets in the year of £732,000.

#### Cash Flow Statement (pages 33 and 34)

This summarises the movements in assets, liabilities and capital that have taken place during the year and their effect on the Council's holdings of cash.

- Key Issues
- During the year cash balances increased by £288,000.
  - The largest payments out of cash in the year were £59.6 million in precepts and £24.2 million to the National Non-Domestic Rate Pool.
  - The largest receipts of cash in the year were £59.7 million of Council Tax and £29.1 million from the Department for Work and Pensions to fund benefit payments.



## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 20. CONTINGENT GAINS

The Council has a claim for VAT with Customs and Excise relating to off street parking charges resulting from the Isle of Wight tribunal case where it was concluded that off street car parking activities are within article 4.5 and in principle excluded from charges to VAT. The claim amounts to £420,000, with a further claim of £740,000 going back to January 1990.

### 21. PENSIONS

Employees of Epping Forest District Council are admitted to the Essex County Council Pension Fund ("the Fund"), which is administered by the Essex County Council under the Regulations governing the Local Government Pension Scheme, a defined benefit scheme.

The figures disclosed below have been derived by approximate updates from the full actuarial valuation of the Fund carried out by the Fund's Actuary as at 31 March 2004.

The employer's contributions certified by the actuary to the Fund in respect of the period 1 April 2005 to 31 March 2007 are 171% of members (employees) contributions plus lump sum payments of £1.675m (in 2005/06 terms), £1.747m (in 2006/07 terms) and £1.822m (in 2007/08 terms). The projected deficit payments include an allowance for two years salary increases since 31 March 2004 of 4.3%.

In 2005/06 the Council paid an employer's contribution of £3.004m representing 22.85% of employee's pensionable pay into Essex County Council's Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation. The results of the 2004 review as at 31 March 2004 were implemented with effect from 1 April 2005. The Actuary advised that the scheme was still underfunded and that deficiency contributions were required from all participating authorities. The sum required from this authority, included in the above contributions, was £1,674,649 for 2005/06 (£819,000 in 2004/05).

Contributions paid by employees into the Essex County Council Pension Fund in 2005/06 amounted to £0.781m representing 5.94% of employee's pensionable pay.

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2005/06 these amounted to £311,405 representing 2.37% of pensionable pay.

The main financial assumptions adopted as at 31 March 2006 were:

- Retail price inflation 2.9% per annum
- Increases in salaries 4.4% per annum
- Increases in pensions and deferred pensions 2.9% per annum  
(parts of pensions in payment representing guaranteed minimum pensions are not increased (pre-1998 accrual) or increased at 2.0% per annum (post-1998 accrual))
- Discount rate 4.9%

The fair values of each main class of assets held by the Fund as at 31 March and the expected rates of return for the year are set out in the following table:

## NOTES TO THE CONSOLIDATED BALANCE SHEET

	As at 31 March 2006		As at 31 March 2005	
	Fair value £m	Expected Return %	Fair value £m	Expected Return %
Equities	1,875	7.0	1,477	7.5
Gilts	277	4.3	236	4.7
Other Bonds	149	4.9	126	5.4
Property	309	6.0	244	6.5
Other	50	4.5	60	4.75
<b>Total</b>	<b>2,660</b>		<b>2,143</b>	

There is no provision for unitising the assets of a Fund under the LGPS. The above assets as a whole are allocated to participating bodies on a consistent and reasonable basis.

