



# Epping Forest District Council

## **AUDIT & GOVERNANCE COMMITTEE** **Monday, 22nd March, 2021**

You are invited to attend the next meeting of **Audit & Governance Committee**, which will be held at:

**Virtual Meeting on Zoom**  
on **Monday, 22nd March, 2021**  
at **7.00 pm** .

**Georgina Blakemore**  
Chief Executive

**Democratic Services**  
Officer

Laura Kirman  
Tel: 01992 564243 Email:  
democraticservices@eppingforestdc.gov.uk

### **Members:**

Councillors I Hadley (Chairman), S Heap, R Jennings, P Keska, B Vaz and A Jarvis

Independent A Jarvis

### **WEBCASTING/FILMING NOTICE**

**Please note: this meeting may be filmed for live or subsequent broadcast via the Council's internet site - at the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed. The meeting may also be otherwise filmed by third parties with the Chairman's permission.**

**You should be aware that the Council is a Data Controller under the Data Protection Act. Data collected during this webcast will be retained in accordance with the Council's published policy.**

**Therefore by entering the Chamber and using the lower public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings for web casting and/or training purposes. If members of the public do not wish to have their image captured they should sit in the upper council chamber public gallery area or otherwise indicate to the Chairman before the start of the meeting.**

**If you have any queries regarding this, please contact the Corporate Communications Manager on 01992 564039.**

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## **1. WEBCASTING INTRODUCTION**

This meeting is to be webcast. The Chairman will read the following announcement:

*“I would like to remind everyone present that this meeting will be broadcast live to the internet (or filmed) and will be capable of repeated viewing (or another use by third parties).*

*If you are seated in the lower public seating area then it is likely that the recording cameras will capture your image and this will result in the possibility that your image will become part of the broadcast.*

*This may infringe your human and data protection rights and if you wish to avoid this then you should move to the upper public gallery.*

*Could I please also remind Members to activate their microphones before speaking”.*

**2. APOLOGIES FOR ABSENCE**

To be announced at the meeting.

**3. DECLARATIONS OF INTEREST**

To declare interests in any item on the agenda for the meeting of the Committee.

**4. MINUTES (Pages 5 - 8)**

To confirm the minutes of the meeting of the Committee held on 25 January 2021.

**5. MATTERS ARISING**

To consider any matters arising from the minutes of the previous meeting of the Committee.

**6. AUDIT & GOVERNANCE COMMITTEE - WORK PROGRAMME (Pages 9 - 10)**

To consider the attached work programme for the Committee for 2020/21.

**7. INTERNAL AUDIT PROGRESS REPORT (Pages 11 - 24)**

(Chief Internal Auditor) To consider the attached report.

**8. RISK MANAGEMENT REPORT (Pages 25 - 48)**

(Section 151 Officer) To consider the attached report.

**9. INTERNAL AUDIT STRATEGY AND AUDIT PLAN 2021/22 (Pages 49 - 76)**

(Chief Internal Auditor) To consider the attached report.

**10. CORPORATE FRAUD TEAM STRATEGY 2021/22 (Pages 77 - 92)**

(Chief Internal Auditor) To consider the attached report.

**11. DRAFT CAPITAL STRATEGY 2021/22 TO 2025/26 (Pages 93 - 114)**

(Section 151 Officer) To consider the attached report.

**12. DRAFT TREASURY MANAGEMENT STRATEGY (INCLUDING INVESTMENT STRATEGY) 2021/22**

(Section 151 Officer) To consider the Draft Treasury Management Strategy (report to follow).

**13. ANY OTHER BUSINESS**

Section 100B(4)(b) of the Local Government Act 1972 requires that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

**14. EXCLUSION OF PUBLIC AND PRESS**

Exclusion:

To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

<i>Agenda Item No</i>	<i>Subject</i>	<i>Exempt Information Paragraph Number</i>
<i>Nil</i>	<i>Nil</i>	<i>Nil</i>

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Background Papers:

Article 17 of the Constitution (Access to Information) define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

- (a) disclose any facts or matters on which the report or an important part of the report is based; and
- (b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information and in respect of executive reports, the advice of any political advisor.

The Council will make available for public inspection one copy of each of the documents on the list of background papers for four years after the date of the meeting. Inspection of background papers can be arranged by contacting either the Responsible Officer or the Democratic Services Officer for the particular item.

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## EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

<b>Committee:</b>	Audit & Governance Committee	<b>Date:</b>	Monday, 25 January 2021
<b>Place:</b>	Virtual Meeting on Zoom	<b>Time:</b>	7.05 - 7.45 pm
<b>Members Present:</b>	I Hadley (Chairman), A Jarvis (Vice-Chairman), S Heap and B Vaz		
<b>Other Councillors:</b>	J Philip		
<b>Apologies:</b>	R Jennings and P Keska		
<b>Officers Present:</b>	S Marsh (Chief Internal Auditor), M Crowe (Corporate Fraud Team Manager), G Woodhall (Team Manager - Democratic & Electoral Services), A Small (Strategic Director Corporate and 151 Officer), L Kirman (Democratic Services Officer), N Cole (Corporate Communications Officer) and C Wisdom (External Auditor)		

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### 52. Webcasting Introduction

The Chairman made a short address to remind everyone present that the meeting would be broadcast live to the internet, and would be capable of repeated viewing, which could infringe their human and data protection rights.

### 53. Declarations of Interest

There were no declarations of interest made pursuant to the Council's Members' Code of Conduct.

### 54. Minutes

#### RESOLVED:

That the minutes of the meeting held on 9 December 2020 be taken as read and signed by the Chairman as a correct record.

### 55. Matters Arising

There were no matters arising from the minutes of the previous meeting which warranted further discussion.

### 56. Audit & Governance Committee - Work Programme

The Committee noted its Work Programme for 2020/21.

### 57. Internal Audit Monitoring Report

The Chief Internal Auditor, S Marsh, presented the Internal Audit Monitoring Report. The Committee was advised that two audit reports had been issued. The Fixed Assets audit had received moderate assurance; a fixed asset register and controls were in place, however, there was a lack of process and procedures for end of year

reconciliation. The Interim Chief Finance Officer had addressed the structure of the accountancy function and relevant processes would be introduced. The Customer Services audit had received substantial assurance. Good progress had been made around the transformation of the service, there had been a reduction from 50 to 30 complaints over the period for quarter 1 of 2020/21 and increased resolution at the first point of contact. There had been a variety of awareness raising initiatives and positive work.

The number of recommendations in the recommendation tracker remained low. Two recommendations related to Health and Safety and the Strategic Safety Group was ensuring good progress was being made. Mandatory training had been rolled out to all officers and risk assessment work was continuing. The third recommendation was linked to the Harlow Gilston Garden Town sharing agreement which would be completed by the legal team.

Internal Audit continued to be involved in the administration of grants and conducted spotlight checks to ensure companies were legitimate and still trading. This was supported by the Corporate Fraud team, who conduct investigations were suspected fraud had arisen.

There following polices had been reviewed:

- (i) The Local Code of Governance was reviewed and amended to cover COVID, remote working and robust processes for emergency decisions. The code would support the Annual Governance Statement.
- (ii) The Anti-Fraud and Corruption Strategy was reviewed and the appendices had been incorporated for ease of access. The three pillars of activity for this strategy 'acknowledge', 'prevent' and 'pursue' had been extended to include 'govern' and 'protect', in line with the UK Fraud and Corruption Strategy. Officers had been made aware of the fraud response plan and the Anti-Money Laundering Policy had limited the level of cash transactions.
- (iii) The Whistleblowing Policy had been updated with key contact details and revised timescales for reporting back on concerns raised. Recently the policy had been used anonymously and the resulting investigation showed nothing was untoward.

The Internal Audit Charter detailed the role and remit of internal audit and was in line with the requirement of the Public Sector Internal Audit Standards.

- (iv) The skills and knowledge analysis had shown a good spread of these across the Committee and this would support the development of future training.

Cllr Heap sought confirmation that fixed asset reconciliation would happen, requested clarity on the checks made in relation to COVID businesses grants and questioned if there was oversight of delegated decision making. The Chief Internal Auditor detailed that assurance had been given in relation to the reconciliation, this was on the tracker and would be monitored.

The Corporate Fraud Manager confirmed that checks carried out on businesses included: verification at Companies House; social media presence; and a review of the paperwork that was submitted with the application.

Mr Jarvis sought advice on why the Anti-Fraud and Corruption Policy changes were minimal when there had been considerable change in the way the Council had operated. S Marsh explained that this was an overarching strategy and covered all the Council's activities and staff, each process of operation was not specified. She confirmed that Quails were not covered by the strategy and this would be made explicit in the documentation.

Cllr Hadley asked if there were any occasion when the publicity related to fraud would not be maximised. The Corporate Fraud Team Manager, M Crowe, detailed that no organisation was impervious to fraud and they could become stronger when this was discovered and fixed. Fraud prosecutions had always been published and provided reassurance to Members, officers and residents that the council dealt with fraud.

**Resolved:**

That the Committee:

- (i) approved the revised Local Code of Governance;
- (ii) approved the revised Anti-Fraud and Corruption Strategy;
- (iii) approved the revised Whistleblowing Policy;
- (iv) approved the revised Internal Audit Charter; and
- (v) noted the outcomes of the member skills and knowledge analysis.

**58. Risk Management**

The Section 151 Officer, A. Small, highlighted that there had been minimal change to the risk rating in the risk management report. The risk status had been updated and there had been no new significant risks. The previously identified risks continued to be managed.

Mr Jarvis suggested that there was a significant risk around the closure of the accounts and detailed his concerns that this could impact on budgetary and internal controls. The Section 151 Officer provided assurance that the underlying process had improved and there had been changes in the accountancy team. The accounts were published in line with the statutory deadline, although there were some outstanding issues with the audit. There would be a forward planning meeting and an accounts closing time frame would be put in place to meet the deadlines.

Mr Jarvis requested an update on the Treasury Management report. A Small explained that this not been a standard year and the Council's response to COVID and the prioritisation of the budget setting process meant the treasury management report had been delayed. Cllr Philips affirmed that he had asked the finance department to prioritise the budget setting process but acknowledged that the closure of the account was important.

Cllr Heap suggested that the closure of accounts would get more complex with Quails. A Small agreed that consolidation of the Quails accounts would be a new issue, however there would be a robust accounts closing process and staff were skilled and experienced in consolidation. In most years there were changes to the financial codes of practice that impacted on the processes and he was to confident that the accounts would be closed in time.

**Resolved:**

- (1) The changes to the risk register were noted and endorsed.

**59. Statement of Accounts 2019/20 Audit**

The Section 151 Officer, A. Small, advised that a final set of audited accounts for 2019/20 had not been produced. The accounts were published and met the statutory timetable, but due to COVID, the external auditors, Deloitte, could not meet the timetable. The audit queries that the Council had to work through had been deprioritised due, in part, to the budget process work. There was one query that needed to be resolved. C Wisdom, External Auditor, confirmed the position and A Small advised that the report would be at the next Committee meeting.

**Resolved:**

- (1) That the update on the statement of accounts 2019/20 was noted.

**60. Any Other Business**

No other business was raised for consideration by the Committee.

**61. Exclusion of Public and Press**

The Committee noted that there was no business which necessitated the exclusion of the public and press from the meeting

**CHAIRMAN**



## **Audit & Governance Committee Work Programme 2020/21**

### **25 June 2020**

- Annual Report of the Chief Internal Auditor 2019/20.
- Corporate Fraud Team Annual Summary 2019/20
- Audit and Governance Committee Annual Report 2019/20.
- Internal Audit Strategy and Plan 2020/21
- Corporate Fraud Team Strategy 2020/21
- Internal Audit Progress Report.
- Risk Management Report

### **27 July 2020**

- Internal Audit Progress Report
- Annual Governance Statement 2019/20

### **28 September 2020**

- Treasury Management Annual Outturn Report 2019/20
- Treasury Management Mid-Year Report 2020/21
- Internal Audit Progress Report.
- Risk Management Report
- Statutory Statement of Accounts 2019/20 c/f

### **9 December 2020**

- Internal Audit Progress Report.
- Risk Management Report
- Review of the Audit and Governance Committee Terms of Reference.
- Review of the Audit and Governance Committee Effectiveness.
- Review of the Anti-Fraud and Corruption Strategy

### **25 January 2021**

- Treasury Management Investment & Strategy Statements 2021/22
- Internal Audit Progress Report.
- Risk Management Report
- Review of Code of Corporate Governance.
- Review of the Internal Audit Charter.
- Review of the Whistleblowing policy

### **22 March 2021**

- Risk Management Report
- Internal Audit Progress Report
- Internal Audit Strategy and Audit Plan 2021/22
- Corporate Fraud Team Strategy 2021/22
  
- ❖ Planning Letter 2020/21.
- ❖ Audit Plan 2020/21
- ❖ Grant Claims Audit Report 2019/20
- ❖ Audit of Accounts Annual Governance Statement 2019/20
- ❖ Annual Audit Letter 2019/20

### **Key**

- EFDC Officer Report
- ❖ External Auditor Report

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## **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference:**

**Date of meeting: 22 March 2021**

**Portfolio: Leader of the Council**

**Subject: Internal Audit Monitoring Report March 2021**

**Responsible Officer: Sarah Marsh (01992 564446).**

**Democratic Services: Laura Kirman (01992 564243)**

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### **Recommendations/Decisions Required:**

- (1) The Committee notes the summary of the work of Internal Audit and the Corporate Fraud Team for the period January to March 2021**
- (2) The Committee approves the deferral of the Qualis Commercial and the Treasury Management audits**

### **Executive Summary:**

This report updates Members on the work completed by Internal Audit and the Corporate Fraud Team since the January 2021 Audit and Governance Committee and provides the current position in relation to overdue recommendations.

Approval is sought to defer the Qualis Commercial and the Treasury Management audits.

### **Reasons for Proposed Decision:**

Monitoring report as required by the Audit and Governance Committee Terms of Reference.

### **Other Options for Action:**

No other options.

### **Report:**

#### **2020/21 Internal Audit Plan**

1. Progress is being made on the revised 2020/21 Audit Plan as detailed in Appendix 1.
2. It is proposed to defer the Qualis Commercial audit until 2021/22 to allow completion of the Qualis Group Governance audit which is currently in progress. Delivery of the Council's treasury management function is undergoing review by the Interim Chief Financial Officer, and Internal Audit will review the new system soon after implementation.
3. No final reports have been issued since the Committee received its last update in January 2021.

### **Recommendation Tracker**

4. The Audit and Governance Committee continues to receive details of all overdue recommendations, plus any high priority recommendations from final reports regardless of whether they are overdue or not.
5. The current tracker is shown at Appendix 2 and contains one medium priority recommendation which has passed its due date.

Table 1. Summary of tracker as at March 2021.

Recommendation type	Number (March 2021)	Number (January 2021)	Number (December 2020)	Number (September 2020)	Number (July 2020)
High Priority not passed its due date	0	0	0	0	2
High Priority passed its due date	0	1	1	2	1
Medium Priority passed its due date	1	2	2	1	6
Low Priority passed its due date	0	0	0	5	7
<b>Total</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>8</b>	<b>16</b>

### **Other Internal Audit activities**

6. Internal Audit has continued to provide advice and guidance in several business areas:
  - Covid-19 central government grants for businesses and individuals:** Internal Audit and the Corporate Fraud Team continue in providing advice and assistance on all the business grants schemes, including performing pre-award checks using the Cabinet Office due diligence tool, spotlight.
  - Finance related work:** Internal Audit resource has been diverted to review the preparation of the Revenue Account 2020/21 form submitted to central government. Assistance and advice have been provided to give a more detailed understanding of the report and figures, including developing a strong audit trail and legacy for future forms.
  - Corporate purchase cards:** Internal Audit is facilitating discussions on the Council's approach to the use of purchase cards following the decision to use these routinely for low level spend.
  - National Fraud Initiative (NFI) 2020/21:** Internal Audit coordinated preparations for the 2020/21 NFI exercise, including the new Covid Grant Recipient's dataset. The review of matches is in progress.

### **Corporate Fraud Team (CFT) update**

7. Further to the last update in December, the CFT has continued to actively vet each Right to Buy (RTB) application received by the Council. Due to the Covid situation

severely reducing the ability to visit homes etc, interviews with RTB applicants are, wherever possible, taking place using Zoom. Since December, a further three applications have been withdrawn following the vetting procedure taking place.

8. A number of investigations have been concluded with positive results. This includes several Council Tax Single Person Discounts being withdrawn and an investigation into the subletting of a council property concluding with the tenant relinquishing their tenancy.
9. The team has also continued in assisting Housing with the verification of each tenancy succession application received, leading to several not being granted and Housing taking legal action to remove them from the property.

**Legal and Governance Implications:**

None

**Safer, Cleaner and Greener Implications:**

None

**Consultation Undertaken:**

Corporate Governance Group

**Background Papers:**

2020/21 Audit Strategy and Plan

**Risk Management:**

Failure to achieve the audit plan and poor follow up of audit recommendations may lead to a lack of assurance that internal controls are effective and risks properly managed, which ultimately feeds into the Annual Governance Statement.

**Equality Analysis:**

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided at Appendix 3 to the report.