	31 March	
	2006 £m	2005 £m
The fair value of the above assets related to this Council was	74.3	61.2
The value placed on the liabilities related to this Council was	(111.7)	(99.3)
Consequently, at 31 March, the deficiency related to this Council was	(37.4)	(38.1)

The movement in the net pension deficiency for the year to 31 March 2006 is as follows:

	2006 £m	2005 £m
Net pensions liability at 1 April 2005	(38.1)	(24.7)
Movements in the current year		
Current service cost	(2.3)	(2.2)
Employers' contributions payable to scheme	3.3	2.4
Settlement and curtailment gains	.5	0
Past service gains	1.6	0
Interest cost	(5.3)	(5.1)
Expected return on assets in the scheme	4.0	4.0
Actuarial gain/(loss)	(1.1)	(12.5)
Net pensions liability at 31 March 2006	(37.4)	(38.1)

The actuarial asset gain can be analysed into the following categories, measured as absolute amounts and as a percentage of assets at 31 March 2006:

	2005/06	
	£m	%
Differences between the expected and actual return on assets	9.8	13.1
Differences between actuarial assumptions about liabilities and actual experience	0	0
Changes in the demographic and financial assumptions used to estimate liabilities	0	0

The above figures have been provided by the actuaries to the Essex Pension Scheme using information provided by the scheme and assumptions determined by the Council in conjunction with the actuary.

Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

## **NOTES TO THE CONSOLIDATED BALANCE SHEET**

The primary cause of the change from an estimated net pension liability of £38.1m at 31 March 2005 to an estimated net pension liability of £37.4m at 31 March 2006 has been an increase in deficiency contributions, a past service gain resulting from the anticipated change in benefits under the Local Government Pension Scheme, and a settlement gain as a result of staff transferring to a private contractor and staff transferring to Essex County Council.

The £37.4m net liability represents the difference between the value of the Council's pension fund assets at 31 March 2006 and the estimated present value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1 April 2006 would also have an impact on the capital value of the pension fund assets.

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in the 2004 actuarial review of the Pension Fund. The anticipated shortfall in the funding of the scheme has determined the future level of pension contributions which will be due up to the next review.

Changes to the Local Government Pension Scheme.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment in exchange for a reduction in their future annual pension. On the advice of the actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. The actuaries have advised that this will reduce the value of the Council's pension liabilities by £1.581 million and this has been included within Non-Distributed Costs on the face of the Consolidated Revenue Account.

### **22. CONTINGENT LIABILITIES**

There were no contingent liabilities.

### **23. POST BALANCE SHEET EVENTS**

The Parade Ground Site was sold early in 2006/07. The balance sheet value has been adjusted in view of that sale price.

The waste management contractor in place at the balance sheet date has since gone into administration. A new contractor is in place, however there are possible claims arising from indemnities given to the new contractor for pre-administration employment /TUPE.

The mid/long term effects of the previous waste management contractor going into administration are still to be determined. Members have already approved a supplementary estimate of £300,000 to deal with the short term costs.

## **APPENDIX 2 TO FOLLOW**

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## STATEMENT ON INTERNAL CONTROL FOR 2005/06

### 1. SCOPE OF RESPONSIBILITY

- 1.1 Epping Forest District Council (EFDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this accountability, Members and senior officers are responsible for putting in place proper arrangements for the governance of EFDC's affairs and the stewardship of the resources at its disposal. To this end, EFDC has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Corporate Governance in Local Government: A Keystone for Community Governance*.
- 1.2 EFDC has in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to Corporate Governance is both adequate and effective in practice.
- 1.3 In addition, the Corporate Governance Group comprising of Management Board, the Monitoring Officer, Deputy Monitoring Officer, the Chief Financial Officer and the Chief Internal Auditor, review the arrangements to provide assurance on the adequacy and effectiveness of the Local Code and the extent of compliance with it.
- 1.4 In discharging these responsibilities, EFDC is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions, and which include arrangements for the management of risk.

### 2. PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

- 2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
- a) identify and prioritise the risks to the achievement of EFDC's policies, aims and objectives;
  - b) evaluate the likelihood of those risks being realised and the impact should they be realised; and
  - c) manage them efficiently and economically.
- 2.2 The basis of this system of internal control has been in place at EFDC for the year ended 31 March 2006, and up to the date of the approval of the accounts.