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Appendix 1 - Audit Plan Monitoring 2020/21  
Progress as at March 2021

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	Service	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	High Priority Recs	Medium Priority Recs	Low Priority Recs
Harlow and Gilston Garden Town - c/f from 2019/20	Chief Executive	15	Final report	■	■	■	Substantial	0	3	1
Fixed Assets - c/f from 2019/20	Customer Services	15	Final report	■	■	■	Moderate	0	3	0
Customer Services - c/f from 2019/20	Business Services	12	Final report	■	■	■	Substantial	0	1	2
IT - active directory management	Business Services	10	Final report	■	■	■	Moderate	0	11	0
IT - storage area network	Business Services	10	In progress	■						
IT Disaster recovery	Business Services	10	In progress	■						
Governance - Qualis	Chief Executive	12	In progress	■						
H&S compliance - council buildings and depot compliance	Housing and Property	20	In progress	■						
KFC: Accounts Payable	Business Services	12	In progress	■						
KFC: Payroll	Business Services	12	In progress	■						
Housing H&S – gas safety	Housing and Property	15	In progress	■						
Contract management including exit strategies	Contracts and Technical	20	In progress	■						
Business continuity: assist Council wide lessons learnt review	Business Services	10	On going							
Qualis Commercial	Chief Executive	15	To be deferred							
KFC: Treasury Management	Business Services	12	To be deferred							
<b>TOTAL</b>								<b>0</b>	<b>17</b>	<b>3</b>

Key  
c/f = carried forward  
H&S = Health and Safety  
KFC = Key Financial Controls  
vfm = Value for Money

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**Appendix 2: EFDC Internal Audit Recommendation Tracker (Overdue and High Priority)**

Last updated: 08 March 2021

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Service Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
<p><b>Harlow Gilston Garden Town 2019/20 Report No. 08.19/20</b> (July 2020)</p>	<p>3</p>	<p>A data sharing agreement should be drawn up to cover any personal or commercially sensitive data which may be shared between the councils as part of the Garden Town project.</p>	<p>Med</p>	<p>A data sharing agreement will be developed and entered into by all the HGGT partners.</p>	<p>HGGT Director and HGGT Programme Manager</p>	<p>31/12/20</p>	<p>31/03/21</p>	<p><b>Dec 20:</b> HGGT legal advisors, Weightmans, have been instructed to develop a data sharing protocol for the HGGT. The most appropriate form of agreement is currently being evaluated.</p> <p><b>Feb 21:</b> A draft data sharing agreement for consideration by the HGGT Board is expected week beginning 22 February 2021.</p>	<p>Overdue</p>

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## Equality Impact Assessment

1. Under s.149 of the Equality Act 2010, when making decisions, Epping District Council must have regard to the Public Sector Equality Duty, ie have due regard to:
  - eliminating unlawful discrimination, harassment and victimisation, and other conduct prohibited by the Act,
  - advancing equality of opportunity between people who share a protected characteristic and those who do not,
  - fostering good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.
2. The characteristics protected by the Equality Act are:
  - age
  - disability
  - gender
  - gender reassignment
  - marriage/civil partnership
  - pregnancy/maternity
  - race
  - religion/belief
  - sexual orientation.
3. In addition to the above protected characteristics you should consider the cross-cutting elements of the proposed policy, namely the social, economic and environmental impact (including rurality) as part of this assessment. These cross-cutting elements are not a characteristic protected by law but are regarded as good practice to include.
4. The Equality Impact Assessment (EqIA) document should be used as a tool to test and analyse the nature and impact of either what we do or are planning to do in the future. It can be used flexibly for reviewing existing arrangements but in particular should enable identification where further consultation, engagement and data is required.
5. Use the questions in this document to record your findings. This should include the nature and extent of the impact on those likely to be affected by the proposed policy or change.
6. Where this EqIA relates to a continuing project, it must be reviewed and updated at each stage of the decision.
7. All **Cabinet, Council, and Portfolio Holder reports must be accompanied by an EqIA**. An EqIA should also be completed/reviewed at key stages of projects.
8. To assist you in completing this report, please ensure you read the guidance notes in the Equality Analysis Toolkit and refer to the following Factsheets:
  - Factsheet 1: Equality Profile of the Epping Forest District
  - Factsheet 2: Sources of information about equality protected characteristics
  - Factsheet 3: Glossary of equality related terms
  - Factsheet 4: Common misunderstandings about the Equality Duty
  - Factsheet 5: Frequently asked questions
  - Factsheet 6: Reporting equality analysis to a committee or other decision making body

<b>Section 1: Identifying details</b>
Your function, service area and team: <b>Internal Audit, Chief Executive</b>
If you are submitting this EqIA on behalf of another function, service area or team, specify the originating function, service area or team: <b>N/A</b>
Title of policy or decision: <b>Internal Audit Monitoring Report</b>
Officer completing the EqIA: Tel: <b>01992 564446</b> Email: <b>smarsh@eppingforestdc.gov.uk</b>
Date of completing the assessment: <b>8/3/21</b>

<b>Section 2: Policy to be analysed</b>	
2.1	Is this a new policy (or decision) or a change to an existing policy, practice or project? <b>N/A - report is an update to Audit and Governance Committee on the work of Internal Audit Service and Corporate Fraud Team</b>
2.2	Describe the main aims, objectives and purpose of the policy (or decision): <b>For Audit and Governance Committee to note the work of Internal Audit Service and Corporate Fraud Team</b> What outcome(s) are you hoping to achieve (ie decommissioning or commissioning a service)? <b>N/A – Report is for noting only</b>
2.3	Does or will the policy or decision affect: <ul style="list-style-type: none"> <li>• service users</li> <li>• employees</li> <li>• the wider community or groups of people, particularly where there are areas of known inequalities?</li> </ul> <b>N/A</b>  Will the policy or decision influence how organisations operate? <b>N/A – report is not decision-based, it is for noting only.</b>
2.4	Will the policy or decision involve substantial changes in resources? <b>N/A – report is for noting only</b>
2.5	Is this policy or decision associated with any of the Council's other policies and how, if applicable, does the proposed policy support corporate outcomes? <b>N/A</b>

### Section 3: Evidence/data about the user population and consultation<sup>1</sup>

As a minimum you must consider what is known about the population likely to be affected which will support your understanding of the impact of the policy, eg service uptake/usage, customer satisfaction surveys, staffing data, performance data, research information (national, regional and local data sources).

3.1	What does the information tell you about those groups identified? <b>N/A – report is for noting only</b>
3.2	Have you consulted or involved those groups that are likely to be affected by the policy or decision you want to implement? If so, what were their views and how have their views influenced your decision? <b>N/A – as above</b>
3.3	If you have not consulted or engaged with communities that are likely to be affected by the policy or decision, give details about when you intend to carry out consultation or provide reasons for why you feel this is not necessary: <b>N/A – as above</b>

<b>Section 4: Impact of policy or decision</b>		
Use this section to assess any potential impact on equality groups based on what you now know.		
<b>Description of impact</b>	<b>Nature of impact</b> Positive, neutral, adverse (explain why)	<b>Extent of impact</b> Low, medium, high (use L, M or H)
Age	N/A	N/A
Disability	N/A	N/A
Gender	N/A	N/A
Gender reassignment	N/A	N/A
Marriage/civil partnership	N/A	N/A
Pregnancy/maternity	N/A	N/A
Race	N/A	N/A
Religion/belief	N/A	N/A
Sexual orientation	N/A	N/A

<b>Section 5: Conclusion</b>			
		<b>Tick Yes/No as appropriate</b>	
5.1	Does the EqlA in Section 4 indicate that the policy or decision would have a medium or high adverse impact on one or more equality groups?	No ✓	
		Yes <input type="checkbox"/>	If ' <b>YES</b> ', use the action plan at <b>Section 6</b> to describe the adverse impacts and what mitigating actions you could put in place.

<b>Section 7: Sign off</b> <b>I confirm that this initial analysis has been completed appropriately. (A typed signature is sufficient.)</b>	
Signature of Head of Service: Sarah Marsh	Date: 08/03/21
Signature of person completing the EqlA: Sue Linsley	Date: 08/03/21

<b>Advice</b>
Keep your director informed of all equality & diversity issues. We recommend that you forward a copy of every EqlA you undertake to the director responsible for the service area. Retain a copy of this EqlA for your records. If this EqlA relates to a continuing project, ensure this document is kept under review and updated, eg after a consultation has been undertaken.

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## **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference:**

**Date of meeting: 22 March 2021**

**Portfolio: Leader of the Council**

**Subject: Risk Management**

**Responsible Officer: Andrew Small (01992 562478).**

**Democratic Services: Laura Kirman (01992 564243).**

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### **Recommendations/Decisions Required:**

- (1) To review the current risk register and consider whether there are any new or emerging risks that are not on the current Corporate Risk register that should be referred to the officer Risk Management Group**

### **Executive Summary:**

This report gives the Audit and Governance Committee the opportunity to comment on and suggest new risks for inclusion on the Corporate risk register or changes to the scoring of existing risks.

### **Reasons for Proposed Decision:**

To enhance the Council's risk management framework.

### **Other Options for Action:**

None. Formal responsibility for making recommendations to Cabinet on risk management issues lies with the Audit and Governance Committee. Members may suggest new risks for inclusion or changes to the scoring of existing risks.

### **Report:**

#### Corporate Risk Register

1. The corporate risk register was reviewed by the Council's Officer Risk Management Group at their meeting of 03 March 2021 where all risks were reviewed and challenged, and subsequently by the Corporate Governance Group. The narrative for each risk has been reviewed and, where appropriate, updated to reflect the current situation (appendix 1).

2. The table below outlines the direction of travel for each risk since it was updated for the January 2021 Audit and Governance Committee, with a brief commentary supporting each risk. Three of the risks have been downgraded being welfare reform, financial resilience and delays in issuing planning permissions.

No	Risk	Residual risk rating (i.e. after controls)		Commentary
		January 2021	March 2021	
1	Local Plan	<b>B1</b>	<b>B1</b>	Adoption by full Council is still anticipated summer 2021 and the Inspector confirmed in February 2021 progress was being made by both parties.
2	Welfare Reform	<b>A2</b>	<b>C2</b>	This risk has been reworked to reflect that Covid-19 has placed a huge financial strain on individuals and families and the end of the national furlough scheme could lead to a spike in unemployment and an increase in debt. However, the Council is mitigating this through the use of multi-agency community hubs to help signpost customers.
3	Financial Resilience	<b>B1</b>	<b>C1</b>	Risk downgraded as a balance budget for 2021/22 has been set and the effects of Covid-19 being actively managed.
4	Economic Development	<b>B1</b>	<b>B1</b>	Work in this area continues to be progressed. Projects are being undertaken to help the recovery and sustainability of the local economy.
5	Data/information	<b>C2</b>	<b>C2</b>	Updated to reflect the introduction of eLearning modules and a review of supporting policies.
6	Business continuity	<b>C2</b>	<b>C2</b>	The Council continues its business continuity activities as part of its recovery response to Covid-19.
7	Housing capital finance	<b>C2</b>	<b>C2</b>	A consultant has been appointed to review the Housing Review Account (HRA) and Cabinet has approved a Right To Buy Receipts policy.

No	Risk	Residual risk rating (i.e. after controls)		Commentary
		January 2021	March 2021	
8	Cyber security	C2	C2	This risk continues to be actively managed and will be supported through the roll out of eLearning described under risk 5 (data/information)
9	Delays in issuing Planning Permissions	A1	C1	Downgraded now an interim air pollution strategy has been agreed with Natural England and approved by Full Council.
10	Climate emergency	B2	B2	Work continues on the action plan with the aim to submit a draft to Cabinet for consultation approval in April 21.
11	Accommodation project	C2	C2	Good progress continues with a March target completion date, with building handover within two weeks of this.

5. Members are now asked to consider the attached updated Corporate Risk Register (Appendix 1) and whether the risks listed are scored appropriately and whether there are any additional risks that should be included.

**Resource Implications:**

Within the report

**Legal and Governance Implications:**

The Corporate Risk Register is an important part of the Council's overall governance arrangements and that is why this Committee considers it on a regular basis.

**Safer, Cleaner and Greener Implications:**

None

**Consultation Undertaken:**

The Risk Management Group and Leadership Team were involved in the process.

**Background Papers:**

CIPFA audit committees – practical guidance for Local Authorities and Police 2018 edition

**Risk Management:**

If the Corporate Risk Register was not regularly reviewed and updated a risk that threatened the achievement of corporate objectives might either not be managed or be managed inappropriately. In addition, new or emerging risks are not considering which could threatened achievement of the Council's corporate objectives.

**Equality Analysis:**

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided as appendix 2 to the report.

### CORPORATE RISK REGISTER (March 2021)

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<b>LIKELIHOOD</b>	<b>A</b> Very High				
	<b>B</b> High			<b>10</b>	<b>1 4</b>
	<b>C</b> Medium			<b>2 5 6 7 8 11</b>	<b>3 9</b>
	<b>D</b> Low / Very Low				
		<b>4</b> Insignificant	<b>3</b> Minor	<b>2</b> Moderate	<b>1</b> Major
<b>IMPACT</b>					

RISK NO.	RISK SCORE	DESCRIPTION
1	<b>B1</b>	Local Plan
2	<b>C2</b>	Welfare Reform
3	<b>C1</b>	Financial Resilience
4	<b>B1</b>	Economic Development
5	<b>C2</b>	Data/Information
6	<b>C2</b>	Business Continuity
7	<b>C2</b>	Housing Capital Finance
8	<b>C2</b>	Cyber Security
9	<b>C1</b>	Delays in issuing Planning Permission
10	<b>B2</b>	Climate Emergency
11	<b>C2</b>	Accommodation project

REF	RISK (IF - THEN)	BACKGROUND - CAUSE/EFFECT	LIKELIHOOD	IMPACT	INHERENT RISK RATING	MITIGATION / CURRENT CONTROLS	LIKELIHOOD	IMPACT	RESIDUAL RISK RATING	FURTHER ACTION REQUIRED (INCLUDE TIMESCALES)	RISK OWNER	COMPLETION REVIEW DATE
<b>Risk No 1</b>  <b>Local Plan</b>	<p><b>Vulnerability:</b> Without an adopted Local Plan (LP) and with the introduction of the Housing Delivery Test from November 2018, the Council's ability to deliver housing at the required rate will lead to the presumption in favour of sustainable development being applied and the requirement to prepare an action plan.</p> <p><b>Consequence:</b> Without an adopted plan setting the Council's housing requirement at 518 the measurement used will be the 2014 household projection figures/standard method for assessment with an annual requirement of 923 homes. This will result in vulnerability to planning appeal decisions and potential development in the Green Belt as the presumption in favour of sustainable development will apply.</p>	<p>Failure to deliver at the required NPPF threshold of 95% of the housing requirement over the previous 3 years triggers a requirement for EFDC to prepare an action plan in line with national planning guidance to assess the causes of under delivery &amp; identify actions to increase delivery. The govt announced results of the Housing Delivery Test 19/01/21. Epping Forest figures show a 49% delivery rate when measured against the standard methodology numbers; the number is under 75% of the target so subject to the presumption in favour of sustainable development. Delay in submitting the LP due to the JR and Natural England's (NE) requirement not to issue planning decisions until a mitigation strategy is in place for Epping Forest SAC, would have ongoing consequences for delivery. An interim Air Pollution Mitigation Strategy has been agreed with NE and adopted by the Council, allowing planning applications to be determined.</p>	<b>VERY HIGH</b>	<b>MAJOR</b>	<b>A1</b>	<p>1) Local Plan Submission Version 2017 agreed by Council Dec 2017 and published. Following the Judicial Review (JR) the plan was submitted for examination which took place between Feb &amp; June 2019. The Inspector's advice issued 2 August 2019 requires the Council to undertake further work to support the Local Plan, which has largely been completed – the Habitat Regulations Assessment (HRA) is still to be finalised.</p> <p>2) Revised Local Development Scheme (LDS) adopted by Local Plans Cabinet Cttee Nov 2018 following submission of plan for independent examination. This will be updated once there is some certainty on programme for consultation on MMs. At the current time the Council is finalising the MMs with the Inspector with consultation anticipated in May/June 2021)</p> <p>Systematic approach to Duty to Co-operate, engaging public bodies including Natural England and the Conservators to finalise the HRA.</p> <p>4) Consultants in place to support HRA, Sustainability Assessment, transport modelling, master planning.</p> <p>5) Regular reports at officer and Member level through the Cooperation for Sustainable Development Group.</p>	<b>HIGH</b>	<b>MAJOR</b>	<b>B1</b>	<p>1) Revised timeline of the programme of work for the final tranche of the Main Modifications (MM) agreed with the Local Plan Inspector. Regular updates provided and posted on the Council's website. Last being on 8/2/21 in which the Inspector explained that good progress was being made towards MM consultation</p> <p>2) Review progress against new key milestones</p> <p>3) Important that key decisions do not precede Duty to Co-operate i.e. "fait accompli".</p> <p>4). Scrutiny Function to be undertaken by Stronger Place Select Committee.</p>	Planning Services Director	Regular programme meetings (but at least monthly)

REF	RISK (IF - THEN)	BACKGROUND - CAUSE/EFFECT	LIKELIHOOD	IMPACT	INHERENT RISK RATING	MITIGATION / CURRENT CONTROLS	LIKELIHOOD	IMPACT	RESIDUAL RISK RATING	FURTHER ACTION REQUIRED (INCLUDE TIMESCALES)	RISK OWNER	COMPLETION REVIEW DATE
<b>Risk No 2</b>  <b>Welfare Reform, Debt and the Effects of Covid-19 for Individuals and Families</b>	<p><b>Vulnerability:</b> The government introduced a programme of welfare reform including the introduction of Universal Credit, Local Council Tax Support and other benefits and direct payments to tenants. All new claimants for Housing Benefits automatically claim Universal Credit instead. However, the migration of existing Housing Benefit claims has paused so the full impact of the welfare reforms has not been realised. Covid has placed a huge financial strain on individuals and families and the end of the national furlough scheme could lead to a spike in unemployment and an increase in debt.</p>	<p>Welfare reform changes and the effects of Covid have a detrimental effect on the Council and community.</p> <p><b>Consequences:</b></p> <ul style="list-style-type: none"> <li>Tenants no longer able to afford current/new tenancies.</li> <li>Increase in evictions and homelessness</li> <li>Increased costs of temporary accommodation</li> <li>Unable to secure similar level of income due to payment defaults</li> <li>Increase in rent and Council Tax arrears</li> <li>Public dissatisfaction</li> <li>Criticism of the Council for not mitigating the effects for residents.</li> <li>Rise in mental health impacts</li> <li>Rise in safeguarding issues around domestic abuse</li> </ul>	<b>MEDIUM</b>	<b>MAJOR</b>	<b>C1</b>	<p>A virtual portal has been created to provide a resource for customers to use that signposts them to the online services from partners involved in the physical hub. This includes signposting to support for debt, housing and homelessness advice, mental well-being, safeguarding and skills and employment. It is currently targeting those who are at highest risk when furlough ceases i.e. younger working age.</p> <p>The Council is developing a Community Hub at the refurbished Civic Offices which will bring the virtual hub to a physical environment. The hub will also provide a multi-agency response to help support those individuals, families and the community with effects of the Covid pandemic. The initial meeting of the Hub Steering Group is being held on the 10<sup>th</sup> March 2021.</p>	<b>MEDIUM</b>	<b>MODERATE</b>	<b>C2</b>	<p>To continue to develop the online customer offering and nuance it according to changing circumstances.</p> <p>The Government in Spring Budget of 2021 extended the furlough scheme and £20 weekly uplift in Universal Credit until September 2021. These measures will help mitigate against the impacts of Covid during this period. A review of the level of this risk will need to be made at that stage.</p>	Customer Services Director	Monthly

REF	RISK (IF - THEN)	BACKGROUND - CAUSE/EFFECT	LIKELIHOOD	IMPACT	INHERENT RISK RATING	MITIGATION / CURRENT CONTROLS	LIKELIHOOD	IMPACT	RESIDUAL RISK RATING	FURTHER ACTION REQUIRED (INCLUDE TIMESCALES)	RISK OWNER	COMPLETION REVIEW DATE
<b>Risk No 3</b>  <b>Financial Resilience</b>	<p><b>Covid-19</b></p> <p>The Council has had a strong Balance Sheet for several years with a high level of unallocated General Fund Reserves. However, the impact of Covid-19 is posing a significant threat to accumulated reserves; there is also some legacy risks to the base budget as income streams from sources such as car parking and leisure may never recovery to pre-pandemic levels. The following matters therefore assume heightened importance;</p> <p><b>Qualis Income</b></p> <p>Securing planned income returns from the LACTO initiative is vital to maintaining financial self-sufficiency and avoiding service cuts; and</p> <p><b>Financial Control</b></p> <p>Tighter financial control is essential in a more challenging financial environment that lies ahead</p>	<p>Balanced budget now set for 2021/22 but includes use of £1.350 million from General Fund Reserve (Budget to full Council 25/02/21). Underlying budget deficit of £1.593 million identified for 2022/23 (gross of assumed £0.5 million contribution from General Fund Reserve (MTFP to full Council 25/02/21).</p> <p>Slippage in timetabled income and benefits from Qualis initiative (although positive progress being made).</p> <p>Updated HRA Business Plan now high priority to identify and address financial sustainability risk (especially in the light of large Housing Development Programme).</p> <p>Corporate financial planning, management and reporting processes in transition following significant upheaval during 2019/20.</p> <p>CIPFA Financial Management Code effective from 1 April 2021: step change improvement required to achieve compliance.</p>	<b>VERY HIGH</b>	<b>MAJOR</b>	<b>A1</b>	<p><b>Covid-19</b></p> <p>Short term financial impacts controlled through management of Government support packages and budgetary control mitigation measures in 2020/21 (forecast GF overspend at Q3 stage down to circa £300k).</p> <p>Medium/Long Term financial impacts being managed through Medium-Term Financial Planning process (updated MTFP adopted by full Council 25/02/21)</p> <p><b>Qualis</b></p> <p>Council's interests directly overseen and managed by Section 151 Officer with tailored support from specialist professional advisors</p> <p><b>Financial Control</b></p> <p>Process improvements being rolled out by Deputy S151</p> <p>Interim support for Finance Team to address temporary capacity shortages; permanent solution involving team restructure out to consultation (phased implementation expected to conclude 30/09/21).</p> <p>Specialist professional advice utilised to address specific risks to Housing Revenue Account</p>	<b>MEDIUM</b>	<b>MAJOR</b>	<b>C1</b>	<p>Complete review of HRA Business Plan and roll out results as at 30/09/21.</p> <p>Complete transformation of Corporate Finance function, in the short-term focussing on strengthening professional capacity.</p> <p>In the medium-term, continue cultural change process and address current deficit in efficiency and effectiveness</p>	Strategic Director & 151 Officer	Monthly



REF	RISK (IF - THEN)	BACKGROUND - CAUSE/EFFECT	LIKELIHOOD	IMPACT	INHERENT RISK RATING	MITIGATION / CURRENT CONTROLS	LIKELIHOOD	IMPACT	RESIDUAL RISK RATING	FURTHER ACTION REQUIRED (INCLUDE TIMESCALES)	RISK OWNER	COMPLETION REVIEW DATE
<b>Risk No 4</b> <b>Economic Development</b>	<p><b>Vulnerability:</b> Economic development and employment is very important, particularly in the current economic climate. The Council needs to be able to provide opportunities for economic development and employment (especially youth employment) in the District.</p> <p><b>Consequence:</b></p> <ul style="list-style-type: none"> <li>• Unable to secure sufficient opportunities</li> <li>• Local area and people lose out</li> <li>• Insufficient inward investment</li> <li>• Impact on economic vitality of area</li> <li>• Loss of revenue</li> </ul>	<p>Risk that Council performs relatively poorly compared to other authorities.</p> <p>Risk remains high in terms of the general economy, however, the Council is making good headway in terms of the Council's response to Covid-19 and economic recovery. For example, from the initial appraisal of Waltham Abbey, that there is a lower vacancy rate than the national average; assessed as being 5%. In addition, the Council has no vacant commercial premises.</p>	<b>VERY HIGH</b>	<b>MAJOR</b>	<b>A1</b>	<p>Economic Development Plan (Nurturing Growth) was drafted and presented to Economic Development Board and subsequently to Cabinet Cttee for approval. Cabinet requested further consultation with stakeholders, and this was carried out through October &amp; November, culminating in a consultation event on November 13<sup>th</sup>. A revised Economic Strategy and associated report was submitted to Cabinet in May which was agreed and contained a request for additional staff to undertake High Street Recovery work.</p> <p>With the impact of Covid-19 a completely new action plan has been developed which considers a range of options for recovery of local high streets as this is now seen as the priority for Economic Development.</p>	<b>HIGH</b>	<b>MAJOR</b>	<b>B1</b>	<p>At its' meeting of 19<sup>th</sup> Oct, Cabinet formally agreed the priority projects for Covid Economic Recovery; these include regeneration of the five Town Centres in the District, Employment and skills, NWA Business Zone, Sustainable Transport and Local Gazetteer. A decision was made to remove the Digital Gateway for Place project.</p> <p>The work on these projects will serve to help recovery and sustainability of the local economy, but will not provide certainty for local businesses. Therefore the risk for the local economy remains high</p>	Partnerships & Economic Development specialist	Monthly

<p><b>Risk No 5</b></p> <p><b>Data / Information</b></p>	<p><b>Vulnerability:</b></p> <p>The authority handles a large amount of personal and business data. Either through hacking or carelessness, security of the data could be compromised.</p> <p><b>Consequence:</b></p> <ul style="list-style-type: none"> <li>• Breach of the 2018 Data Protection Act (DPA) and the General Data Protection Regulations leading to significant fines or/and intervention by the Information Commissioner's Office (ICO)</li> <li>• Increased costs and legal implications</li> <li>• Reputation damaged and loss of public confidence</li> </ul>	<p>Risk of data held by the Council ends up in inappropriate hands. System loss. Generally effective to date, with no significant lapses since the introduction of the 2018 DPA.</p> <p>The work programme for the Information Governance Group, who oversees this risk, is comprehensive but has limited resource to progress the work.</p>	<p><b>HIGH</b></p>	<p><b>MAJOR</b></p>	<p><b>B1</b></p>	<p>Significant work was undertaken by the Council to ensure it was compliant in time for the introduction of the GDPR in May 2018. This included review of policy and procedures, staff and Member training and awareness, completing an information asset register/register of processing activities and reviewing security of data arrangements.</p> <p>The Council continues to have a designated Data Protection Officer in post and a system of data breach and subject access request monitoring in place.</p> <p>A recent audit on data retention and disposals has been completed which identified a number of actions.</p> <p>A Senior Information Risk Owner has been identified and an Information Governance Group (IGG) has been formed. In addition, an Information Governance Group and Information Asset Owner Group has been set up.</p> <p>The Information Governance Group has put together a draft work programme and other actions will be reviewed and monitored through this Information Governance Group</p>	<p><b>MEDIUM</b></p>	<p><b>MODERATE</b></p>	<p><b>C2</b></p>	<p>IGG is reviewing current arrangements and ensure these are strengthened where required. The IGG is working with the Information Asset Owner Group to embed understanding of the importance of information governance across the authority.</p> <p>The IGG Work Programme is being prioritised and the expectations of the Council managed.</p> <p>A Retention and Disposals Policy will be launched in March 2020</p> <p>Additional support will be put in place to assist service areas to coordinate and collate, in addition to the FOI/SARS Support Officer.</p> <p>eLearning modules being developed for data protection, FOI/SARS and cyber security with a review of relevant policies to accompany the eLearning launch (data to be confirmed)</p>	<p>Service Director – Business Services (SIRO)</p>	<p>Quarterly</p>
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REF	RISK (IF - THEN)	BACKGROUND - CAUSE/EFFECT	LIKELIHOOD	IMPACT	INHERENT RISK RATING	MITIGATION / CURRENT CONTROLS	LIKELIHOOD	IMPACT	RESIDUAL RISK RATING	FURTHER ACTION REQUIRED (INCLUDE TIMESCALES)	RISK OWNER	COMPLETION REVIEW DATE
<b>Risk No 6</b>  <b>Business Continuity</b>	<p><b>Vulnerability:</b> The Council is required to develop and implement robust Business Continuity Plans in line with the requirements of the Civil Contingencies Act.</p> <p>Following the re-organisation and negative outcomes from Internal Audit's review plans need to be updated and changes in responsibilities confirmed.</p> <p><b>Consequence:</b></p> <ul style="list-style-type: none"> <li>Services disrupted / Loss of service</li> <li>Possible loss of income</li> <li>Staff absence</li> <li>Hardship for some of the community</li> <li>Council criticised for not responding effectively</li> </ul> <p>Strain on/or lack of staff resources;</p> <ul style="list-style-type: none"> <li>Increased sickness absence due to Covid19 – staff availability to work</li> <li>Additional capacity needed for projects</li> <li>ICT restructure</li> </ul>	<p>An Internal Audit of Business Continuity arrangements identified a number of weaknesses which were addressed through the BC project.</p> <p>An external consultant has been engaged to develop the strategy and provide coaching to staff to develop plans. This has largely been completed and an exercise to test was undertaken in Feb 2020.</p> <p>All departments now have their own departmental BC plans</p> <p>Corporate strategy now sits above all plans and has been tested.</p> <p>Currently, the organisation is continuing to deliver services to a high standard, working remotely, in new ways etc, however there are strains on project delivery and in some areas BAU due to staff absence, restructures, turnover.</p>	<b>VERY HIGH</b>	<b>MAJOR</b>	<b>A1</b>	<p>Improvement of current business continuity (BC) management arrangement is currently in progress.</p> <p>Our organisational response to the current covid-19 emergency demonstrates a generally effective BCP with essential services / critical functions continuing.</p> <p>Next phase is to co-ordinate the review and updating of plans on an ongoing progressive program.</p> <p>Mitigation re staff resources:</p> <ul style="list-style-type: none"> <li>New recruitment process and careers page to attract new candidates. More efficient and less bureaucratic processes</li> <li>The category A, B, C list of staff availability has recently been reviewed</li> <li>ICT Portfolio Governance Group is established</li> <li>Flexible use of salary budget to plug short term gaps</li> </ul>	<b>MEDIUM</b>	<b>MODERATE</b>	<b>C2</b>	<p>Following the desktop exercise scenario in this year, and as a result of covid-19 emergency, Service Plan owners are tasked with reviewing their plans and amending and adjusting accordingly.</p> <p>The Corporate Plan will be reviewed by the Leadership Team by the end Sept 2021.</p> <p>Service Managers will review their BC Plans by end of September 2021 following the opening of the Civic Offices and our new WoW</p> <p>Senior managers to keep situation under regular review. Staffing issues is a standing item on fortnightly Wider Leadership Team Meeting</p>	Business Services Director	Quarterly

REF	RISK (IF - THEN)	BACKGROUND - CAUSE/EFFECT	LIKELIHOOD	IMPACT	INHERENT RISK RATING	MITIGATION / CURRENT CONTROLS	LIKELIHOOD	IMPACT	RESIDUAL RISK RATING	FURTHER ACTION REQUIRED (INCLUDE TIMESCALES)	RISK OWNER	COMPLETION REVIEW DATE
<b>Risk No 7</b>  <b>Housing Capital Finance</b>	<p><b>Vulnerability:</b> If the Council is unable to spend right to buy receipts in set timescale on qualifying capital schemes, we will have to pay the money to the Government along with interest at a penalty rate.</p> <p>Changes to legislation which reduce income to the HRA.</p> <p><b>Consequence:</b></p> <ul style="list-style-type: none"> <li>• Loss of capital resources</li> <li>• Revenues cost of penalty interest</li> <li>• Loss of rental income</li> <li>• Delays in provision of new social housing</li> <li>• Increase in housing waiting list</li> <li>• Current 30-year business plan may become unsustainable.</li> </ul>	<p>Risk schemes are delayed by either the planning process or unanticipated site problems.</p> <p>Imposition of further restrictions on rent levels.</p>	<b>HIGH</b>	<b>MODERATE</b>	<b>B2</b>	<p>1) Position being monitored by the House Building Cabinet Committee and a number of contingency options are available including purchasing homes or land on the open market or purchasing from S106 developments. A Consultant has been engaged to work to utilise the receipts before the deadline of the end financial year.</p> <p>2) The Council belongs to the Association of Retained Council Housing which lobbies on such issues.</p> <p>3) The development team are working with finance to develop reports to enable clear visibility around capital funding</p> <p>4) Grant Thornton employed to carry out an overall review finances process</p> <p>5) Consultant has been appointed to review and update the HRA business plan</p> <p>6) RTB receipts Policy approved by Cabinet</p>	<b>MEDIUM</b>	<b>MODERATE</b>	<b>C2</b>	<p>1) Loss of right to buy receipts is minimised.</p> <p>2) Impact of Policy changes is minimised as far as possible.</p> <p>3) Financial reporting requirements to be developed to ensure clear accounting and governance</p> <p>4) The appointment of an HRA finance expert made. They will assist the Council in putting systems in place to mitigate risk</p> <p>5) Action plan to be developed following the report from GT by April 21</p>	Project Director HRA	Monthly

REF	RISK (IF - THEN)	BACKGROUND - CAUSE/EFFECT	LIKELIHOOD	IMPACT	INHERENT RISK RATING	MITIGATION / CURRENT CONTROLS	LIKELIHOOD	IMPACT	RESIDUAL RISK RATING	FURTHER ACTION REQUIRED (INCLUDE TIMESCALES)	RISK OWNER	COMPLETION REVIEW DATE
<b>Risk No 8</b> <b>Cyber Security</b>	<p><b>Vulnerability:</b> The Authority handles a large amount of personal and business data. Either through hacking or carelessness, security of the data could be compromised.</p> <p><b>Consequence:</b></p> <ul style="list-style-type: none"> <li>Loss of system access and/or data</li> <li>Unable to provide Council services</li> <li>Increased costs</li> <li>Reputation damaged</li> <li>Ransomware payment</li> <li>Corporate fines</li> </ul>	<p>Risk of data held by the Council ends up in inappropriate hands. System loss. However, no loss of data. Systems have remained protected from cyber-attack.</p> <p>EFDC is targeted directly. Unknown vulnerabilities in systems. Misconfigured systems. EFDC staff error. Disgruntled EFDC staff.</p> <p>System Loss, Data unavailable, Data stolen, Data changed,</p>	<b>VERY HIGH</b>	<b>MAJOR</b>	<b>A1</b>	<p>Security Officer is continually monitoring situation and potential risks. Most systems have in built controls to prevent unauthorised access. Controls in systems have been strengthened in response to specific occurrences.</p> <p>IT monitoring &amp; installing system updates &amp; patches</p> <p>Data is backed up daily with forty days retained. Three backups are also stored off site.</p> <p>Staff training.</p>	<b>MEDIUM</b>	<b>MODERATE</b>	<b>C2</b>	<p>Continued monitoring &amp; researching security attack methodologies and best practice procedures</p> <p>An eLearning module provided by the National Cyber Security Centre will be rolled out across the Council. This will follow a review of relevant policies, date of launch to be confirmed</p>	Business Services Director	Quarterly

REF	RISK (IF - THEN)	BACKGROUND - CAUSE/EFFECT	LIKELIHOOD	IMPACT	INHERENT RISK RATING	MITIGATION / CURRENT CONTROLS	LIKELIHOOD	IMPACT	RESIDUAL RISK RATING	FURTHER ACTION REQUIRED (INCLUDE TIMESCALES)	RISK OWNER	COMPLETION REVIEW DATE
<b>Risk No 9</b> <b>Delays in issuing Planning Permission</b>	<p><b>Vulnerability:</b> Delays in issuing Planning Permission for development due to objections by Natural England regarding the impact of development on air quality in Epping Forest SAC.</p> <p><b>Consequence:</b></p> <ul style="list-style-type: none"> <li>Delays in granting Planning Permission in the District and getting an adopted Local Plan in place.</li> <li>Loss of New Homes Bonus</li> <li>Restricted Business Rates tax base growth</li> <li>Reputation damaged</li> </ul>	The Habitats Regulations Assessment (HRA) January 2019 found that the Plan would be likely to have a significant effect upon the Epping Forest Special Area of Conservation (the SAC) in respect of both atmospheric pollution and disturbance from recreation & urbanisation.	<b>VERY HIGH</b>	<b>MAJOR</b>	<b>A1</b>	Regular meetings held with key stakeholders including Natural England to update the HRA and develop a mitigation strategy. Interim mitigation strategy (SAMMS) was agreed by Council in October 2018 to mitigate the impact of recreational pressure on the Forest and Natural England have confirmed it is appropriate. The outstanding concerns in relation to the Green Infrastructure Strategy/ SANG strategy and the need for site specific projects to mitigate the impact of recreational pressure associated with growth in the South of District has been addressed in the GI Strategy now going to Stronger Place Select Committee on 29 March and Cabinet on 20 April 2021 Draft Air Pollution Strategy was agreed by Cabinet in July 2020 for further consultation with Natural England. An updated strategy has been prepared and was adopted by Council on 8 February 2021 following confirmation from Natural England that the strategy was agreed.	<b>MEDIUM</b>	<b>MAJOR</b>	<b>C1</b>	<p>Mitigation strategy in place for both recreational pressure and air quality issues.</p> <p>Interim air pollution strategy has been agreed with Natural England and has been adopted by the Council through a PFH report which was called in to a Full Council meeting on 8 February 2021.</p> <p>Budget has been set aside and a planning officer and transport planner are in post to assist with issuing planning decisions once this strategy has been agreed – decisions will be issued as soon as Counsel advice is received on how decisions are to be taken.</p>	Planning Services Director	Monthly – regular updates are being provided to the inspector

REF	RISK (IF - THEN)	BACKGROUND - CAUSE/EFFECT	LIKELIHOOD	IMPACT	INHERENT RISK RATING	MITIGATION / CURRENT CONTROLS	LIKELIHOOD	IMPACT	RESIDUAL RISK RATING	FURTHER ACTION REQUIRED (INCLUDE TIMESCALES)	RISK OWNER	COMPLETION REVIEW DATE
<b>Risk No 10</b> <b>Climate Emergency</b>	<p><b>Vulnerability:</b></p> <p>The Council declared a climate emergency and has pledged to do everything within its power to make the Epping Forest District carbon neutral by 2030.</p> <p>The Council has identified a number of initial areas of focus, including: Local Plan site allocations achieving high standards of sustainability; carbon reduction of council owned properties; the promotion of sustainable transport and implementing an air quality strategy.</p> <p><b>Consequence:</b></p> <ul style="list-style-type: none"> <li>• Reputational damage</li> <li>• Increased costs from Climate Change Mitigation requirements</li> </ul>	Failure in achieving identified carbon reduction targets and taking action to reach the carbon neutral District by 2030 pledge.	<b>VERY HIGH</b>	<b>MODERATE</b>	<b>A2</b>	<p>A Climate Change and a Sustainable Transport Officer have started in post. They are working to develop an action plan with short, medium and long term targets with the overall objective of becoming carbon neutral by 2030.</p> <p>The action plan will cover all service areas and the wider District emissions. A Members briefing on the Climate Action Plan took place on 18<sup>th</sup> February 2021. An introduction to the action plan was given followed by a focussed discussion on the short and long term priorities to be considered in the plan.</p> <p>A three-month Demand Responsive Transport trial service launched on 2<sup>nd</sup> January, replacing the Arriva 87 bus, which ceased due to ECC funding problems. EFDC staff offered free use of DRT service during January.</p>	<b>HIGH</b>	<b>MODERATE</b>	<b>B2</b>	<p>Continued development of the action plan using knowledge gained from the workshop and Members briefing with the aim to submit a draft to Cabinet for consultation approval in April 21.</p> <p>The move to staff working from home and covid-19 associated projects including increasing active travel as part of the Safer Places project for High Street recovery, will contribute towards a positive impact on carbon reduction.</p>	Chief Operating Officer	Quarterly

REF	RISK (IF - THEN)	BACKGROUND - CAUSE/EFFECT	LIKELIHOOD	IMPACT	INHERENT RISK RATING	MITIGATION / CURRENT CONTROLS	LIKELIHOOD	IMPACT	RESIDUAL RISK RATING	FURTHER ACTION REQUIRED (INCLUDE TIMESCALES)	RISK OWNER	COMPLETION REVIEW DATE
<b>Risk No 11</b>  <b>Accommodation project</b>	Failure of the accommodation project to deliver: <ul style="list-style-type: none"> <li>New ways of agile working</li> <li>Better use of Council assets</li> </ul> <p>which ultimately impacts on the Council's objectives and delivery of services</p>	<p><b>Background:</b> The Council has embarked on ambitious plan for the renovation and refurbishment of the civic offices that will involve a decant and repopulation of staff and Members. As well as offering space to external partners.</p> <p><b>Effects</b></p> <ul style="list-style-type: none"> <li>Need to ensure IT resilience that supports agile working practices</li> </ul>	<b>VERY HIGH</b>	<b>MAJOR</b>	<b>A1</b>	<ul style="list-style-type: none"> <li>Contractor ISG started refurbishment in July and programme is progressing well. Current target completion date is end of March 2021. With building handover within 2 weeks.</li> <li>Monthly Accommodation Board meeting manages risks and issues raised by workstream leads</li> <li>A timeline of EFDC use of the building has been put together based on the government restrictions and roadmap. This will also include use of the building for the elections. This is all to ensure there is a safe and secure return for those using the Civic.</li> <li>There has been a focus on the removal and recycling of storage where possible and within legal restrictions. This is dependent on the services reviewing what they have. Storage will then be found at alternative sites.</li> </ul>	<b>MEDIUM</b>	<b>MODERATE</b>	<b>C2</b>	<p>Embed new ways of working (WoW) based on the space created and how it will be used. Align with digital collaboration tools for office based and remote working.</p> <p>Adoption of Effective Flexibility is dependent on the work within service areas to adopt the key pillars of the guidance.</p> <p>Potential clients for 2<sup>nd</sup> floor lease will make visits once site has been released. Financial savings will be realised through the development of the Conder building via Qualis and is part of the Qualis financial plan.</p>	Service Director Strategy, Delivery and Performance	Monthly