### 3. THE INTERNAL CONTROL ENVIRONMENT

- 3.1 The key elements of the internal control environment are summarised below:

#### 3.1.1 Establishing and monitoring of the Authority's objectives

The EFDC Council Plan for 2003/07 was in place during 2005/06 and is available on the Council website. This document sets out the Council's main strategies on a four year rolling programme, and is based on a thematic, rather than service specific approach to allow cross cutting issues to be identified and addressed more effectively. The themes are:

- a safe, healthy and attractive place
- an organisation that listens and leads to resolve local issues; and
- accessible, affordable and improving services

Progress towards the achievement of the objectives is monitored through the Performance Management Framework that was introduced in 2003/04 and updated during 2005/06. A full review of the actions included in the Plan took place in February 2006, carried out by the Finance and Performance Management Scrutiny Panel.

Towards the end of 2005/06 the Council Plan 2006/10 was drafted and was in the course of being consulted upon with a wide range of stakeholders. It is intended that the Plan will be formally adopted by the Council in July 2006, following extensive community consultation.

### 3.1.2 Policy and decision-making

EFDC has a Constitution which details how the Council operates, how decisions are made and the procedures to be followed to ensure that these are efficient, transparent and accountable to local people. The Constitution also includes Financial Regulations, Contracts Procedure Rules and the Council's Scheme of Delegation. It is subject to regular review.

The Cabinet is responsible for key policy decisions. The Cabinet is made up of the Leader and eight other Portfolio Holders, who are all appointed by the Council. All decisions must be in line with the Council's overall policies and budget. Any decisions the Cabinet wishes to take outside the budget or policy framework must be referred to Council as a whole to decide.

A review of the Member level scrutiny function led to the introduction in 2005/06 of new arrangements based on a single Overview and Scrutiny Committee to support and monitor the work of the Cabinet. 'Task and Finish' Panels are now used for ad-hoc projects agreed in the annual work programme, for in-depth reviews of services/policies, and service development. Standing Panels will be used for cyclical topics such as Finance and Performance Review. A "call-in" procedure remains in place and allows the Overview and Scrutiny Committee to review Cabinet decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered.

A further review of this new structure took place in March 2006, and was held at a members' seminar which was externally facilitated. An action plan was agreed to streamline arrangements which were generally felt to have been effective. The key findings included the need to build capacity to support the Overview and Scrutiny function and follow up implementation reviews. No constitutional changes to Overview and Scrutiny were found to be necessary and the action plan will be reviewed by Overview and Scrutiny Committee during 2006/07.

### 3.1.3 Standards Committee

The Council's independent Standards Committee was reappointed during 2004 for a 3 year term, and comprises three independent members, one parish representative (and deputy) and two District Councillors. The Terms of Reference of the Committee are defined by Statute and various Government Regulations. Amongst other things the Committee gives advice and training on ethical governance issues and investigates/adjudicates on complaints against elected members as referred by the Standards Board for England. It is also available to assist with interpretation of

Council protocols. The Committee submits an annual report on its activities to the Council.

During the year the Committee has undertaken its first two adjudications on complaints against Councillors. Work also commenced on its first two local investigations and these will lead to further local adjudications. The Committee has hosted four training courses on the Code of Conduct and Planning Protocol for both Parish and District Councillors. Revised ethical advice on conduct in respect of outside organisations, planning, on gifts and hospitality and use of member facilities were issued during 2005/06. Resourcing of the investigation/adjudication processes has emerged as a concern, as has the difficulty in ensuring that those processes remain able to resist challenges based on conflicts of role for the Monitoring Officer and her staff.

#### **3.1.4 Remuneration Panel**

The Statutory Remuneration Panel has met during the year. It advised the Council on member remuneration in relation to:

- a) changes in the number of Overview and Scrutiny Committees;
- b) changes in Cabinet portfolios; and
- c) payment of an additional Basic Allowance to assist Councillors with IT provision.

The Panel comprises the independent persons appointed in 2001.