# Equality Impact Assessment

1. Under s.149 of the Equality Act 2010, when making decisions, Epping District Council must have regard to the Public Sector Equality Duty, ie have due regard to:
  - eliminating unlawful discrimination, harassment and victimisation, and other conduct prohibited by the Act,
  - advancing equality of opportunity between people who share a protected characteristic and those who do not,
  - fostering good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.
2. The characteristics protected by the Equality Act are:
  - age
  - disability
  - gender
  - gender reassignment
  - marriage/civil partnership
  - pregnancy/maternity
  - race
  - religion/belief
  - sexual orientation.
3. In addition to the above protected characteristics you should consider the cross-cutting elements of the proposed policy, namely the social, economic and environmental impact (including rurality) as part of this assessment. These cross-cutting elements are not a characteristic protected by law but are regarded as good practice to include.
4. The Equality Impact Assessment (EqIA) document should be used as a tool to test and analyse the nature and impact of either what we do or are planning to do in the future. It can be used flexibly for reviewing existing arrangements but in particular should enable identification where further consultation, engagement and data is required.
5. Use the questions in this document to record your findings. This should include the nature and extent of the impact on those likely to be affected by the proposed policy or change.
6. Where this EqIA relates to a continuing project, it must be reviewed and updated at each stage of the decision.
7. All **Cabinet, Council, and Portfolio Holder reports must be accompanied by an EqIA**. An EqIA should also be completed/reviewed at key stages of projects.
8. To assist you in completing this report, please ensure you read the guidance notes in the Equality Analysis Toolkit and refer to the following Factsheets:
  - Factsheet 1: Equality Profile of the Epping Forest District
  - Factsheet 2: Sources of information about equality protected characteristics
  - Factsheet 3: Glossary of equality related terms
  - Factsheet 4: Common misunderstandings about the Equality Duty
  - Factsheet 5: Frequently asked questions
  - Factsheet 6: Reporting equality analysis to a committee or other decision making body

## Section 1: Identifying details

Your function, service area and team: **Strategic Director**

If you are submitting this EqlA on behalf of another function, service area or team, specify the originating function, service area or team:

Title of policy or decision: **Risk Management report**

Officer completing the EqlA: Tel: **01992 564446** Email: **smarsh@eppingforestdc.gov.uk**

Date of completing the assessment: 08/03/21

## Section 2: Policy to be analysed

2.1	Is this a new policy (or decision) or a change to an existing policy, practice or project? <b>No; an update of risk management to Audit and Governance Committee</b>
2.2	Describe the main aims, objectives and purpose of the policy (or decision): <b>N/A</b> What outcome(s) are you hoping to achieve (ie decommissioning or commissioning a service)? <b>N/A</b>
2.3	Does or will the policy or decision affect: <ul style="list-style-type: none"><li>• service users</li><li>• employees</li><li>• the wider community or groups of people, particularly where there are areas of known inequalities?</li></ul> <b>N/A</b> Will the policy or decision influence how organisations operate? <b>N/A</b>
2.4	Will the policy or decision involve substantial changes in resources? <b>N/A</b>
2.5	Is this policy or decision associated with any of the Council's other policies and how, if applicable, does the proposed policy support corporate outcomes? <b>N/A</b>

### **Section 3: Evidence/data about the user population and consultation<sup>1</sup>**

As a minimum you must consider what is known about the population likely to be affected which will support your understanding of the impact of the policy, eg service uptake/usage, customer satisfaction surveys, staffing data, performance data, research information (national, regional and local data sources).

3.1	What does the information tell you about those groups identified? <b>N/A</b>
3.2	Have you consulted or involved those groups that are likely to be affected by the policy or decision you want to implement? If so, what were their views and how have their views influenced your decision? <b>N/A</b>
3.3	If you have not consulted or engaged with communities that are likely to be affected by the policy or decision, give details about when you intend to carry out consultation or provide reasons for why you feel this is not necessary: <b>N/A</b>

## Section 4: Impact of policy or decision

Use this section to assess any potential impact on equality groups based on what you now know.

<b>Description of impact</b>	<b>Nature of impact</b> Positive, neutral, adverse (explain why)	<b>Extent of impact</b> Low, medium, high (use L, M or H)
Age	N/A	N/A
Disability	N/A	N/A
Gender	N/A	N/A
Gender reassignment	N/A	N/A
Marriage/civil partnership	N/A	N/A
Pregnancy/maternity	N/A	N/A
Race	N/A	N/A
Religion/belief	N/A	N/A
Sexual orientation	N/A	N/A

## Section 5: Conclusion

		Tick Yes/No as appropriate	
5.1	Does the EqlA in Section 4 indicate that the policy or decision would have a medium or high adverse impact on one or more equality groups?	No <input checked="" type="checkbox"/>	
		Yes <input type="checkbox"/>	If ' <b>YES</b> ', use the action plan at <b>Section 6</b> to describe the adverse impacts and what mitigating actions you could put in place.

## Section 6: Action plan to address and monitor adverse impacts

What are the potential adverse impacts?	What are the mitigating actions?	Date they will be achieved.

**Section 7: Sign off**

**I confirm that this initial analysis has been completed appropriately.  
(A typed signature is sufficient.)**

Signature of Head of Service: Andrew Small

Date: 08/03/21

Signature of person completing the EqlA: Sarah Marsh

Date: 08/03/21

**Advice**

Keep your director informed of all equality & diversity issues. We recommend that you forward a copy of every EqlA you undertake to the director responsible for the service area. Retain a copy of this EqlA for your records. If this EqlA relates to a continuing project, ensure this document is kept under review and updated, eg after a consultation has been undertaken.

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## **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference:**

**Date of meeting: 22 March 2021**

**Portfolio: Leader of the Council**

**Subject: Internal Audit Strategy and Plan 2021/22**

**Responsible Officer: Sarah Marsh (01992 564446).**

**Democratic Services: Laura Kirman (01992 564243).**

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### **Recommendations/Decisions Required:**

- (1) The Internal Audit Strategy and Plan for 2021/22 be approved.**

### **Executive Summary:**

Internal Audit supports and contributes to the achievement of the Council's objectives by supporting good governance, with the outcomes from Internal Audit work feeding into the Annual Governance Statement. The Internal Audit Strategy and Plan for 2021/22, and the indicative work programme for the subsequent two years (2022/23 and 2023/24) sets out how this will be achieved.

### **Reasons for Proposed Decision:**

To approve the Council's Internal Audit Plan as required in the Audit and Governance Committee's Terms of Reference.

### **Other Options for Action:**

None.

### **Report**

#### **INTRODUCTION**

1. The Internal Audit function provides independent and objective assurance and consulting services to Epping Forest District Council. This Internal Audit strategy summarises the key principles for the Internal Audit Team for the period 2021/22, with some longer term aims. The strategy supports the Audit Plan (Appendix A) which sets out the work of the Internal Audit service for the year.
2. Internal Audit supports and contributes to the achievement of the Council's 2018-23 strategic aims. These have been considered whilst developing the Internal Audit strategy and plan, being:
  - Stronger communities
  - Stronger place
  - Stronger council

## **PURPOSE**

3. The purpose of the Internal Audit Strategy and Plan is to document the Internal Audit team's approach to:
  - Provide independent and objective assurance to Members and senior management on the effectiveness of the Council's internal control framework.
  - Ensure the recognition of the key risks the Council faces in meeting its objectives when determining and allocating the use of Internal Audit resources.
  - Add value and support to senior management in providing effective control, whilst identifying opportunities for improving value for money.
  - Deliver an Internal Audit Service that is compliant with the requirements of The Public Sector Internal Audit Standards.

## **INTERNAL AUDIT MISSION AND CORE PRINCIPLES**

4. The Global Institute of Internal Auditors has developed an International Professional Practices Framework (IPPF) for auditors. The IPPF includes a mission and ten core principles. These have been adopted by this Internal Audit Shared Service and are listed below.

*Mission: To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.*

*Core principles:*

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

## **THE INTERNAL AUDIT APPROACH**

5. While Internal Audit provides assurance through completing a programme of planned work the service is also flexible and responsive to changing and emerging issues. This was especially true during 2020/21 due to Covid-19. Some audit work is delivered on a consultancy basis, contributing advice on risk and controls, for example ex-officio attendance at project meetings or undertaking a specific investigation of a newly identified issue.
6. The purpose, authority and responsibility of Internal Audit is formally defined in the Internal Audit Charter, which was approved at the January 2021 Audit and Governance Committee.

## **KEY DELIVERABLES**

7. The key deliverables for the Internal Audit service during 2021/22 are:
  - *Delivery of the Audit Plan* - the Chief Internal Auditor will ensure there is sufficient

audit coverage in order to provide an annual Internal Audit opinion and report, which feeds into the Council's Annual Governance Statement

- *Integrated approach to assurance* – Providing ongoing assurance to management on the integrity, effectiveness and operation of the Council's internal control, governance and risk management processes. Working with other assurance providers including External Audit to prevent duplication of work
- *Management commitment* - Ensure agreed management responses to audit recommendations made are implemented thereby improving the overall control framework
- *Continually develop our approach* – To develop, improve and deliver a quality assurance and improvement programme for the service, including working closely with the Audit and Governance Committee
- *Business insight* - working more closely with Officers, Members and services to establish greater relevance to what matter most to the Council by contemplating current and future key risks and challenges.

## **PROTOCOL FOR AUDIT REVIEWS**

8. We will conduct each review in line with our standard audit methodology which is aligned to the Public Sector Internal Audit Standards.
9. For each audit a Lead Auditee will be identified who will be involved in scoping to ensure the audit is appropriately focused on key risks areas, providing assurance and maximising added value. A terms of reference will be produced for each audit to ensure the scope, objectives and approach are agreed with the appropriate Service Director.
10. Following fieldwork, a draft Internal Audit report will be issued for discussion with the appropriate levels of management which is normally set out in the terms of reference.
11. Final reports will be issued after the agreement of draft reports and contain completed management actions plans identifying those responsible for their implementation and appropriate timescales.
12. Agreed actions or recommendations will be followed up through the Internal Audit tracker process. All high priority recommendations and any passing their original implementation date are reported to the Audit and Governance Committee.

## **QUALITY ASSURANCE AND PERFORMANCE MANAGEMENT**

13. The Internal Audit Quality Assurance and Improvement Programme ensures the work of the Internal Audit function conforms with the Public Sector Internal Audit Standards (PSIAS), operates in an efficient and effective manner and is adding value and continually improving Internal Audit activity. This is achieved through internal and external assessment, monitoring, and reporting on performance.
14. In November 2016 the Internal Audit function underwent an External Quality Assessment (EQA) which, in line with the PSIAS, must be conducted every five years by a qualified independent assessor from outside the Council. The EQA, which covered all three councils in the shared service, confirmed the Internal Audit service complies with the Public Sector Internal Audit Standards. Annual internal review confirms this compliance still holds true. The next EQA will take place during 2021/22 and the results will be communicated to the Audit and Standards Committee.
15. To achieve planned coverage, deliver a high standard of customer care and demonstrate effectiveness of the service, performance targets have been established based on best professional practice.

16. The following service performance targets will be reported on in 2020/21:

Aspect of Service	Performance Indicator	Target
Audit Plan	<ul style="list-style-type: none"> <li>Achievement of the annual Plan</li> </ul>	<ul style="list-style-type: none"> <li>Sufficient Internal Audit work in order that the Chief Internal Auditor can give their annual opinion.</li> </ul>
Internal Audit processes	<ul style="list-style-type: none"> <li>Issue of draft report after closing meeting</li> <li>Issue of final report after agreement with client to draft</li> </ul>	<ul style="list-style-type: none"> <li>10 working days</li> <li>5 working days</li> </ul>
Effective management engagement	<ul style="list-style-type: none"> <li>Management responses within 10 working days of draft report</li> <li>Implementation of agreed audit recommendations</li> </ul>	<ul style="list-style-type: none"> <li>10 working days</li> <li>Within agreed timescales</li> </ul>
Continuous Professional Development (CPD)	<ul style="list-style-type: none"> <li>Auditors maintain and improve their knowledge, skills and other competencies through directed and self-directed activities.</li> </ul>	<ul style="list-style-type: none"> <li>40 hours of CPD activity per auditor</li> </ul>

## DEVELOPING THE INTERNAL AUDIT PLAN

17. The methodology for developing the Internal Audit Plan is focused on the quantification of the risks associated with the Council's objectives in consultation with key officers. This process also considers:

- Knowledge and experience accumulated in Internal Audit, including the results of previous reviews
- A review of audit themes against the strategic risk register and Council priorities
- The work of other assurance providers both internally and externally
- The external environment including economic climate, the implications of the UK's exit from the EU, government initiatives such as welfare reform and changes in funding
- Harmonisation of themes with Harlow and Broxbourne Councils to enable benchmarking and sharing of good practice with other local authorities

18. It is imperative there is good alignment between the Internal Audit Plan and the risks facing each Council. Through this, Internal Audit's work will help inform each Council's risk management framework, enabling greater recognition of key mitigating controls and other sources of assurances available. Where possible the risks identified in the Audit Plan (Appendix A) have been taken directly from the Council's Risk Register.

19. In addition, an assurance map has been produced (Appendix B) that provides a structured way to identify the main sources and types of risk assurance in the Council. This demonstrates sufficient Internal Audit work has either been undertaken or has been planned for the Council's key risks.

20. The Internal Audit Plan is indicative, and changes may need to be made as the risk profile and priorities of the Council change. This will be achieved by ongoing review and amendment in consultation with relevant officers and any significant changes brought to the Audit and Governance Committee for approval.

21. It is important for Internal Audit to plan ahead and allocate resources over the medium

term but still maintain a flexibility of approach. This is achieved by documenting known risks over a three-year period so that the three-year plan includes an indication of proposed audit work for years two and three, based on current known risks if circumstances remain unchanged. However, as new risks emerge audit resources over the medium term will be focused accordingly.

22. The sections of the Internal Audit Plan include:

- Corporate Framework – key risk areas including those defined in the Council’s strategic risk register
- Strategic themes – including cross cutting issues some of which will be incorporated within operational audits or will be undertaken through consultative work.
- Service areas – operational audits determined on a risk assessment and/or business priority.

### **PRIORITY AREAS FOR 2021/22**

23. Having regard for the current risk profile of the Council the following have been identified as priority areas for Internal Audit work for 2021/22. These may not be audits in themselves, but cross cutting themes that will be fundamental to the scope of Internal Audit work undertaken.

- *Change Management* – As the Council continues with its transformation programme Internal Audit assurances will aim to complement management’s and those from other assurance providers.
- *Information Governance and Management* - Internal Audit continues to work with the Council’s Data Protection Officer, helping to ensure and maintain compliance across the Council
- *Risk Management* – Internal Audit has a key role in promoting effective risk management and will continue to work with the Risk Management Group to help develop and embed a robust risk management framework across the Council. Within individual audits Internal Audit will seek compliance with good risk management practices and the adequacy of controls put in place by management to mitigate risks in their service areas.
- *Fraud* – Internal Audit will support the Council’s anti-fraud and corruption strategy and consider the potential for fraud within work, working in tandem with the Corporate Fraud Team.
- *Value for Money (VfM)* – a focus on VfM will be reflected in Internal Audit’s work mainly as a cross cutting theme within operational audits, benchmarking where appropriate with Harlow and Broxbourne. Audits will consider how the Council makes the best use of resources and assets, the balance of cost and performance and meeting the needs of our residents; and providing challenge on whether services could be provided in a different way.
- *Audit and Governance Committee Support* – Internal Audit will work with the Audit and Governance Committee in developing its role in relation to best practise and to contribute to effective corporate governance of the Council.

24. At the operational level the key priorities of Internal Audit work in 2021/22 include:

- *Qualis* – Building on the 2021/22 Qualis governance audit Internal Audit will actively seek assurances on the adequacy of internal control, governance and the management of risks regarding Qualis from the Council’s perspective, with a

specific emphasis on Qualis Management

- *Key Financial Systems* – the effectiveness of controls and management of risks with the core financial systems remains a key part of the Internal Audit work. Audits are scheduled on a cyclical basis so not all key financial systems will be undertaken each year.
- *Project and Contract Management processes* – a number of audits will help assess the Council's approach to project and contract management

## RESOURCES

25. Internal Audit continues to be a formal shared service between Epping Forest, Harlow and Broxbourne Councils, with Broxbourne being the host authority and employer of the Internal Audit staff. A Shared Services Board meets periodically to oversee the implementation and delivery of the Internal Audit function, monitor common issues or themes arising from audits, assess quality and performance and consider major changes to the service. The Board comprises of the Section 151 Officers from each authority as well as the Internal Audit Manager.
26. The Internal Audit function consists of the Internal Audit Manager (1.0 f.t.e), three Senior Auditors (2.65 f.t.e) and three Auditors (each 1.0 f.t.e). There are no vacancies and two of the auditors were taken on after successful completion of their apprenticeships. Everyone in the team works across all three authorities. In addition, the service has a call off contract with an external provider of Internal Audit to undertake more specialist audits when required.

## AUDIT PLAN 2021/22

27. The Audit Plan as detailed in Appendix A requires 475 days (compared to 440 for last year), as set out in the table below:

Thematic Area	Audit days
Corporate framework including governance, assurance framework, fraud, value for money and risk management	61
Cross cutting/themed audits	87
Operational Audits	168
Follow Up work	40
Audit and Governance Committee support including training	20
Advice, other engagement with the business and contingency	99
<b>TOTAL</b>	<b>475</b>

### Resource Implications:

No additional resources required.

### Legal and Governance Implications:

The responsibilities, duties and obligations of Internal Audit are set out in the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (2017) against which Internal Audit activity should be measured and determined.

**Safer, Cleaner and Greener Implications:**

None

**Consultation Undertaken:**

Corporate Governance Group

**Background Papers:**

Public Sector Internal Audit Standards, Internal Audit Charter, Internal Audit resource plan and risk assessment.

**Risk Management:**

Failure to achieve the audit plan may lead to a lack of assurance that internal controls are effective and risks properly managed.

**Equality Analysis:**

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided at Appendix C to the report.

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Audit Area and Context	Corporate Risks	2021/22	2022/23	2023/24	Outline/Scope of work for 21/22 (to be finalised when the work is scoped)
<b>Corporate Framework</b>					
Governance and Probity	The Council's governance framework underpins everything it does; therefore, robust arrangements are key in managing this risk	Strategic governance – Qualis Group (Qualis Management)	Strategic governance – Qualis Group (Qualis Development) Declarations of Interest (staff and Members)	Strategic governance – Qualis Group Member expenses and allowances	Review effectiveness of governance and oversight arrangements including during periods of significant change. In 2021/22 follow up of the previous year's Qualis governance audit as processes continue to embed, with a specific focus on Qualis Management being a common theme throughout this plan.
Fraud, including proactive fraud work  Any loss through fraud is a drain on resources which, in turn, reduces the amounts available for service delivery	Financial resilience features on the corporate risk register	✓	✓	✓	Co-ordinating data matching (National Fraud Initiative), training and awareness, interaction with corporate fraud initiatives, oversight of the delivery of the Council's anti-fraud and corruption strategy and the Corporate Fraud Team. Potential for fraud considered in all audits.
Assurance Framework including Risk Management and support to Audit Committee	Risk in achieving corporate priorities	✓	✓	✓	Co-ordination of year-end assurance reporting, including the Annual Governance Statement. Member of the Corporate Governance Group. Assistance to the Risk Management Group who continue to develop and embed the Council's risk

Audit Area and Context	Corporate Risks	2021/22	2022/23	2023/24	Outline/Scope of work for 21/22 ( <i>to be finalised when the work is scoped</i> )
					management framework. Support and training to the Audit Committee.
Information Management and Governance  Data protection and security. Data sets, owners and protocols. Governance and data sharing. Training and awareness	Data/information features on the corporate risk register  Breach of data protection and other legislation related risks which could lead to significant fines and reputational damage	Information Governance Group action plan	Data retention and disposals (last audit 19/20)	Data sharing with third parties (last audit 2015/16) Freedom of Information requests	Continue to assist the Council's Data Protection Officer (DPO) by providing assurance in targeted areas. During 2021/22 Internal Audit will continue to actively assist in the delivery of the Information Governance Group's action plan, of which it is a member.  The 2022/23 data retention and disposals audit will follow up on the previous audit at a time when the accommodation project should be completed.
Performance Management  Data integrity and quality (collection, collation, analysis and validation). Use of performance targets.	Risk of non-achievement of corporate priorities and lack of transparency	Qualis Management – KPIs and payment mechanisms	Qualis Development	✓	Performance Indicators (PIs) considered within operational audits plus specific reviews on an aspect of Corporate PIs. In 2021/22 the focus will be on housing repairs.
Value for Money (VfM)  Guiding principle of the Council.	VfM helps the Council manage its corporate risk on financial resilience	Scheme of Delegation	Use of consultants	Staff expenses and staff timesheets	Not an audit in itself, but IA will continue to assist in the Council's review of its scheme of delegation and incorporate a review of delegations within individual audits.