#### **3.1.5 Compliance**

EFDC has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as is possible, all officers understand their responsibilities both to the Council and to the public. Two key documents are the Financial Regulations and the Contracts Procedure Rules, which are available to all officers via the Council's Intranet as part of the Constitution. Other documentation includes corporate policies on a range of topics such as Data Protection, Health and Safety and Counter Fraud. All policies are subject to internal review to ensure these are adequately maintained. The Council keeps all staff aware of changes in policy, or new documentation following new legislation by means of alerting them in a monthly newsletter, issued by Human Resources, and where appropriate by arranging training for all or key members of staff.

As part of the Local Code of Corporate Governance, EFDC has previously adopted a Risk Management Strategy. This document shows the role both Members and Officers have in the identification and control of risk.

As part of the risk management process, further work has been undertaken during 2005/06 on the development of the Council's risk register, and both officers and members have received training in risk management issues from a specialist consultant. Managers in each Service continue to take the lead on risk management issues and co-ordinate the production of Service risk management strategies. This ensures that risks are identified and that sound business arrangements operate in Service areas to deal with them. These managers meet on a quarterly basis to ensure a consistent approach to risk management across the Authority. During the year, Internal Audit followed up the findings of the audit of risk management undertaken in 2004/05, and were able to confirm that there had been further improvements in the Council's risk management processes.

The Council's systems of internal control identified some weaknesses in the application of some of the Council's systems, and occasional lapses in the

application of Financial Regulations during 2005/06. The main concerns included the misappropriation of cash by an employee in one Service, and the abuse of time keeping by a group of employees in another Service. There was also a general concern regarding segregation of duties in all services between the raising and authorisation of purchase orders, and the certification of invoices. These issues were picked up through the Council's internal control mechanisms and were dealt with promptly by Service management in liaison with Internal Audit. The outcomes were reported to the Finance and Performance Management Cabinet Committee during the year via the Internal Audit quarterly monitoring reports, and immediate steps were taken to improve the respective systems. A follow up audit of the purchase ordering and invoicing system identified positive improvements in the system, following training provided to managers across all Services.

It should be borne in mind that the systems of internal control are designed to mitigate risk as far as possible, rather than aiming to eliminate it altogether. The key strategic risks to the Authority will, from 2006/07, be subject to regular review by the Management Board, Heads of Service and the Finance and Performance Management Cabinet Committee.

### **3.1.6 Use of Resources**

EFDC maintained its budgetary monitoring processes during 2005/06 to ensure that financial resources were being used to their best advantage, via management reporting to the officer Corporate Programme Groups, and to Members via the Finance and Performance Management Scrutiny Panel.

Financial planning is underpinned by service planning, with increased expenditure in any service area being justified alongside other competing budget requests to the Overview and Scrutiny Committee's Finance and Performance Management Standing Panel and Cabinet, as part of the annual budget process. Key to the service planning process is a requirement to demonstrate planning for continuous improvement over several financial years. The Cabinet has to prioritise resource allocation to ensure that the objectives within the Corporate Plan are supported by the individual service plans, and that improvements are in line with corporate aims and objectives.

Economic, effective and efficient use of resources is subject to review through the work of both Internal and External Audit, through benchmarking and the use of comparative techniques with other service providers, and through independent external review.

From 2005/06 the Council's External Auditor, as part of the annual Use of Resources assessment, evaluates how well Councils manage and use their financial resources. The first assessment acknowledged that the Council was in a sound financial position and had established proper arrangements to monitor its financial position and take appropriate remedial action where necessary.

The reports recommended that the Council:

- a) improve the systems in place to ensure value for money was being delivered in all service areas. This work is now being taken forward by a multi disciplinary group led by a Head of Service.
- b) ensure that the new performance management system was embedded and used effectively so that it contributed towards demonstrable and sustained service improvement. The Head of Human Resources and Performance



Management is driving improvement in this area and Internal Audit conduct regular reviews to monitor progress.

- c) ensure that the process to produce the accounts for 2005/06 and future years result in accounts that are free from material error and comply with the CIPFA/LASAAC statement of recommended practice. The Head of Finance is liaising closely with the external auditors to improve the closure of accounts process.
- d) continue to progress with the risk management agenda to ensure it is embedded throughout the Council. Officers from all services continue to meet on a quarterly basis to share good practice, and the corporate risk register is now in place following the involvement of Members in the process.