Audit Area and Context	Corporate Risks	2021/22	2022/23	2023/24	Outline/Scope of work for 21/22 ( <i>to be finalised when the work is scoped</i> )
					In addition, VfM is considered within operational audits in terms of 3Es (economy, efficiency and effectiveness) and bench marking.
Joint Working, Shared Services, outsourcing, trading companies and Partnerships	Alternative working arrangements such as joint ventures, shared services, outsourcing and subsidiary companies are mechanisms for helping deliver the Council's corporate plan	Qualis Management	Qualis Commercial	Qualis Living Gilston and Harlow Garden Town (last audit 2019/20)	To ensure joint arrangements are working in the best interests for the Council with appropriate governance/monitoring arrangements in place. In 2021/22 Internal Audit will review the delegations and approval processes regarding Qualis Management, as part of the other Qualis Management audits detailed in this plan.
Projects  Business case, project methodology, governance arrangements, contract management and viability	Poor project management increases risk of projects not being delivered on time, to budget or not meeting the needs of the Council	New systems oversight - housing and planning  Council housebuilding programme (last audit (18/19) – initial review	Council housebuilding programme – full audit	North Weald Airfield master plan	Time is set aside each year for Internal Audit to attend appropriate project meetings, as well as providing ad hoc advice and support. For 2021/22 this will include oversight of the new housing system and planning system projects ensuring there is adequate oversight of project progress, budgets, capacity and prioritisation with other projects. The Council house building programme will be examined in two parts: an initial review in 2021/22, followed up by a more comprehensive audit in 2022/23 as the programme of work progresses.

Audit Area and Context	Corporate Risks	2021/22	2022/23	2023/24	Outline/Scope of work for 21/22 (to be finalised when the work is scoped)
Contingency	Annual provision for responsive work, special investigations or key/emerging risk areas.	✓	✓	✓	Will also take into account themes/issues coming out of the Annual Governance Statement.
<b>Themed/cross cutting audits</b>					
Income Streams  To ensure financial resilience the Council needs to protect and maximise its income streams	Finance resilience features on the corporate risk register	Leisure Management contract (last audit 17/18)	Parking (last audit 18/19)	Waste contract (last audit 19/20 on recycling element)  Commercial rents and service charges (last audit 18/19)	Each year a portion of Internal Audit work will focus on ensuring key income streams for the Council are maintained and adequately controlled. The 2021/22 leisure management contract and 2022/23 parking audits are described in more detail later in this plan
Procurement  Themed audits - compliance, vfm, fraud, goods and services. End to end processes (need, selection, appointment, contract management and exit strategies)	Risks include noncompliance with legislation, fraud and not achieving value for money	Contract management, including exit strategies	Tender and letting processes, including use of frameworks	Compliance with Procurement Rules and other legislation such as the Modern Slavery Act	Annually focus on an aspect of procurement which could range from need, selection, appointment, contract management and exit strategies. In 2021/22 Internal Audit will examine a sample of medium to small contracts to ensure there are adequate contract management processes in place, including exit strategies should the need to do so arise.
Health & Safety (H&S)	Risk of compromising the health and safety of	Contractor H&S	Housing – statutory compliance	Corporate H&S (last audit 18/19)	The 2021/2022 contractor H&S audit is linked to contract management above to ensure there is adequate oversight by the Council to ensure

Audit Area and Context	Corporate Risks	2021/22	2022/23	2023/24	Outline/Scope of work for 21/22 ( <i>to be finalised when the work is scoped</i> )
	individuals and noncompliance with H&S legislation leading to fines or imprisonment				contractors are complying with H&S legislation. In 2022/23 provide assurance that the Council is making adequate preparations to ensure it meets its H&S responsibilities as set out in the government's Nov 20 white paper entitled 'The Charter for Social Housing Residents'. The audit will also consider the government's July 20 draft Safety Bill.
Business Continuity Planning (BCP)	Business continuity is on the corporate risk register	Business Continuity (last audit 2019/20) – watching brief	Emergency Planning	IT Disaster Recovery (last audit 20/21)	During 2021/22 Internal Audit will keep a watching brief over business continuity and in particular any impacts of Brexit and Covid-19 recovery
Key Financial Controls (KFC) Rolling programme of full system and key financial control audits (unless significant change in process/system or poor audit outcome)	Finance resilience features on the corporate risk register	Treasury Management (16/17) Housing Benefits (last audit 17/18) Debtors (last audit 18/19) Feeder systems and reconciliations (last audit 19/20)	General Ledger (last audit 17/18) Council Tax and Business Rates (last audit 18/19) Cash and Banking (last audit 16/17)	Fixed assets (last audit 19/20) Housing rents and arrears (last audit 19/20)	Rolling programme of key financial control (KFC) audits, therefore, some audits do not feature in this 3-year plan being payroll and accounts payable as they were audited in 2020/21. The 2021/22 feeder system and reconciliations audit follows up on the previous limited assurance report. The debtors audit takes into account the new debtors system implemented during 2021/22.
IT Audits: IT Governance, IT Regulation,	Cyber security features on the	Major Incident Management Strategy (MIMS)	Cyber security (last audit	IT Strategy	A specialist IT Auditor will be brought in as required for the more technical audits. Assessment in 2021/22 of the Council's MIMS which was

Audit Area and Context	Corporate Risks	2021/22	2022/23	2023/24	Outline/Scope of work for 21/22 (to be finalised when the work is scoped)
Security/Privacy, Business Systems, Disaster Recovery plan (DRP)/BCP, Network, Emerging Technologies e.g. mobile devices, IT Applications and Projects	corporate risk register  Opportunity for IT to be an enabler for delivering the Council's priorities.		2017/18) – remote working		introduced towards the end of 2021/22.  In 2022/23 Internal Audit will assess the Council's cyber security framework especially for remote working.
<b>Operational/service audits - Audits post 21/22 may change depending on the Council's risk profile</b>					
Economic and Partnerships includes • Digital Gateway • Town Regeneration • Enterprise Zone Schemes • Sustainable Transport projects • Climate Emergency projects	Economic development and climate emergency feature on the corporate risk register	Town centre projects and use of government funding e.g. Future High Streets Fund	Climate emergency action plan	✓	During 2021/22 Internal Audit will focus on significant, longer term projects aimed at re invigorating the local economy as part of the Council's Covid-19 recovery plans. In 2022/23 focus on the actions being taken by the Council to address its climate emergency priority
Contracts and Technical Services • Commercial	These services help deliver the Council's three priorities:	Leisure Management contract (last audit 17/18)	Parking (last audit 18/19)	To be determined and could include:	The impact of Covid-19 and recovery from it will be the central theme of 2021/22 leisure management contract audit. It is the same audit as

Audit Area and Context	Corporate Risks	2021/22	2022/23	2023/24	Outline/Scope of work for 21/22 (to be finalised when the work is scoped)
<ul style="list-style-type: none"> <li>• Technical</li> <li>• Contracts</li> <li>• Procurement (covered earlier)</li> <li>• Public Safety Services</li> <li>• Community Resilience</li> <li>• Asset Management/ Estates</li> </ul>	stronger council, stronger communities and stronger place			Grounds maintenance (last audited 15/16) Fleet operations Licencing (last audit 15/16) Environmental crime - enforcement (last audit 16/17)	that detailed earlier under income streams. Ditto for the 2022/23 parking audit.
Planning <ul style="list-style-type: none"> <li>• Planning Policy</li> <li>• Development Management</li> <li>• Private Sector Housing</li> <li>• Licencing</li> <li>• Building Control</li> </ul>	Local Plan and Delays in Issuing Planning permissions both feature on the corporate risk register	Section 106 agreements (last audit 18/19)	Delivery of the Local Plan Planning and how it integrates with Council priorities such as Economic Development or climate change strategy	Building Control Development Management, including processing times and pre-paid planning applications	The 2012/22 S106 audit will take into consideration planning permissions previously held up by habitats regulations and the need for a process for capturing money for mitigating impact on Epping Forest.  IA will assess in 2022/23 the processes in place to deliver the Local Plan, in particular the effectiveness of Planning Performance Agreements (PPAs) and consider whether there is a joint up process between planning and relevant corporate priorities.
Community and Wellbeing <ul style="list-style-type: none"> <li>• Homelessness and temporary accommodation</li> </ul>	These services help deliver the Council's stronger communities priority	Safeguarding (last audit 18/19)	Collections Rationalisation Programme	Temporary accommodation (last audit 15/16)	An audit of safeguarding in 2021/22 is proposed as responsibility for this has moved directorate. In addition, the contract management audit detailed earlier will also ensure our

Audit Area and Context	Corporate Risks	2021/22	2022/23	2023/24	Outline/Scope of work for 21/22 (to be finalised when the work is scoped)
<ul style="list-style-type: none"> <li>• Housing register and allocations</li> <li>• Health, Well Being and Grants</li> <li>• Community and Culture</li> <li>• Heritage and Venues</li> <li>• Safeguarding</li> </ul>					<p>contractors have an embedded Safeguarding Policy for their staff.</p> <p>The collection rationalisation programme is a large project which will take a few of years to complete. Internal audit will assess progress of this project in 2022/23.</p>
<p>HRA (Housing Revenue Account)</p> <ul style="list-style-type: none"> <li>• Council House Building</li> <li>• Home Ownership</li> <li>• Property Services</li> <li>• Housing Management</li> <li>• HRA Account</li> <li>• Older People Services</li> </ul>	<p>These services support the Council's stronger place priority</p> <p>Housing capital features on the corporate risk register</p>	<p>Housing Repairs, following transfer into Qualis Management (last audited 15/16)</p>	<p>Housing voids (last audit 16/17)</p> <p>Service charges – tenants and leaseholders</p>	<p>Planned maintenance and major repairs (last audit 17/18)</p> <p>Older People services</p>	<p>The 2021/22 housing repairs audit is Internal Audit's first operational audit of Qualis. This audit will seek assurances that the working relationship between the Council and Qualis is working as intended. Linked to this the voids audit in the following year will ensure there is a joined-up process to ensure voids are kept as low as possible.</p> <p>The 2022/23 service charge audit will ensure new processes introduced recently are working as intended.</p>
<p>Customer Services</p> <ul style="list-style-type: none"> <li>• Revenue and Benefits (covered under</li> </ul>	<p>Welfare reform and financial resilience both feature on the corporate risk register</p>	<p>Covid-19 business grants</p> <p>Housing Benefits and Debtors (same audit as detailed earlier</p>	<p>Council Tax and Business Rates (same audit as detailed earlier under key financial controls)</p>	<p>Social Media</p>	<p>During 2021/22 both Internal Audit and Corporate Fraud will continue to actively support the Council's response in distributing central government's Covid-19 business grants and other initiatives</p>



Audit Area and Context	Corporate Risks	2021/22	2022/23	2023/24	Outline/Scope of work for 21/22 (to be finalised when the work is scoped)
key financial controls) <ul style="list-style-type: none"> <li>• Customer Services</li> <li>• Community data and insights</li> <li>• External communication</li> </ul>		under key financial controls)	Waltham Abbey Community Hub		
Corporate Services <ul style="list-style-type: none"> <li>• ICT</li> <li>• Business Support</li> <li>• Accountancy</li> <li>• Legal (shared service)</li> <li>• People Team (HR)</li> <li>• Internal communication</li> <li>• Contingency Planning</li> <li>• Council Safety Officer</li> </ul> <p>Note: IT audits covered elsewhere in the Plan</p>	These services support the Council's stronger council priority	Staff recruitment (last audit 16/17)	Budgetary control and financial management (last audit 15/16)  Insurance	Staff performance management (including absence management)	<p>Many of the financial, business support and H&amp;S aspects are covered elsewhere in the plan. The 2021/22 staff recruitment audit will assess the success of the iTrent recruitment module introduced January 2020.</p> <p>The focus of the 2022/23 budgetary control and financial management audit is the adequacy and timeliness of information available and its use and understanding by Officers and members in ensuring financial resilience. The audit of insurance in the same year will ensure new arrangements being put in place 2021/22 are working as intended.</p>

Audit Area and Context	Corporate Risks	2021/22	2022/23	2023/24	Outline/Scope of work for 21/22 (to be finalised when the work is scoped)
<p>Strategy, Delivery &amp; Performance</p> <ul style="list-style-type: none"> <li>• Corporate Strategy &amp; Policy</li> <li>• Programme &amp; Project Delivery</li> <li>• Corporate Performance &amp; Reporting</li> <li>• Accommodation Programme</li> <li>• Democratic Services</li> <li>• Electoral Services</li> </ul>	<p>These services help the Council achieve its three priorities: stronger council, stronger communities and stronger place</p> <p>The accommodation project features on the corporate risk register</p>	✓	✓	✓	<p>Internal Audit work in these areas is captured earlier in this plan. The Chief Internal Auditor meets regularly with the Strategy, Delivery &amp; Performance Director to discuss up and coming issues</p>
<p>Follow Up Audits</p> <p>Review of progress against recommendations on the tracker.</p>	<p>Tracker process ensures risks identified in audits have been managed to an acceptable level.</p>	✓	✓	✓	<p>Includes specific follow up audits especially where Limited assurance previously given. Includes maintenance of the recommendation tracker.</p>

Appendix B

Risk based assurance map for Epping Forest District Council

Ref	Corporate risk	Risk profile as at March 20	1st line of defence – delivering the risk and control environment	2nd line of defence – oversight and assurance functions	3rd line of defence – independent assurance and advice
1	Local Plan	B1 (red)	Dedicated project team	Council oversight Reporting to Local Plan Cabinet Committee	Internal Audit: 2015/16 Local Plan audit (substantial assurance), 2017/18 Local Plan Staff Resources audit (substantial assurance) and 2018/19 Planning Applications audit (substantial assurance). Planning Inspectorate examination.
2	Welfare Reform	C2 (amber)	Delivery of the migration action plan	Oversight through the Joint Benefits and Housing working group	Internal Audit: 2017/18 Housing Benefits audit (substantial assurance)
3	Finance Resilience	C1 (Amber)	Budget setting and financial monitoring processes which feed into the Medium Term Financial Strategy	Oversight by Cabinet via the Finance and Performance Management Cabinet Committee	External Audit issued an unqualified opinion on the 2018/19 financial statements and an unqualified opinion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources for 2018/19. A similar outcome is expected for the 2019/20 accounts.  Internal Audit: number of key financial control and

Ref	Corporate risk	Risk profile as at March 20	1st line of defence – delivering the risk and control environment	2nd line of defence – oversight and assurance functions	3rd line of defence – independent assurance and advice
					income related audits including 2018/19 Council Tax and Business Rates (substantial assurance), 2018/19 Commercial Rents (substantial assurance), 2019/20 Housing Rents and Arrears (moderate assurance) and 2019/20 Fixed Assets (moderate assurance).
4	Economic Development	A2 (red)	Economic Development Team who are delivering the Economic Development implementation plan	Revised Economic Strategy and associated report approved by Cabinet, and priority projects for Covid Economic Recovery agreed.  Delivery overseen by the Asset Management and Economic Development Cabinet Committee	Internal Audit: 2018/19 Economic Development audit (substantial assurance).
5	Data/Information	C2 (amber)	Suite of data protection and retention policies and procedures, which were reviewed and updated before the General Data Protection Regulation (GDPR) became law on 25 May 2018.	Named Data Protection Officer (DPO) and Senior Information Risk Officer (SIRO)  A corporate Information Governance Group (IGG) who reports in the Corporate Governance Group	Internal Audit monitors implementation of the IGG action plan.  GDPR compliance is considered within each audit and outcomes fed back to the DPO.

Ref	Corporate risk	Risk profile as at March 20	1st line of defence – delivering the risk and control environment	2nd line of defence – oversight and assurance functions	3rd line of defence – independent assurance and advice
					Internal audit 2018/19 data retention and disposals (limited assurance)
6	Business Continuity (BC)	B1 (red)	Dedicated Officer – Contingency Planning and Corporate Safety Officer  Consultant was used to develop the Council’s approach to BC. Corporate and service level BC plans largely in place.	Oversight through the Officer Risk Management Group and Corporate Governance Group.  BC desk top exercise completed February 2020. Covid-19 has proven that the Council’s BC plans work in practice.	Internal Audit: 2018/19 Business Continuity audit (no assurance)  2016/17 IT Disaster Recover audit (substantial assurance) and being audited again as part of the 2020/21 Internal Audit Plan.
7	Housing Capital Finance	C2 (amber)	Council house building programme. Close monitoring of financial position regarding Right to Buy Receipts.	Position monitored by the Council Housebuilding Cabinet Committee	Internal Audit Council Housebuilding audits: 2015/16 (substantial assurance), 2017/18 (substantial assurance) and 2018/19 (moderate assurance) which included 141 receipts.  Grant Thornton has been employed to carry out an overall review of finance processes

Ref	Corporate risk	Risk profile as at March 20	1st line of defence – delivering the risk and control environment	2nd line of defence – oversight and assurance functions	3rd line of defence – independent assurance and advice
8	Cyber security	C2 (amber)	Cyber security controls in place including system controls, data backups, firewalls, virus checkers and penetration testing. Also, IT monitoring and installing system updates and patches.	IT Security Officer Senior Information Risk Officer	Internal Audit: 2017/18 Cyber Security audit (substantial assurance). IT Disaster Recovery audit currently in progress
9	Delays in issuing Planning Permission	C1 (amber)	Regular meetings held with key stakeholders including Natural England	Interim Mitigation Strategy and draft Air Quality Strategy monitored by Cabinet.	Links with Planning Inspectorate examination of the Local Plan
10	Climate emergency	B2 (red)	A Climate Change and a Sustainable Transport Officer are in post.	Developing an action plan with services and Members with short, medium and long term targets with the overall objective of becoming carbon neutral by 2030.	Watching brief by Internal Audit since this new risk was introduced January 2020. Future audits being considered.
11	Accommodation project	C2 (amber)	Project overseen by the Director of Strategy, Delivery and Performance  Hire of a change manager to support the embedding of New Ways of Working	Monthly Accommodation Board meeting manages risks and issues raised by workstream leads.	Watching brief by Internal Audit