### 3.1.7 Financial Management

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Section 151 Officer. The systems of internal financial control provide reasonable but not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability.

In particular, the process in 2005/06 included:

- The rolling forward of the Council's four year financial strategy, now updated annually;
- The setting of the annual budget, continuing the existing practice of separating the base budget for continuing services, from the fund established to meet the cost of 'one off' items of revenue expenditure;
- The adoption of a three year capital strategy, previously assessed by the Government Office as "good";
- Monitoring of actual income and expenditure against the annual budget;
- Setting of financial and performance targets, including the monitoring of the prudential code and associated indicators;
- Periodic reporting of the Council's financial position to Members;
- Clearly defined capital expenditure guidelines;
- Management of the Council's property portfolio, including disposal of surplus sites, in line with the Council's Asset Management Plan;
- The monitoring of performance on a quarterly basis;
- Managing risk in key financial service areas.

The Internal Audit Team reports to the Joint Chief Executive (Resources) and operates under an annual Audit Plan, which sets the audit work plan for the year and the framework within which its activities are monitored by the Finance and Performance Management Cabinet Committee. The main responsibility of the Internal Audit Team is to provide assurance and advice to the Management Board and Members, on the internal control system of the Authority. Internal Audit provides an independent view on the adequacy, reliability and effectiveness of internal control within systems, and recommends areas for improvement. It also supports management in developing systems, and in providing advice on matters related to risk and control. The controls created by management are evaluated to ensure:

- Council objectives are being achieved;
- Economic and efficient use of resources;
- Compliance with policies, procedures, laws and regulations;
- The safeguarding of Council assets;
- The integrity and reliability of information and data; and
- The identification and control of risk

### **3.1.8 Performance Management**

Continuous service improvement is promoted via the Council's performance management framework, which links the aims and actions of the Council Plan to the targets and priorities of individual staff via the annual staff development review process.

The Council sets its overall priorities as a way of informing the decision making process and budget setting cycle. To this end the Council has three key 'policy themes', as referred to at paragraph 3.1.1 above. Within each theme there are a number of more specific aims, which are monitored through the performance management system. The new, draft Council Plan seeks to align the Council's priorities with those of the Local Strategic Partnership (LSP) where these are congruent.

The former Overview and Scrutiny Committees identified potential enhancements in the performance monitoring systems to improve their usability and value to the Council. This formed the basis of a revised system of monitoring under the new scrutiny arrangements for 2005/06. At its meeting on 6 June 2005, the Cabinet adopted an objective, for performance against 40% of all BVPIs for the year (40 in number), to be in the top quartile of district councils. These key BVPIs are monitored by Management Board on a quarterly basis and regular reports are now submitted to the Finance and Performance Management Scrutiny Panel, in order to drive and monitor improvement in those Service areas considered to be of vital importance in delivering the Council's main policy and Service objectives. Following the first year of monitoring in this way, the make up of the 40 key performance indicators will now be reviewed in the context of the evaluation of performance for the full set of BVPIs.

#### **4. REVIEW OF EFFECTIVENESS**

- 4.1 EFDC has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by:
- The work of the Internal Auditors;
  - The work of managers within the Council;
  - The External Auditors in their annual audit letter and other reports; and
  - Comments by other review agencies and inspectorates.
- 4.2 The Finance and Performance Management Cabinet Committee receives quarterly updates from the Chief Internal Auditor on the progress against the Audit Plan during the year, along with an annual assessment at the year end. Within these reports there is a strong focus on matters relating to the effectiveness of internal controls.
- 4.3 Individual Cabinet Members receive regular feedback from senior officers within their portfolios, on the delivery of services and the achievement of objectives and targets. Issues of strategic importance are now reported via the Overview and Scrutiny Committee.
- 4.4 Based on an overview of the work undertaken throughout the year, in conjunction with previous years' work and current risk assessments, the Chief Internal Auditor has placed a satisfactory level of assurance on the systems of internal control in place during 2005/06.
- 4.5 Within the external Comprehensive Performance Assessment undertaken in 2004, the Council was assessed in overall terms to be a "good" and financially sound Authority. A detailed Improvement Plan is in place and progress is regularly monitored by the Council's Management Board and the joint Member/Officer Improvement Team.
- 4.6 The Council has, over the past few years, received positive Annual Audit letters from the External Auditor, which includes unqualified accounts.

#### **5. IMPROVEMENTS DURING THE YEAR**

- 5.1 In the period covered by this Statement, improvements have been made to the Council's arrangements in respect of the following areas:

##### **Improvement Areas for 2005/06 identified in last year's Statement**

- A 'user friendly' summary of Financial Regulations, to help raise awareness and understanding, has been published on the Council's intranet. This followed four sessions of finance awareness training, provided to 90 managers and other staff with financial responsibilities across the Council.
- Following a review of the Council's performance management arrangements, monitoring of key BVPIs by Members is now focussed on 40 indicators where a target has been set to achieve top quartile status for District Councils. All BVPIs and Service improvement areas continue to be monitored by Management Board on a quarterly basis. A new performance management system is being introduced in July 2006, with the aim of providing better quality, more timely information to management.

- The Council's risk management processes have continued to be strengthened by the training of officers and members, the completion of risk management action plans across Service areas, and the production of a new Corporate Risk Register in March 2006.

#### **Other Improvements during 2005/06**

- The Council's Contract Standing Orders have been updated and a revised version was published during 2005/06.
- A revised scheme of virement was adopted in 2005/06, designed to facilitate more flexible financial management.
- In July 2005 the Council approved formal guidelines to Members on the acceptance of gifts and hospitality.
- A protocol on the use of Council facilities by Members (including IT facilities) has been agreed by the Council in liaison with the local Standards Committee.
- Revisions to the Council's planning protocol were agreed by the Council in December 2005
- A protocol to guide Members and officers when representing the Council on Outside Organisations was formally adopted during 2005/06.
- A management instruction was issued to all staff, reminding them about acceptable use of the internet. The Council's Internet Policy was revised towards the end of 2005/06 and will be re-issued to all staff in 2006/07.
- A Staff Code of Conduct was drafted in 2005/06 and will be issued to all staff in 2006/07 once it has been through the consultation process with staff representatives, and approved by the Council.
- The Council's Anti-fraud Strategy is available to the majority of staff via the Council's intranet, and induction training on the existence and purpose of the strategy is given to new Council employees.
- A policy for dealing with close personal relationships at work was introduced in July 2005. This ensures that risks are identified and managed in such circumstances.
- In order to demonstrate accountability, and improve communications with Service users and other stakeholders, a suite of annual reports for 2005/06 have been prepared. The reports cover the functions of the Cabinet, Overview and Scrutiny, the Standards Committee and the Remuneration Panel.
- All Heads of Service have again reviewed the internal controls operating within their Service Areas, and have provided assurance statements confirming their belief that appropriate controls were in place during 2005/06. The issues previously identified in 2004/05 have also been addressed in the latest statements.

**6. SIGNIFICANT INTERNAL CONTROL ISSUES**

- 6.1 Internal audits undertaken during 2005/06 have shown that weaknesses persist in some of the Council's systems of internal control as defined in Financial Regulations. It is proposed to assist managers and other staff by repeating the finance awareness training during 2006/07, and by issuing ad hoc advice where appropriate.
- 6.2 The quality of performance information is still not satisfactory in all Services, and both Internal and External Audit have raised concerns about the quality of PI data and an apparent lack of consistency in the approach to quality checking by managers. Improvements will be monitored with a view to avoiding such criticisms in future.
- 6.3 The arrangements for the recovery of the Council's debts has been recognised as an area for improvement, and an external consultants' report has also indicated that corporate processes are in need of review in order to improve cash flows and reduce the level of write offs. Finance and Legal Services have been working on a system of enhanced procedures. Internal Audit will be conducting a detailed review during 2006/07.
- 6.4 A number of Internal Audit reviews and investigations have suggested that there is a degree of misuse, by some staff, of the Council's internet, email, and telephone facilities. The local policies for the use of these facilities are currently under review, and will be re-issued to staff during 2006/07 with a strong message from senior management that abuse will not be tolerated.
- 6.5 On the basis of the relevant internal audit reports, the unqualified nature of the Council's accounts in recent years, and the assurance statements provided by Heads of Service, we are satisfied that, except for the matters referred to in paragraphs 6.1 to 6.4 above, the internal control arrangements for Epping Forest District Council are adequate, appropriate and operating effectively.