## Appendix C

### Equality Impact Assessment

1. Under s.149 of the Equality Act 2010, when making decisions, Epping District Council must have regard to the Public Sector Equality Duty, ie have due regard to:
  - eliminating unlawful discrimination, harassment and victimisation, and other conduct prohibited by the Act,
  - advancing equality of opportunity between people who share a protected characteristic and those who do not,
  - fostering good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.
2. The characteristics protected by the Equality Act are:
  - age
  - disability
  - gender
  - gender reassignment
  - marriage/civil partnership
  - pregnancy/maternity
  - race
  - religion/belief
  - sexual orientation.
3. In addition to the above protected characteristics you should consider the cross-cutting elements of the proposed policy, namely the social, economic and environmental impact (including rurality) as part of this assessment. These cross-cutting elements are not a characteristic protected by law but are regarded as good practice to include.
4. The Equality Impact Assessment (EqIA) document should be used as a tool to test and analyse the nature and impact of either what we do or are planning to do in the future. It can be used flexibly for reviewing existing arrangements but in particular should enable identification where further consultation, engagement and data is required.
5. Use the questions in this document to record your findings. This should include the nature and extent of the impact on those likely to be affected by the proposed policy or change.
6. Where this EqIA relates to a continuing project, it must be reviewed and updated at each stage of the decision.
7. All **Cabinet, Council, and Portfolio Holder reports must be accompanied by an EqIA**. An EqIA should also be completed/reviewed at key stages of projects.
8. To assist you in completing this report, please ensure you read the guidance notes in the Equality Analysis Toolkit and refer to the following Factsheets:
  - Factsheet 1: Equality Profile of the Epping Forest District
  - Factsheet 2: Sources of information about equality protected characteristics
  - Factsheet 3: Glossary of equality related terms
  - Factsheet 4: Common misunderstandings about the Equality Duty
  - Factsheet 5: Frequently asked questions
  - Factsheet 6: Reporting equality analysis to a committee or other decision making body

## Section 1: Identifying details

Your function, service area and team: **Internal Audit, Chief Executive**

If you are submitting this EqIA on behalf of another function, service area or team, specify the originating function, service area or team: **N/A**

Title of policy or decision: **Internal Audit Strategy and Audit Plan 2021/22**

Officer completing the EqIA: **Tel: 01992 564446 Email: smarsh@eppingforestdc.gov.uk**

Date of completing the assessment: **08/03/21**

## Section 2: Policy to be analysed

2.1	Is this a new policy (or decision) or a change to an existing policy, practice or project? <b>Annual update of the Internal Audit Strategy and Plan to cover 2021/22</b>
2.2	Describe the main aims, objectives and purpose of the policy (or decision): <b>To set out the approach and key aims for the delivery of the Internal Audit service 2021/2122</b>  What outcome(s) are you hoping to achieve (ie decommissioning or commissioning a service)? <b>Continued provision of an effective Internal Audit Service</b>
2.3	Does or will the policy or decision affect: <ul style="list-style-type: none"><li>• service users</li><li>• employees</li><li>• the wider community or groups of people, particularly where there are areas of known inequalities?</li></ul> <b>No</b>  Will the policy or decision influence how organisations operate? <b>No</b>
2.4	Will the policy or decision involve substantial changes in resources? <b>No</b>
2.5	Is this policy or decision associated with any of the Council's other policies and how, if applicable, does the proposed policy support corporate outcomes? <b>Internal Audit is part of the Council's assurance framework</b>



### Section 3: Evidence/data about the user population and consultation<sup>1</sup>

As a minimum you must consider what is known about the population likely to be affected which will support your understanding of the impact of the policy, eg service uptake/usage, customer satisfaction surveys, staffing data, performance data, research information (national, regional and local data sources).

3.1	What does the information tell you about those groups identified? <b>N/A – affects operational delivery of Internal Audit Service</b>
3.2	Have you consulted or involved those groups that are likely to be affected by the policy or decision you want to implement? If so, what were their views and how have their views influenced your decision? <b>N/A</b>
3.3	If you have not consulted or engaged with communities that are likely to be affected by the policy or decision, give details about when you intend to carry out consultation or provide reasons for why you feel this is not necessary: <b>N/A</b>

## Section 4: Impact of policy or decision

Use this section to assess any potential impact on equality groups based on what you now know.

Description of impact	Nature of impact Positive, neutral, adverse (explain why)	Extent of impact Low, medium, high (use L, M or H)
Age	<b>Neutral – no change in service delivery to the public</b>	<b>L</b>
Disability	<b>Neutral – as above</b>	<b>L</b>
Gender	<b>Neutral – as above</b>	<b>L</b>
Gender reassignment	<b>Neutral – as above</b>	<b>L</b>
Marriage/civil partnership	<b>Neutral – as above</b>	<b>L</b>
Pregnancy/maternity	<b>Neutral – as above</b>	<b>L</b>
Race	<b>Neutral – as above</b>	<b>L</b>
Religion/belief	<b>Neutral – as above</b>	<b>L</b>
Sexual orientation	<b>Neutral – as above</b>	<b>L</b>

## Section 5: Conclusion

		Tick Yes/No as appropriate	
5.1	Does the EqlA in Section 4 indicate that the policy or decision would have a medium or high adverse impact on one or more equality groups?	No <input checked="" type="checkbox"/>	
		Yes <input type="checkbox"/>	If ' <b>YES</b> ', use the action plan at <b>Section 6</b> to describe the adverse impacts and what mitigating actions you could put in place.

## Section 7: Sign off

**I confirm that this initial analysis has been completed appropriately.  
(A typed signature is sufficient.)**

Signature of Head of Service: Sarah Marsh	Date: 8/3/21
Signature of person completing the EqlA: Sarah Marsg	Date: 8/3/21

## Advice

Keep your director informed of all equality & diversity issues. We recommend that you forward a copy of every EqlA you undertake to the director responsible for the service area. Retain a copy of this EqlA for your records. If this EqlA relates to a continuing project, ensure this document is kept under review and updated, eg after a consultation has been undertaken.

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## **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference:**

**Date of meeting:** 22 March 2021

**Portfolio:** Leader of the Council

**Subject:** Corporate Fraud Team Strategy 2021 / 2022

**Responsible Officer:** Sarah Marsh (01992 564446).

**Democratic Services:** Laura Kirman (01992564243)

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### **Recommendations/Decisions Required:**

- (1) The Corporate Fraud Team strategy for 2021 / 22 be approved.

### **Executive Summary:**

This report sets out to members the focus and approach of the Corporate Fraud Team for the year 2021 / 22

### **Reasons for Proposed Decision:**

To approve the Corporate Fraud Team's strategy for 2021 / 22 as the Audit and Governance Committee has a role in ensuring anti-fraud arrangements are in place as per their Terms of Reference.

### **Other Options for Action:**

None

## **Report:**

### **Introduction**

1. The Corporate Fraud Team brings a uniform approach to fraud investigation work within EFDC, ensuring the Council has adequate resources dedicated to anti-fraud activity.
2. This strategy summarises the key principles for the Corporate Fraud Team (CFT) for the forthcoming 2021 / 22 period along with some longer term aims.
3. The Corporate Fraud Team sits alongside the Internal Audit team and therefore both together supports and contributes to the achievement of the Council's 2018-23 strategic aims. These have been considered when developing the Corporate Fraud Strategy and Plan being:
  - To ensure there is efficient use of Council resources which is protected from fraud, abuse and corruption
  - To contribute to the commitment of financial independence and keeping Council Tax low by preventing and detecting frauds which deliberately target and affect the Council's tax base
  - To ensure that the Council adopts a culture of innovation which is not compromised by fraud.

### **Purpose**

4. The purpose of the Corporate Fraud Team Strategy is to document the Corporate Fraud Team's approach to:
  - Provide independent and professional investigations into all aspects of fraud affecting the Council and third parties such as commercial partnerships etc. preventing fraud and abuse and taking fair and consistent action against those committing offences.
  - Supporting the Council's anti-fraud culture and framework.
  - Deliver a corporate anti-fraud service that is innovative, professional and compliant with the relevant legislation.

### **Preface**

Since March 2020, the business operations of the Council have changed dramatically as a result of the Covid 19 pandemic and at the time of writing, the situation is still fluid and ongoing and is likely to remain so going into 2021 / 22. The ongoing Covid 19 pandemic has affected the Corporate Fraud Team's normal operational working practices, most significantly

those relating to visiting property and premises in order to carry out enquiries, interviews etc and since March 2020 (in line with Council and Government guidance), the CFT is not conducting any visits or face to face meetings with the public. As a result, a number of the team's core functions which are reflected in this strategy are currently restricted, however, the situation has meant that in order to undertake its functions as comprehensively as possible, the team has revised (and continue to do so) a number of its normal working practices in order to mitigate as much as possible, the restrictive effects of the Covid 19 situation for example by undertaking Right to Buy interviews via Zoom.

This strategy is indicative of the CFT's priorities for the forthcoming year however and can be changed or flexed as the risk profile and priorities of the Council change. This will be achieved by ongoing review and amendment in consultation with relevant officers. Any significant changes will be brought to the Audit and Governance Committee's attention.

### **The Corporate Fraud Team Approach**

This strategy sets out the main focus of work that will be undertaken by the team during the period 2021 / 22. These are set out in two main groups: Proactive work, where the CFT takes on intelligence-based projects and investigations and Reactive work which is usually responding to received information such as reports of suspected fraud from members of the public, staff etc.

#### **Proactive Work**

- As is now a recognised area of high success since its inception in 2014, the process of vetting 100% of Right to Buy Applications will continue into 2021 / 22 with the amount of financial savings this area of work generates meaning it has become a staple function for the CFT. For example, it has been found that each year since 2014, on average approximately one third of all applications are stopped / withdrawn as a result of the fraud team's involvement. This results in annual savings in this area that are usually in excess of £1.5 million taking into account the ever-increasing discount amounts.

The success in this area also results in unsold properties being retained within the Council's housing stock. Furthermore, keeping them within the housing stock means they can continue to provide significant revenue streams in the form of on-going rent payments which have been calculated to be worth approximately £1 million to the Council going forward. The regular increases in the maximum amount of discount available to tenants wishing to purchase their council properties means that the Right to Buy remains an attractive prospect to individuals who plan to abuse the system.

- In line with the strategy of reviewing other areas of high fraud risk within the Council, most notably where any fraud and / or abuse represents a significant risk to the Council's financial position, the Corporate Fraud Team plan to continue with already ongoing proactive exercises targeting Revenue. This includes areas such as Non-Domestic Rates fraud and fraud within Council Tax discounts and exemptions. Work undertaken in conjunction with the Council Tax department since 2018 has yielded good results and resulted in several cases whereby

previously uncollected revenue has / is being recovered. A proactive fraud resilience project was undertaken in 2020 looking at Council Tax Student Exemption discounts and although little fraud was found, the results of the project were very encouraging in terms of good practice and governance within this area. As a result of the work completed so far in this area, further resources are to be deployed in the forthcoming coming year with other proactive projects in the areas of Business Rates and Local Council Tax Support in order to identify and tackle cases of fraud within these schemes.

- During 2020 / 2021, the CFT (along with Internal Audit) provided ongoing assistance to the Revenues Team with the payment of Covid 19 grants to both businesses and individuals. The CFT provide fraud prevention assistance in the form of the vetting and checking of grant applications. This is proving to be very effective with a number of grant applications being denied due to concerns over their veracity and the team undertaking a number of investigations into paid grants where inconsistencies have been identified such as recipients having failed to declare they were no longer liable for Business Rates at properties. In conjunction with the Revenues Team, work is underway to retrieve any wrongly paid grants. This vetting and investigation process will continue into the forthcoming year.
- The team will continue with the good working relationship it has with the Housing Department, which has been instrumental in forging closer working arrangements between the investigators and their housing officer colleagues when dealing with issues surrounding suspected social housing fraud. Periodic meetings are now held between the Housing and CFT management and will continue into the forthcoming year. Work has already commenced in conjunction with colleagues in the Housing, Estates and Land Team in order to undertake a long-term programme of ongoing Tenancy Audits, however, due to the Covid 19 pandemic work in this area has had to be temporarily suspended. When it is possible, the CFT will continue with its commitment to provide training and assistance to housing staff to undertake the planned audits.
- The ongoing process of engaging other key stakeholders across the Council will continue in order to raise awareness and encourage the reporting of suspicions. A programme arising from the activities undertaken by the team in late 2019 as part of International Fraud Awareness Week has commenced with meetings with Service / Team Managers. This enables the Corporate Fraud Team to have a better understanding of the various processes employed within each service area in order to identify potential areas of fraud risk with input into policy revisions where appropriate. This is of particular importance as the Council continues to evolve as part of the current transformation plan and the restructuring of services.
- The implementation of a rolling fraud awareness programme providing coverage not just in significant areas of expenditure such as finance, procurement and payroll but for all staff including Members and contractors. In conjunction with Human Resources, a project is underway to develop an Anti-Fraud E-Learning Module with a view to becoming part of a mandatory fraud awareness session for all new starters as part of their induction into working for the Council. It is also expected that a variation of this module to become available to Members in due course.
- In the forthcoming 12 months, the CFT also hopes to engage further within the outside community (for example, attending meetings of resident's associations



etc.) in order to promote the service and raise awareness of fraud issues affecting the Council. This was an area that was due to begin in 2020 / 21 however due to the Covid 19 situation, no public or face to meetings have been possible. That said, with the proliferation and success of online video conferencing that has occurred within the last year, the usage of such mediums for this project are to be actively explored with a view to forging ongoing links within the community and as a useful vehicle for undertaking the research needed for a new advertising campaigns.

- The “Know a Cheat in your Street” advertising campaign has been run successfully over the last few years and has been instrumental in heightening awareness and encourage members of the public to report fraud and abuse. This has been achieved by enclosing leaflets in the run of Council Tax / Non-Domestic Rates Bills and making use of other resources such as the EFDC website and the Council’s social media presence. In order to “freshen up” and keep the campaign relevant, work is to commence (in conjunction with the Corporate Communications Team) to explore new designs and ideas with a view of rolling out a new campaign utilising such mediums as the Council’s social media platforms etc.
- The CFT in conjunction with colleagues from the Internal Audit service are planning to undertake a number of “Fraudits” in the forthcoming year targeting areas that are either outside the scope of the Audit plan, have not been looked at in recent years or have been identified as being a potential risk for fraud or abuse.

### **Reactive Work**

- The team will review, and risk assess 100% of the referrals it receives in order to ensure efficient allocation of resources and ensure the highest risk referrals are prioritised.
- The team will be continuing with its programme of engaging with other teams within the Council in order to provide advice, training and support. The team continues to provide advice and training to staff and the team can provide tailored training packages to services. As part of the aforementioned Tenancy Audit collaboration with Housing, anti-fraud training is to be undertaken with all Housing staff participating the Tenancy Audit processes.
- The team will also continue to publicise its work including successful prosecutions by maintaining a policy of utilising press releases, existing mediums such as “Housing News” and the corporate website and social media platforms.

In addition to the above, the Corporate Fraud Team also plans to undertake the following areas of work in the forthcoming year:

### **National Fraud Initiative Exercise**

The data matches for the new National Fraud Initiative exercise are expected to become available in 2021 and work in this area (including the periodic data set updates) is an incorporated part of the CFT work programme for 2021 / 22. As is usual for this exercise and in line with already established procedures, any matches that potentially involve staff will be

given the highest priority closely followed by the remaining matches that are qualified and / or identified as “high risk”. The CFT will continue to work closely with their colleagues in the Housing, Revenue and Benefits and Human Resources departments as well as other local authorities and public-sector organisations to review these data matches and undertake any resulting investigations as appropriate.

### **Explore and pursue joint working / shared service arrangements.**

- Joint working with Harlow Council

At present, the CFT has an informal joint working arrangement with the Housing Tenancy Fraud Officer at Harlow Council, with the working relationship focussing on the sharing of investigative resources, exploring the potential for joint proactive initiatives and providing a “peer support” service for their investigator. Again, this initiative will continue into the forthcoming year. In addition, however, in Summer 2020, the CFT provided investigative resources on a paid for basis to Harlow’s Revenues section in relation to the verifying and investigation of suspected fraudulent Covid 19 Business Grant Applications. Through discussions in this area, it is expected at this present time that further paid work for the CFT may be received from Harlow during 2021 / 22.

- Joint working with Chelmsford City Council

The team also operates an informal joint working initiative with the anti -fraud team at Chelmsford City Council with the working relationship again focussing on the sharing of investigative resources, exploring the potential for joint proactive initiatives and providing a “peer support” service for investigators. Again, this initiative will continue into the forthcoming year.

### **Other areas of work**

Since 2016 the Corporate Fraud Team has utilised its skillsets by undertaking a number of different kinds of investigative work such as Disciplinary Investigations for The People Team, Standards Investigations on behalf of the Council’s Monitoring Officer and a number of cases received as a result of the Council’s Whistleblowing procedures. Due to the success of this, the team will continue to make itself available to take on differing and challenging types of work.

Furthermore, ongoing exploration of further opportunities to increase the team’s revenue by undertaking fraud and employment related investigations for outside bodies such as other local authorities and public-sector organisations will continue thus increasing its capacity for revenue raising activities and allowing for diversification into other forms of investigation work outside of the traditional criminal area.

The team will continue to provide training and advice to external organisations and the team are constantly working to identify areas where potential exists to engage in joint working and /

or shared service protocols, with such agreements giving the possibility of revenue raising opportunities.

### **Staff Development**

All members of the Corporate Fraud Team are required to undertake a set number of hours of Continued Professional Development so that their existing knowledge and skills remain up to date and they are given an opportunity to develop new skills. Further to this, the possibility of further professional development is being explored relating to involvement with the Government's new "Counter Fraud Profession" programme.

### **To promote best practice, information sharing and support to the wider anti - fraud community**

The Corporate Fraud Team continue to host the meetings of The Eastern Corporate Fraud Group, which it founded in 2016 with its on-going aim to bring together counter fraud professionals from local authorities in Essex, Suffolk and Norfolk in a meaningful forum to discuss and promote best practice, form agreements and partnerships for information sharing and offer support and resources to carry out investigations etc. The group continues to move forward and is now firmly established with its main focus being opportunities for cross authority working, training and information sharing.

### **Longer Term Projects**

Several longer-term projects are currently continuing into 2021 / 22 and beyond. These include:

- Consultation is ongoing with Human Resources (as part of the Recruitment Strategy) to look into pre-employment vetting procedures with a view to possibly developing and incorporating a more robust process. This may also lead to a training programme for recruiting managers.
- As an offshoot of the above, the CFT is also developing procedures around the issues of potential conflicts of interest for employees, contractors etc which will come into practice during 2021 / 22.
- Collaborative work between the Corporate Fraud Team and Internal Audit into specific areas of identified risk. This will also include the possibility of developing and utilising data mining / matching techniques into areas that are not covered by currently used data matching tools such as NFI etc. It is hoped that existing software already used by the Internal Audit team will be utilised for this, thus not requiring any new resources.
- A review of documents utilised by the Council for access to its services (such as application forms etc) to ensure that they are as "fraud proof" as possible with the introduction of several application processes to be updated or initialised during the next 12 months.

## **Resources**

The Corporate Fraud Team consists of a Corporate Fraud Team Manager and three investigators. All the team are fully qualified and accredited Counter Fraud Specialists with experience of criminal investigation work across the public and private sectors. The Team is currently engaged in a project to replace the existing fraud case management system as the current software is no longer supported by the supplier. A suitable system has been identified and working with ICT, the new system is expected to come online in 2021 / 22. This project is being self-funded with monies the team has received through previous work using The Proceeds of Crime Act.

### **Resource Implications**

None, Within the existing budgets

### **Legal and Governance Implications:**

None

### **Safer, Cleaner and Greener Implications:**

None

### **Consultation Undertaken:**

Corporate Governance Group

### **Background Papers:**

Corporate Fraud Strategy

### **Risk Management:**

The occurrence of fraud may expose the Council to financial loss and the substantive risks associated with an inadequate control framework. The Corporate Fraud Team assists the Council in managing the risk of fraud both internally and externally.

### **Equality Analysis:**

The Equality Act 2010 requires that the Public-Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided at Appendix 1 to the report.