**7. CERTIFICATION**

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority, plans to address the weaknesses and ensure continuous improvement of the system is in place.

We are satisfied that these steps will address the need for improvements that have been identified during the year and we will review their implementation and operation as part of our next annual review.

**Signatures:**

..... **Leader of the Council**

**Date:** .....

..... **Joint Chief Executive  
(Resources)**

**Date:** .....

..... **Joint Chief Executive  
(Community)**

**Date:**.....

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## THE CONSOLIDATED REVENUE ACCOUNT

CONSOLIDATED EXPENSES	Note	2005/06		2004/05	
		Gross Expend £000	Income £000	Net Expend £000	Net Expend £000
Central Services	2/3/4/5	12,356	8,305	4,051	3,388
Cultural Related	2/7	7,651	2,358	5,293	4,669
Environmental Services		7,192	1,375	5,817	5,389
Highways and Transport	6	2,757	2,183	574	1,431
Housing		71,144	49,183	21,961	26,493
Planning & Development	8	3,216	1,167	2,049	2,461
<b>NET COST OF SERVICES</b>		<b>104,316</b>	<b>64,571</b>	<b>39,745</b>	<b>43,831</b>
Precepts paid to Parish councils				2,367	2,225
Total Net Surplus from Trading Operations	9			(803)	(695)
Housing Pooled Capital Receipts				1,638	1,065
Pensions Interest/Return on Investments				(823)	1,156
Asset Management Revenue Account	10			(24,777)	(28,527)
Interest and Investment Income				(53)	(67)
<b>TOTAL NET OPERATING EXPENDITURE</b>				<b>17,294</b>	<b>18,988</b>
Transfers to / (from) HRA Balances				765	1,305
Transfers to / (from) Housing Repairs Reserve				27	582
Transfers to / (from) DDF Reserves				550	56
Transfers to / (from) Capital Reserves	11			(2,454)	(4,132)
Transfers to / (from) Other Reserves				150	150
Transfer to / (from) Usable Capital Receipts				(1,638)	(1,065)
FRS 17 Adjustment				988	(926)
<b>AMOUNT TO BE MET FROM GOVERNMENT GRANTS &amp; LOCAL TAXPAYERS</b>				<b>15,682</b>	<b>14,958</b>
Receipts from the Collection Fund				(9,317)	(8,916)
Transfers (from)/ to the Collection Fund				(34)	23
Revenue Support Grant				(3,799)	(3,786)
Distribution from the Non-Domestic Rate Pool				(3,500)	(3,305)
<b>SURPLUS FOR YEAR</b>				<b>(968)</b>	<b>(1,026)</b>
<b>BALANCE BROUGHT FORWARD</b>				<b>(5,488)</b>	<b>(4,462)</b>
Surplus for Year				(968)	(1,026)
<b>BALANCE CARRIED FORWARD</b>				<b>(6,456)</b>	<b>(5,488)</b>

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## Motions

To consider the following motions submitted in accordance with Council Procedure Rule 11.

### (a) Roding Road, Loughton – Closure

“ This Council notes the following:

- (i) the damage done to the Roding Road Central line bridge on Tuesday 13 June 2006;
- (ii) the subsequent closure, since that date, of Roding Road for through traffic; and
- (iii) the resulting hold-ups and traffic congestion on the local road network;

and calls on:

- (i) Essex County Council Highways and Metronet to work together to get this road reopened at the earliest possible date; and
- (ii) the Leader of the Council, appropriate Portfolio Holders and the Joint Chief Executives to communicate our concerns about this situation to all appropriate bodies.”