## Equality Impact Assessment

1. Under s.149 of the Equality Act 2010, when making decisions, Epping District Council must have regard to the Public Sector Equality Duty, ie have due regard to:
  - eliminating unlawful discrimination, harassment and victimisation, and other conduct prohibited by the Act,
  - advancing equality of opportunity between people who share a protected characteristic and those who do not,
  - fostering good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.
2. The characteristics protected by the Equality Act are:
  - age
  - disability
  - gender
  - gender reassignment
  - marriage/civil partnership
  - pregnancy/maternity
  - race
  - religion/belief
  - sexual orientation.
3. In addition to the above protected characteristics you should consider the cross-cutting elements of the proposed policy, namely the social, economic and environmental impact (including rurality) as part of this assessment. These cross-cutting elements are not a characteristic protected by law but are regarded as good practice to include.
4. The Equality Impact Assessment (EqIA) document should be used as a tool to test and analyse the nature and impact of either what we do or are planning to do in the future. It can be used flexibly for reviewing existing arrangements but in particular should enable identification where further consultation, engagement and data is required.
5. Use the questions in this document to record your findings. This should include the nature and extent of the impact on those likely to be affected by the proposed policy or change.
6. Where this EqIA relates to a continuing project, it must be reviewed and updated at each stage of the decision.
7. All **Cabinet, Council, and Portfolio Holder reports must be accompanied by an EqIA**. An EqIA should also be completed/reviewed at key stages of projects.
8. To assist you in completing this report, please ensure you read the guidance notes in the Equality Analysis Toolkit and refer to the following Factsheets:
  - Factsheet 1: Equality Profile of the Epping Forest District
  - Factsheet 2: Sources of information about equality protected characteristics
  - Factsheet 3: Glossary of equality related terms
  - Factsheet 4: Common misunderstandings about the Equality Duty
  - Factsheet 5: Frequently asked questions
  - Factsheet 6: Reporting equality analysis to a committee or other decision making body

## Section 1: Identifying details

Your function, service area and team: **Corporate Fraud Team**

If you are submitting this EqIA on behalf of another function, service area or team, specify the originating function, service area or team: **N/A**

Title of policy or decision: **Corporate Fraud Team Strategy 2021/22**

Officer completing the EqIA: Tel: **01992 564170** Email: **mcrowe@eppingforestdc.gov.uk**

Date of completing the assessment: **08/03/2021**

## Section 2: Policy to be analysed

2.1	Is this a new policy (or decision) or a change to an existing policy, practice or project? <b>Updated Corporate Fraud Team Strategy 2021/22</b>
2.2	Describe the main aims, objectives and purpose of the policy (or decision): <b>Audit and Governance Committee to approve the approach and focus for the Corporate Fraud Team in 2021/22</b>  What outcome(s) are you hoping to achieve (ie decommissioning or commissioning a service)? <b>N/A</b>
2.3	Does or will the policy or decision affect: <ul style="list-style-type: none"> <li>• service users</li> <li>• employees</li> <li>• the wider community or groups of people, particularly where there are areas of known inequalities?</li> </ul> <b>No</b>  Will the policy or decision influence how organisations operate? <b>N/A</b>
2.4	Will the policy or decision involve substantial changes in resources? <b>No</b>
2.5	Is this policy or decision associated with any of the Council's other policies and how, if applicable, does the proposed policy support corporate outcomes? <b>N/A</b>

### Section 3: Evidence/data about the user population and consultation<sup>1</sup>

As a minimum you must consider what is known about the population likely to be affected which will support your understanding of the impact of the policy, eg service uptake/usage, customer satisfaction surveys, staffing data, performance data, research information (national, regional and local data sources).

3.1	What does the information tell you about those groups identified? <b>N/A</b>
3.2	Have you consulted or involved those groups that are likely to be affected by the policy or decision you want to implement? If so, what were their views and how have their views influenced your decision? <b>N/A</b>
3.3	If you have not consulted or engaged with communities that are likely to be affected by the policy or decision, give details about when you intend to carry out consultation or provide reasons for why you feel this is not necessary: <b>N/A</b>

## Section 4: Impact of policy or decision

Use this section to assess any potential impact on equality groups based on what you now know.

Description of impact	Nature of impact Positive, neutral, adverse (explain why)	Extent of impact Low, medium, high (use L, M or H)
Age	N/A	N/A
Disability	N/A	N/A
Gender	N/A	N/A
Gender reassignment	N/A	N/A
Marriage/civil partnership	N/A	N/A
Pregnancy/maternity	N/A	N/A
Race	N/A	N/A
Religion/belief	N/A	N/A
Sexual orientation	N/A	N/A



<b>Section 5: Conclusion</b>			
		<b>Tick Yes/No as appropriate</b>	
5.1	Does the EqlA in Section 4 indicate that the policy or decision would have a medium or high adverse impact on one or more equality groups?	No <input checked="" type="checkbox"/>	
		Yes <input type="checkbox"/>	If ' <b>YES</b> ', use the action plan at <b>Section 6</b> to describe the adverse impacts and what mitigating actions you could put in place.

## Section 6: Action plan to address and monitor adverse impacts

What are the potential adverse impacts?	What are the mitigating actions?	Date they will be achieved.

**Section 7: Sign off**

**I confirm that this initial analysis has been completed appropriately.  
(A typed signature is sufficient.)**

Signature of Head of Service: Sarah Marsh

Date: 08/03/2021

Signature of person completing the EqlA: Martin Crowe

Date: 08/03/2021

**Advice**

Keep your director informed of all equality & diversity issues. We recommend that you forward a copy of every EqlA you undertake to the director responsible for the service area. Retain a copy of this EqlA for your records. If this EqlA relates to a continuing project, ensure this document is kept under review and updated, eg after a consultation has been undertaken.

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## **Report to the Audit & Governance Committee**



**Epping Forest  
District Council**

**Report reference:**

**Date of meeting:** 22 March 2021

**Portfolio:** Finance and Economic Development – Cllr J. Philip

**Subject:** Capital Strategy 2021/22 to 2025/26

**Responsible Officer:** Andrew Small (07548 145665).

**Democratic Services:** Laura Kirman (01992 564243).

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### **Recommendations/Decisions Required:**

- (1) To consider and recommend for approval to full Council, the Capital Strategy 2021/22 to 2025/26 (Appendix A)**
- (2) To consider and recommend for approval to full Council, the Minimum Revenue Provision Statement (MRP) 2021/22 (Appendix A, Annex 1).**

### **Executive Summary**

The requirement to produce an overarching Capital Strategy was first introduced in CIPFA's Prudential Code for Capital Finance in Local Authorities (updated 2017) ("the Prudential Code"). Epping Forest District Council subsequently introduced its inaugural Capital Strategy in February 2019 (effective from the 2019/20 financial year). Since then, the Council has significantly changed its approach to some of the component parts of the original Strategy, especially on commercial investment and regeneration, including the introduction of Qualis, the Council's arms-length investment and service delivery vehicle.

The Strategy sets out the Council's recently adopted five-year Capital Programme for both its General Fund and Housing Revenue Account and explores the financial implications of that, including its impact on a range of Prudential Indicators, with the Council's Section 151 Officer concluding that the current Programme is "prudent, affordable and sustainable" as required by the Prudential Code.

Wider topics considered in the Capital Strategy include the Council's approach to Asset Management, Treasury Management, Service Investments, Commercial Investments, Financial Guarantees and the way in which professional capacity is maintained through the development and maintenance of knowledge and skills and the selective use of professional advisors.

The Capital Strategy will be regularly updated – usually annually – in accordance with the Prudential Code.

**Reasons for Proposed Decision:**

To enable the robust scrutiny the Council's overarching Capital Strategy, giving special consideration to the approach to ensuring that it is prudent, affordable and sustainable.

**Legal and Governance Implications:**

Local authorities are required by regulation to have regard to the Prudential Code (the Code) when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003. The requirement for local authorities to produce a Capital Strategy for adoption by full Council was introduced in the 2017 (latest) edition of the Code.

**Safer, Cleaner and Greener (SCG) Implications:**

None.

**Background Papers:**

The Prudential Code for Capital Finance in Local Authorities (2017 Edition) published by CIPFA.

(MHCLG) Statutory Guidance on Local Government Investments (3rd Edition). Issued under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1st April 2018.

**Risk Management:**

There are a range of financial risks associated with Capital Financing. Wide-ranging risk mitigation measures are therefore put in place, which are explained in detail in the report. The overall aim is to ensure that the Capital Strategy is always prudent, affordable and sustainable.

## **EPHING FOREST DISTRICT COUNCIL**

### **Capital Strategy 2021/22 to 2025/26 (DRAFT)**

#### **1. Introduction**

- 1.1 The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council.
- 1.2 Epping Forest District Council introduced its first Capital Strategy in February 2019 (effective from the 2019/20 financial year). This updated Capital Strategy incorporates significant changes to the component parts of the original version, reflecting especially the Council's latest approach to commercial investment and regeneration.
- 1.3 The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services in the district of Epping Forest, along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been purposely written in an accessible style to enhance understanding of what can be very technical areas.

#### **2. Capital Expenditure and Financing**

##### **2.1 Expenditure**

- 2.1.1 Capital expenditure occurs when the Council spends money on assets such as property or vehicles, which will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.
- 2.1.2 Further details on the Council's capitalisation policy can be found in Note 1 of the Statement of Accounts 2019/20.
- 2.1.3 In 2021/22, Epping Forest District Council is planning capital expenditure of £52.152 million (and £266.973 million over the next five years) as summarised in Table 1 below.

**Table 1: Prudential Indicator: Estimates of Capital Expenditure**

Description	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
	£000's	£000's	£000's	£000's	£000's	£000's
General Fund Services	18,286	5,946	16,184	13,577	1,087	1,027
Qualis Investments (GF)	52,000	10,000	47,000	0	0	0
Housing Revenue Account	25,313	36,206	55,582	50,509	18,799	11,056
<b>TOTALS</b>	<b>95,599</b>	<b>52,152</b>	<b>118,766</b>	<b>64,086</b>	<b>19,886</b>	<b>12,083</b>

2.1.4 The most significant General Fund capital scheme scheduled for delivery and completion in 2021/22 is as follows:

- ICT Strategy (£2.021 million) – planned spending covers the development and progression of the Strategy. There are several strands to the work, including (subject to full business case) potentially moving the Council's on-site data centre to the Cloud. In addition, work has also commenced on evaluating the current on-site telephone system, the Council's collaboration and flexible working tools, as well as the current document storage solution.

2.1.5 There are two other significant General Fund capital schemes set to commence in 2021/22 as follows:

- Cartersfield Road (£1.330 million in 2021/22) – estimated capital spending of £2.807 million is anticipated on this scheme spread over 2021/22 and 2022/23. The scheme will see the redevelopment of a group of Council-owned industrial warehouse units, situated in Waltham Abbey; and
- Museum and Library Joint Facility (£0.770 million in 2021/22) – the Museum and Library Joint Facility at Waltham Abbey is at the heart of the proposed development of Community and Cultural Hub in Sun Street, Waltham Abbey and is set to be developed during 2021/22 and 2022/23, with a budgeted capital cost to the Council is £1.540 million over the two year period.

2.1.6 As noted above in Table 1, the Council also has a £10.0 million budget allocated to Qualis Investments in 2021/22, with a further allocation of £47.0 million in 2022/23. See Section 6.2 of this report for further detail.

2.1.7 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that the Council's housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately and includes £113.974 million allocated to the Housing Development Programme over a four-year period commencing in 2021/22 through to 2024/25, which is expected to deliver around 417 new homes.



## 2.2 Governance

2.2.1 The evaluation, prioritisation and acceptance of capital schemes onto the Capital Programme is carried out within a new governance framework that is being progressively rolled out by the Council at the time of preparing this Strategy. The approach ensures that Council priorities are reflected in schemes accepted onto the Programme, and that deliverability is also given due consideration in terms of available capacity and capability. Proposals are shaped by senior managers in consultation with councillors.

2.2.2 The draft Capital Programme is then subjected to formal Scrutiny prior to setting the budget (followed by Cabinet and full Council approval).

## 2.3 Financing

2.3.1 All capital expenditure must be financed, either from external sources (Government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is presented in Table 2 below.

**Table 2: Capital Financing**

Description	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
	£000's	£000's	£000's	£000's	£000's	£000's
External Sources	1,266	2,548	1,152	1,052	1,052	1,052
Own Resources	35,758	17,333	16,751	16,826	14,412	10,485
Debt	58,575	32,271	100,863	46,208	4,422	546
<b>TOTALS</b>	<b>95,599</b>	<b>52,152</b>	<b>118,766</b>	<b>64,086</b>	<b>19,886</b>	<b>12,083</b>

2.3.2 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as "Minimum Revenue Provision" (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and the use of capital receipts are presented in Table 3 below.

**Table 3: Replacement of Debt Finance**

Description	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
	£000's	£000's	£000's	£000's	£000's	£000's
Own Resources	21,042	4,773	5,705	6,061	4,052	4,234

2.3.3 The Council's annual MRP statement can be found at **Annex 1** below.

2.3.4 The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £25.8 million in 2021/22. Based on the above figures for expenditure and financing, the Council's estimated CFR is presented in Table 4 below.

**Table 4: Prudential Indicator: Estimates of Capital Financing Requirement (CFR)**

Description	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
	£000's	£000's	£000's	£000's	£000's	£000's
General Fund Services	162,300	169,600	223,100	255,700	250,700	204,600
Housing Revenue Account	155,600	174,100	214,600	219,000	219,000	255,800
<b>TOTALS</b>	<b>317,900</b>	<b>343,700</b>	<b>437,700</b>	<b>474,700</b>	<b>469,700</b>	<b>460,400</b>

### 3. Asset Management

#### 3.1 Asset Management Strategy

3.1.1 The Council recognises the importance of ensuring that capital assets continue to be of long-term use and, especially in a post pandemic world, where there has been a step change increase in the speed of legislative (especially Building Control regulations), technological and operational change. Consequently, at the time of preparing this Capital Strategy, a new Asset Management Strategy (AMS) for General Fund assets is under development. Led by the Facilities team and backed by a comprehensive review of Council assets, the AMS takes a longer-term view comprising:

- 'Good' information about existing assets
- The optimal asset base for the efficient delivery of Council objectives
- The gap between existing assets and optimal assets
- Strategies for purchasing and constructing new assets, investments in existing assets, transferring of assets to other organisations and the disposal of surplus assets; and
- Plans for individual assets.

3.1.2 The Council is also committed to rapidly achieving Zero Carbon status for all its buildings; it is an ambition that will be embedded within the new Asset Management Strategy.

3.1.3 The Council's housing assets are managed as part of a separate strategy based on professionally prepared rolling stock condition surveys and evolving housing demand (by type), with routine repairs and maintenance funded through the annual Housing Revenue Account and major works phased within the HRA Capital Programme.

## 3.2 Asset Disposals

3.2.1 When a capital asset is no longer needed, it may be sold so that the proceeds – known as capital receipts – can be spent on new assets or used to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. Table 5 below summarises the overall projections for capital receipts.

**Table 5: Capital Receipts**

Description	2020/21 Forecast	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
	£000's	£000's	£000's	£000's	£000's	£000's
Asset Sales	19,427	2,961	2,869	2,100	2,142	2,185
Loans Repaid	0	900	1,850	2,633	2,633	2,633
<b>TOTALS</b>	<b>19,427</b>	<b>3,861</b>	<b>4,719</b>	<b>4,733</b>	<b>4,775</b>	<b>4,818</b>

3.2.2 Assumed asset sales in 2020/21 include the transfer (at market value) of a number of key regeneration sites within the district to Qualis; this includes sites at Cottis Lane (valued at £3.470 million) and Hemnall Street (valued at £2.030 million) as part of the forthcoming development of a new Leisure Facility and Multi-Storey Car Park in Epping (due for completion in 2023/24). Additional regeneration sites are also due to transfer to Qualis as part of the Council's Housing Development Programme (highlighted above in Paragraph 2.1.7) as part of the same package.

## 4. Treasury Management

### 4.1 Introduction

4.1.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

4.1.2 Due to decisions taken in the past, the Council currently (@ 28th February 2021) has borrowing of £250.206 million at an average interest rate of 2.63% and £11.039 million in treasury investments at an average interest rate of 0.015%.

## 4.2 Borrowing

4.2.1 The Council's main objectives when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.10%) and long-term fixed rate loans where the future cost is known but higher (typically available from the PWLB in the range 1.4% to 2.3% as at 28th February 2021).

4.2.2 Projected levels of the Council's outstanding debt are shown in Table 6 below, compared with the Capital Financing Requirement (Table 4 above).

**Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement**

Description	31/03/21 Budget	31/03/22 Budget	31/03/23 Budget	31/03/24 Budget	31/03/25 Budget	31/03/26 Budget
	£000's	£000's	£000's	£000's	£000's	£000's
Debt (including leases)	247,700	193,100	192,900	192,600	192,400	192,100
Capital Financing Requirement (CFR)	317,900	343,700	437,700	474,700	469,700	460,400

4.2.3 Statutory guidance requires debt to remain below the Capital Financing Requirement, except in the short-term. As can be seen from Table 6 (which provides a view on how much debt the Council needs to take on to bring it up to the CFR), the Council expects to comply with this in the medium-term.

### Liability Benchmark

4.2.4 To compare the Council's *actual* borrowing against an alternative strategy, a liability benchmark has been calculated showing the minimum amount of borrowing required to keep investments at a minimum liquidity level. This assumes that cash and investment balances are kept to a minimum level of £12.0 million at each year-end. The Liability Benchmark is currently £282.0 million and is forecast to increase to £433.8 million over the next four years.

**Table 7: Borrowing and the Liability Benchmark**

Description	31/03/20 Actual	31/03/21 Estimate	31/03/22 Forecast	31/03/23 Forecast	31/03/24 Forecast	31/03/24 Forecast
	£000's	£000's	£000's	£000's	£000's	£000's
Outstanding Borrowing	224,500	253,700	307,800	401,800	438,800	433,800
Liability Benchmark	214,300	282,000	307,800	401,800	438,800	433,800

4.2.5 Table 7 above shows that the Council temporarily exceeded its Liability Benchmark on 31st March 2020, with £22.1 million held in Investments (i.e. £10.1 million above target). This was a short-term position as the Council assembled funds for planned lending to Qualis at the time. Conversely estimated Borrowing at 31st March 2021 is well within the Liability Benchmark, due to strong cash flows (especially related to Government grants related to Covid-19). Borrowing from 2021/22 onwards is expected to be in line with the Liability Benchmark.

*Affordable Borrowing Limit*

4.2.6 The Council is legally obliged to set an affordable borrowing limit (also termed the “Authorised Limit” for external debt) each year. In line with statutory guidance, a lower “Operational Boundary” is also set as a warning level should debt approach the limit.

**Table 8: Prudential Indicators: Authorised Limit and Operational Boundary for External Debt**

Description	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£000's	£000's	£000's	£000's
Authorised Limit – borrowing	290,482	363,663	458,043	495,439
Authorised Limit – other long-term liabilities	0	0	0	0
<b>Authorised Limit – total external debt</b>	<b>290,482</b>	<b>363,663</b>	<b>458,043</b>	<b>495,439</b>
Operational Boundary – borrowing	280,482	353,663	448,043	485,439
Operational Boundary – other long-term liabilities	0	0	0	0
<b>Operational Boundary – total external debt</b>	<b>280,482</b>	<b>353,663</b>	<b>448,043</b>	<b>485,439</b>

4.2.7 Further details on borrowing are contained in the Treasury Management Strategy 2021/22.

**4.3 Investments**

4.3.1 Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

*(Treasury Management) Investment Strategy*

4.3.2 The Council’s Investment Strategy is to prioritise security and liquidity over yield; focussing on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with other local authorities, Money Market Funds or selected high-quality banks, to minimise the risk of loss.