**Mover:** Councillor S Murray

**Seconder:** tba

### (b) Cabinet Portfolios

“That the revisions to Cabinet Portfolios agreed at the Annual Council on 18 May 2006 (Minute 9) be amended for the purposes of clarification as follows:

- (i) Leader’s Portfolio

Add:

Chairmanship of the Cabinet

Management and Co-ordination of Cabinet business

Constitutional matters

Major property/development proposals affecting the Council’s property portfolio (where necessary in consultation with the Housing Portfolio Holder) but excluding ongoing estate management

Local Land Charges

Staff Development Reviews for Joint Chief Executives

- (ii) Customer Services, Media, Communications and ICT

Add:

Customer Services Champion initially dealing with the customer services aspects of the introduction of wheeled bins for refuse/recycling

(iii) Environmental Protection

Add:

Waste Management Contract (operational issues only, ie excluding customer services aspects which are included in the Customer Services, Media, Communications and ICT Portfolio)

And that these changes be published in the Council's Constitution."

**Mover:** Councillor Mrs D Collins

**Seconder:** Councillor C Whitbread

## Questions by Members

To consider the following questions received in accordance with Council Procedure Rule 10.3

**(i) By Councillor J M Whitehouse to Councillor A Green, Portfolio Holder for Civil Engineering and Maintenance**

“What steps is the Portfolio Holder taking to make sure that the views of local residents and ward members are taken into account when a decision is taken on the Traffic Regulation Orders which implement a new parking regime in Epping; when will he decide his own response; and will he publish his decisions and reasons?”

**(ii) By Councillor R Goold to Councillor A Green, Portfolio Holder for Civil Engineering and Maintenance**

“What steps is the Portfolio Holder taking to make sure that the views of local residents and ward members are taken into account when a decision is taken on the Traffic Regulation Orders which implement a new parking regime in Buckhurst Hill; when will he decide his own response; and will he publish his decisions and reasons?”

**(iii) By Councillor Mrs J H Whitehouse to Councillor Mrs A Grigg, Portfolio Holder for Planning and Economic Development**

“Who is involved in deciding what a Section 106 planning agreement will deliver and, if it is a sum of money, how is it decided exactly what the money will be spent on? I feel that ward councillors could make a useful contribution and should be consulted. Will the Portfolio Holder amend the process so that ward councillors are involved in Section 106 agreements?”

**(iv) By Councillor D Jacobs to Councillor S Metcalfe, Portfolio Holder for Customer Services, Media, Communications and ICT**

“Due to the lack of a weighbridge together with other considerations at the Langston Road Depot, it has been difficult in recent months to obtain recycling and residual waste tonnages and percentages in relation to the waste collection service; can the Portfolio Holder advise what plans the Contractor/Council have to remedy the situation so that councillors can be fully informed (perhaps quarterly through the Bulletin) of our anticipated progress towards the top quartile of councils; and can he further advise that, should the Depot be moved from Langston Road, any new site will include a weighbridge.”

**(v) By Councillor Mrs J H Whitehouse to Councillor Ms S-A Stavrou,  
Portfolio Holder for Community Wellbeing**

“In September 2004 the Cabinet gave approval to a Furniture Exchange scheme which would enable unwanted furniture to be made available to disadvantaged people. It was also going to provide job opportunities to people with learning disabilities. This scheme was to be operated by the Kings Church in Brentwood. The Cabinet in December 2004 agreed that a base for the project would be made available at Town Mead, Waltham Abbey and a five-year lease was to be negotiated.

How many collections has the Kings Church made in Epping Forest and how much furniture has been provided to disadvantaged people? What advertising has been done so that residents know of this service?

If the Kings Church have been unable to operate the Furniture Exchange scheme will the Portfolio Holder look for alternative providers for this service?