4.3.3 The availability of cash for the purposes of longer-term investment is currently limited by the Council’s need to fund the expanding Capital Programme. Treasury management advice in recent years (in the context of a low interest rate environment) has also been to ‘keep investments short’ (in the expectation that interest rates will rise in the future).

4.3.4 Table 9 below summarises the Council’s current and forecast treasury investments.

**Table 9: Treasury Management Investments**

Description	31/03/20 Actual	31/03/21 Forecast	31/03/22 Budget	31/03/23 Budget	31/03/24 Budget
	£000’s	£000’s	£000’s	£000’s	£000’s
Short-Term Investments	22,142	12,000	12,000	12,000	12,000
Long-Term Investments	0	0	0	0	0
<b>TOTALS</b>	<b>22,142</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>

#### **4.4 Governance**

4.4.1 Treasury management decisions are made every day and are therefore delegated to the Section 151 Officer, who must act in line with the Treasury Management Strategy approved by the Council. Annual outturn reports on treasury management are also approved by the Council (following recommendation from the Audit and Governance Committee), whereas mid-year updates are reported exclusively to the Audit and Governance Committee.

#### **5. Investments for Service Purposes**

5.1 The Council will sometimes make investments for service delivery purposes where there is a strategic case for doing so. This is an approach that has been adopted for the delivery of a package of services including Refuse Collection and Leisure. For example, the Council has previously invested in contractor loans for the procurement of Refuse Vehicles, which has realised a return for the Council in the form of lower contract payments. Similarly, the Council’s recent investment of £1.3 million in 2020/21 on the refurbishment Ongar Leisure Centre formed part of the agreed terms within the 20-year leisure contract and is reflected in the Management Fee that the Council receives.

##### Governance

5.2 Decisions on service investments are made by the Council’s Cabinet and require the support of a full business case.

## 6. Commercial Investments

### 6.1 Direct Investments: Commercial Property Portfolio

6.1.1 The Council has pursued an expansive commercial investment strategy in recent years through the direct acquisition of commercial property in a range of locations across the district. The value of the overall portfolio rose from £117.011 million to £138.026 million in 2019/20, with net income of £6.216 million achieved. Shops and Industrial Units have been two areas of emphasis and the returns achieved have been a key enabler in maintaining a low Council Tax charge in the district (now the lowest district Council Tax in Essex).

**Table 10: Commercial Property Portfolio**

Portfolio Category	Balance Sheet Value	
	31/03/19	31/03/20
	£000's	£000's
Shops	81,133	94,765
Industrial Units	24,547	32,011
Other	11,331	11,250
<b>Total Portfolio</b>	<b>117,011</b>	<b>138,026</b>

6.1.2 The Council continues to invest in its directly owned Commercial Property Portfolio. Notably:

- 2020/21 – the Capital Programme for 2020/21 included budget provision of £4.833 million available for Commercial Property acquisitions. The Council has applied £2.662 million of those funds on the acquisition of leases on two Council owned industrial units in Waltham Abbey. The anticipated unspent balance of £2.171 million will roll forward at the year end and be available to acquire further suitable investments in 2021/22; and
- 2021/22 and 2022/23 — as noted above in Paragraph 2.1.5, capital investment of £2.8 million is planned on Council-owned industrial warehouse units in Waltham Abbey; the project has a 10-year payback period and is expected to yield net income of £270,000 annually.

### 6.2 Arms-Length Investments: “Qualis”

6.2.1 Building on the commercial success of its directly owned commercial property portfolio, the Council established a wholly owned Local Authority Trading Company (“LATCO”) in October 2019 with the trading name of “Qualis”.

6.2.2 Qualis comprises a holding company (“Qualis Group”) with three operating subsidiaries. The primary aim of the Group is to help create more jobs, grow the local economy, and improve housing and public amenities in the district. The subsidiary companies are as follows:

- Qualis Commercial – a development company
- Qualis Living – an investment company; and
- Qualis Management – a services company.

6.2.3 Qualis is required to act commercially to maximise profits within Qualis and deliver sustainable returns to the Council as the shareholder. Therefore, the Council will benefit from the receipt of a dividend on future profits. Qualis operations are rapidly expanding with activity so far (in 2020/21) predominantly focused on Qualis Living (with the acquisition of Commercial Property Investments in November 2020) and Qualis Management (following the transfer of the Council’s Housing Repairs service in October 2020).

6.2.4 The Council also makes a margin on the loans that it has made to Qualis as well as the supply of various services that are supplied at market rates. Table 11 below summarises the Council’s planned capital investment position with Qualis.

**Table 11: Qualis Capital Investments**

Description	Type/Terms	2020/21	2021/22	2022/23	Totals
		£000’s	£000’s	£000’s	£000’s
Investment Loan	10-Year Maturity/4.0%	30,000	0	0	<b>30,000</b>
Regeneration Finance Loans	TBC	6,000	10,000	47,000	<b>63,000</b>
<b>Totals</b>		<b>36,000</b>	<b>10,000</b>	<b>47,000</b>	<b>93,000</b>

6.2.5 In addition to the capital loans presented above, the Council has also provided Qualis with a Working Capital Loans totalling £6.0 million in a series of seven tranches as follows:

- 2019/20 (Tranche 1) - £500,000 (5-Year EIP @ 7.80%); and
- 2020/21 (Tranches 2 - 7) - £5,500,000 (5-Year EIP @ 3.80%).



## **6.3 Governance**

6.3.1 It is important that Qualis have freedom and act 'commercially', within the boundaries of its Business Plan (approved by the Council). However, it is also important that this is balanced against the need for the Council to exercise the necessary oversight so that its risk exposure as the sole shareholder is minimised.

6.3.2 The Qualis Board includes two nominated (Epping Forest District Council) councillors and the Council's Chief Executive, although all Board members are required to act in the interests of Qualis. Consequently, additional oversight is exercised through the Council's Section 151 Officer in the role of "Shareholder's Representative", acting as the official conduit from the Council to Qualis.

## **7. Other Liabilities**

### **7.1 Outstanding Commitments**

7.1.1 The Council also has the following outstanding commitments:

- A commitment to achieve a fully funded position on the Pension Fund (over a 16-year period from 2020 to 2036). The overall deficit was valued at £63.637 million as at 31st March 2020 and back-funding payments of £0.602 million are scheduled to be made in 2021/22, followed by £0.624 million in 2022/23. Required payments in 2023/24 and beyond will be reviewed as part of the next Triennial Valuation (scheduled for 31st March 2023); and
- The Council has also set aside £2.145 million (as at 31st March 2020) to cover the financial risk associated with Business Rates Appeals lodged with the Valuation Office Agency (VOA).

### **7.2 Guarantees**

7.2.1 The Council became "self-financing" in respect of its retained housing stock from April 2012. The self-financing regime applied to all authorities and replaced the former Housing Subsidy system whereby the Council made annual payments to the Government funded from its HRA. Its introduction entailed a one-off redistribution of 'debt' between local authorities, and locally this resulted in the Council taking on PWLB loans, which it is required to service (instead of making Housing Subsidy payments).

7.2.2 The Council's original 30-Year Business Plan for the HRA (effective from April 2012) entailed a strategy of debt repayment, rather than a growth strategy based on debt re-financing and upgrading and/or expanding the stock; this complied with the Government debt cap that was in place at the time. However, the Government removed the debt cap in late 2018, and the Council has since committed to building council houses in the district again, for the first time in many years.

7.2.3 A new HRA Business Plan is under development at the time of preparing this Strategy. This will be designed to ensure adequate rental income is generated each year to run an efficient and effective housing management service (as well as delivering ambitious housing development plans) whilst at the same time servicing the debt. However, if the HRA is unable to repay the debt at any point in the future, the Council (through its General Fund) is liable to repay any remaining balance. The remaining balance on the HRA debt as 31st March 2020 was £185.456 million.

7.2.4 The Council has also provided a guarantee (to the Essex County Pension Fund) on pension costs for 38 ‘TUPE protected’ employees that transferred to Qualis in October 2020, as part of the transfer of the Housing Repairs service. If Qualis is unable to meet its liabilities incurred, through its participation in the Local Government Pension Scheme (LGPS), the Council is obliged to meet those costs on its behalf.

### 7.3 Governance

7.3.1 Decisions on incurring new discretionary liabilities are taken by Service Directors in consultation with the Section 151 Officer. For example, in accordance with the Council’s Financial Regulation D6, “leasing agreements or other financial facilities” can only be agreed by the Section 151 Officer or an officer nominated by them.

## 8. Revenue Implications

### 8.1 Financing Costs

8.1.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, Business Rates and general Government grants.

**Table 12: Prudential Indicator: Proportion of Financing Costs to Net Revenue Stream (General Fund)**

General Fund Financing Costs	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget
	£000’s	£000’s	£000’s	£000’s
Financing Costs	1,628	2,315	2,842	3,686
Proportion of Net Revenue Stream (Standard CIPFA Indicator)	11%	15%	19%	25%
Proportion of Net Revenue Stream (Local Indicator)	10%	13%	15%	19%

8.1.2 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for many (occasionally up to 50) years into the future.

8.1.3 An updated Net Revenue Stream Indicator for the Housing Revenue Account will be calculated upon the completion of the updated HRA Medium-Term Financial Plan as informed by the revised HRA Business Plan noted above (anticipated 30th September 2021). Typically, the HRA indicator will display a higher percentage, reflecting the ability of the Account to operate at a higher level of gearing than the General Fund due to the backing of a large property portfolio.

## 8.2 “Prudence, Affordability and Sustainability”

8.2.1 (*Subject to the comments below in Paragraph 8.2.2*) the Section 151 Officer is satisfied that the proposed Capital Programme (Section 2) is prudent, affordable and sustainable based on the following:

### Prudence

- *Prudential Indicator 10 (General Fund)* (Paragraph 8.1.1) – Proportion of Financing Costs to Net Revenue Stream – the growth in Financing Costs reflects the Council’s ambitions for capital investment in its strategic priorities over the medium-term, including its ambitions for Qualis. The standard CIPFA indicator shows the impact on taxpayers should Qualis default on its loans from the Council, with all Financing Costs having to be met from Council Tax, Business Rates and general Government Grants. The standard indicator however excludes the interest that the Council receives from Qualis loans. A local indicator has therefore been prepared, including the interest received from Qualis loans. Importantly, this shows that the indicator remains under 20% for the duration of the forecast (the latest planned loan to Qualis is currently scheduled for 2022/23), which is within expected and controllable parameters
- *Underlying Prudent Assumptions* – a prudent set of assumptions have been used in formulating the Capital Programme (e.g. no future asset disposals that may be identified as part of the updated Asset Management Strategy have been assumed in General Fund projections)
- *Repairs and Maintenance* – the approach to asset maintenance is professionally guided with assets maintained in a condition commensurate with usage and expected life, addressing those items that could affect ongoing and future maintenance, in the most appropriate and cost-effective manner.

### Affordability

- The estimated General Fund revenue consequences of the Capital Programme (£94.821 million over the five years from 2021/22) have been included in the 2021/22 Budget and Medium-Term Financial Plan (MTFP), extending to 2025/26; and
- The MTFP is underpinned by a Reserves Strategy, which includes maintaining contingency funds in the event that projections are not as expected (further supported by Section 151 report to Council under Section 25 of the Local Government Act 2003 on the robustness of estimates and the adequacy of financial reserves and balances).

### Sustainability

- Capital schemes that are expected to deliver long-term revenue savings/generate income are given due priority. For example, the recent investment in Ongar Leisure Centre secured a larger revenue stream for the Council through its annual Management Fee. The new Leisure Facility for Epping, which includes provision for a Multi-Storey Car Park as part of the wider scheme, will increase footfall, including a range of associated revenue streams; and
- As explained in Section 3.1 above, the new Asset Management Strategy for General Fund represents an enhancement to the Council approach to asset planning through (especially) taking a longer-term view. This includes providing for future operational need, balancing the requirement to achieve optimal performance, whilst taking account of technological change and managing the risk of obsolescence.

8.2.2 At the time of preparing this report (March 2021) as mentioned above in Paragraph 7.2.3, the HRA Business Plan is subject to a detailed review. The current 30-Year Business Plan was adopted by the Council in 2018, immediately prior to the Government announcement removing the HRA Borrowing Cap. This has led to a more expansive approach by the Council, and the new Business Plan is being designed to support that, whilst ensuring the long-term financial sustainability of the HRA. It is a detailed undertaking, with initial results anticipated in the summer of 2021. The HRA Capital Programme will be reviewed in the light of the updated Business Plan and some adjustments to profiling especially may be required to ensure that the “prudent, affordable and sustainable” assertion remains valid for this element of the overall Capital Programme.

## **9. Knowledge and Skills**

### **9.1 Officers**

9.1.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Most notably:

- *Finance* – the Section 151 Officer, who is the strategic lead on the Council’s finances, is a qualified (CIPFA) accountant with many years of experience, whereas the Deputy Section 151 Officer, who leads on operational matters, is also a qualified (ACCA) accountant, also with many years of experience. The Council is committed to the ongoing professional development of the other officers within the Finance function, which includes a commitment towards general professional development (e.g. through CIPFA, ACCA and AAT), as well as focused professional training in specialist areas such as Treasury Management and Business Partnering
- *Property* – the Head of Assets and Facilities, who is leading on the development of the Asset Management Strategy, is a highly experienced senior property professional with a background spanning a range of business sectors. In addition, the Council also has a dedicated Commercial Property team, resourced by two senior (“MRICS”) chartered surveyors; and
- *Housing* – the Council has a separate Housing Team that is responsible for overseeing social housing developments within the district.

### **9.2 External Advisors**

9.2.1 Where the Council does not have the relevant knowledge and skills required, judicious use is made of external advisors and consultants that are experts/specialists in their field. The Council currently engages Arlingclose Limited as Treasury Management advisers, and the Asset Management Team will appoint property advisers (e.g. development managers, valuers etc.) to support their work where required. The approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with risk.

### **9.3 Councillors**

9.3.1 Newly elected councillors have been required to undertake induction training at the Council for some years. Council elections are scheduled to be held in May 2021 and will be followed by a range of training for both newly elected councillors (induction training) and experienced councillors (refresher training). For example, a training event on “Local Authority Finance and the Budget Process” is scheduled for July 2021.

9.3.2 For specialist training such as Treasury Management, the Council acknowledges the importance of ensuring that Members have appropriate capacity, skills and information to effectively undertake their role on the Audit and Governance Committee and have arranged training in the past from the Council's Treasury Management advisors, Arlingclose. The most recent session took place in January 2019. A further session is to be ran following the May 2021 elections.

## **10. Section 151 Statement on the Capital Strategy**

### **10.1 Prudential Code**

10.1.1 Paragraph 24 of the 2017 Prudential Code requires the Section 151 Officer to report explicitly on the affordability and risk associated with the Capital Strategy.

10.1.2 Accordingly, it is the opinion of the Section 151 Officer that the Capital Strategy as presented is affordable, and associated risk has been identified and is being adequately managed.

### **10.2 Affordability**

10.2.1 The Capital Strategy is affordable and there is a range of evidence to support this assertion, including:

- *Capital Programme* – the Programme as presented above (in Section 2) is supported by a robust and resilient General Fund Medium-Term Financial Plan (MTFP) extending through until 2025/26 that contains adequate revenue provision, including adequate reserves in the even that plans and assumptions do not materialise as expected
- *Asset Management* – as presented above (in Section 3), a new Asset Management Strategy for General Fund assets is under development, which is taking a strategic longer-term view (i.e. beyond 2025/26) of the Council's asset base. A fundamental aim of the Strategy is to achieve the optimum balance between future operational need and affordability, which will be reflected in its component parts including strategies for purchasing and constructing new assets, investment in existing assets, the transferring of assets to other organisations and the disposal of surplus assets; and
- *Commercial Investment* – as presented above (in Section 6), building on the success of its in-house Commercial Property Portfolio, the Council is now widening its commercial investment activities on arms-length basis through the creation of Qualis. The company is still at a relatively early stage in its evolution but is already generating financial returns for the Council through interest receipts and other 'inter-company' services and the Qualis Business Plan is progressing positively towards delivering a shareholder return to the Council in the medium-term.

## 10.3 Risk

10.3.1 The risk associated with the Capital Strategy has been identified and is being adequately managed. Evidence to support this assertion includes:

- *Treasury Management Strategy* – alongside this Capital Strategy, and subject to the recommendation of the Audit and Governance Committee, the Council is set to formally approved a Treasury Management Strategy for 2021/22 in accordance with CIPFA's "Treasury Management in the Public Services: Code of Practice 2017". That Strategy was developed by a professionally qualified and experienced officer within the Finance Team and informed by specialist advisors Arlingclose and other relevant and extant professional guidance
- *Investment Strategy* – the Council is also set to formally approve an Investment Strategy for 2021/22 in accordance with MHCLG's "Statutory Guidance on Local Government Investments (3rd Edition) 2017". As with the Treasury Management Strategy, the Investment Strategy was developed by a professionally qualified and experienced officer within the Finance Team and informed by specialist advisors Arlingclose and other relevant and extant professional guidance; and
- *Commercial Activities* – as noted above (in sections 6.3 and 6.4) the Council is committed to significantly expanding its commercial activities through its arms-length delivery vehicle Qualis. It is recognised and accepted that increased commercial activity brings additional risk. The development of the Qualis initiative was therefore guided by the engagement of professional advisors on the commercial, financial and legal aspects of the project, and the preparation of full supporting business cases, prior to the commencement of trading activities. Now that the company is operational, the Council manages its risk exposure through a formally agreed governance framework, which balances the commercial freedom of Qualis with the need for oversight by the Council.

10.3.2 In addition (pending the completion of the Asset Management Strategy), the Section 151 Officer has sought, and obtained, further assurance in issuing this statement in reviewing the position and arrangements in place for maintaining the Council's current assets. Based on a high-level review (all assets with a Gross Book Value of £0.5 million+ were sampled), the Section 151 Officer is satisfied that there are no major omissions – in terms of financial liabilities – from the Capital Programme in the medium-term. The new Asset Management Strategy will extend beyond the medium-term and will therefore – once completed – provide longer-term assurance with effect from 2022/23.

## **10.4 Capital Strategy Updates**

10.4.1 The Capital Strategy is a 'living document' and will be periodically – usually annually – updated to reflect changing local circumstances and other significant developments. However, the development of the new HRA Business Plan (explained in Paragraph 8.2.2 above) – anticipated in summer 2021 – may necessitate an in-year update to this Strategy should there be any material impact on the assertions contained herein.



## Minimum Revenue Provision Statement 2021/22

### DRAFT

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as “Minimum Revenue Provision” (MRP), although there has been no statutory minimum since 2008.

The Local Government Act 2003 requires the Council to have regard to the Ministry of Housing, Communities and Local Government’s (MHCLG) Guidance on MRP (the MHCLG Guidance) updated in 2018.

The MHCLG Guidance requires the Council to approve an Annual MRP Statement and recommends a range of options for calculating a prudent amount of MRP.

### **MRP Policy**

No MRP is required to be charged for Housing Revenue Account (HRA) assets.

No MRP is required to be charged on any General Fund Capital Financing Requirement, which was in existence prior to the HRA Subsidy Reform exercise of 2012.

For General Fund capital expenditure incurred after the HRA Subsidy Reform exercise of 2012:

- MRP will be determined by charging the expenditure over the expected useful life of the asset, to a maximum of 50 years, on an annuity basis; and
- MRP on purchases of freehold land will be charged over 50 years.

The MRP payment is financed from revenue with an option that part, or all, of the payment could be financed from capital receipts to repay debt.

MRP will commence in the financial year following the asset coming into operational use or after purchase.

### **External Loans**

For capital expenditure loans to third parties that are repaid in instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement.

### **Capitalisation Directions**

For capitalisation directions on expenditure incurred after 1st April 2008 MRP will be made using the annuity method over 20 years.

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