



# Epping Forest District Council

## **AUDIT & GOVERNANCE COMMITTEE** **Thursday 27th July 2023**

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

**Council Chamber - Civic Offices**  
on **Thursday 27th July 2023 at 7.00 pm**

**Georgina Blakemore**  
Chief Executive

**Democratic Services Officer:** Laura Kirman  
Tel: 01992 564243 Email:  
democraticservices@eppingforestdc.gov.uk

**Members:** Councillors P Bolton, T Matthews, B Vaz, M Owen and  
J M Whitehouse.

Independent Mr A Jarvis.

**PLEASE NOTE THAT THIS MEETING IS OPEN TO ALL MEMBERS TO ATTEND**

**This meeting will be broadcast live and recorded for repeated viewing.**

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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.

Please use the Members Portal webpage to report non-attendance at meetings [https://eppingforestdc-self.achieveservice.com/service/Member\\_Contact](https://eppingforestdc-self.achieveservice.com/service/Member_Contact) to ensure your query is properly logged.

Alternatively, you can access the Members portal from the front page of the Council's website, at the bottom under 'Contact Us' <https://www.eppingforestdc.gov.uk/your-council/members-portal/>

**3. ELECTION OF CHAIRMAN AND VICE-CHAIRMAN**

(Team Manager – Democratic & Electoral Services) Under Article 11, paragraphs 13 – 17, of the Constitution, the Chairman and Vice-Chairman of the Committee shall be appointed at the first meeting of the municipal year for a term of one year.

Both Councillors and Co-Opted Members serving on the Committee are eligible for appointment to either role; however, if the Chairman is a Councillor then the Vice-Chairman must be a Co-Opted Member, and vice versa.

The Chairman and Vice-Chairman from the previous municipal year are eligible for re-appointment.

**4. DECLARATIONS OF INTEREST**

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

**5. MINUTES (Pages 5 - 6)**

To confirm the minutes of the meeting of the Committee held on 20 March 2023.

**6. MATTERS ARISING**

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

**7. AUDIT & GOVERNANCE COMMITTEE - WORK PROGRAMME (Pages 7 - 8)**

To consider the attached work programme for the Committee for 2023/24.

**8. AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT 2022/23 (Pages 9 - 30)**

To consider and approve the Audit and Governance Committee Annual Report 2022/23 and refer to Council for approval.

**9. RISK MANAGEMENT (Pages 31 - 72)**

To consider the current risk register and review the Risk Management Policy and Strategy and refer to Cabinet for approval.

**10. ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR (Pages 73 - 98)**

To consider the attached report and the assurance level given.

**11. CORPORATE FRAUD TEAM ANNUAL SUMMARY 2022/23 (Pages 99 - 104)**

To consider the Corporate Fraud Team Annual Summary for 2022/23.

**12. CORPORATE FRAUD TEAM PLAN 2023 / 24 (Pages 105 - 110)**

To approve the Corporate Fraud Team Plan for 2023/24

**13. ANNUAL GOVERNANCE STATEMENT 2022/23 (Pages 111 - 124)**

To review and comment on the draft Annual Governance Statement for 2022/23

**14. INTERNAL AUDIT MONITORING REPORT JUNE 2023 (Pages 125 - 142)**

To consider the summary of the work of Internal Audit and the Corporate Fraud Team for the period March to June 2023

**15. TREASURY MANAGEMENT OUTTURN REPORT 2022/23 (Pages 143 - 156)**

To consider the outturn of the Council's Treasury Management function for 2022/23.

**16. DRAFT STATEMENT OF ACCOUNTS 2022/23 (Pages 157 - 260)**

To consider the Council's draft Statement of Accounts for the 2022/23 financial year.

**17. 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):

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

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.

**18. 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.

## **EPPING FOREST DISTRICT COUNCIL AUDIT & GOVERNANCE COMMITTEE MEETING MINUTES**

**Monday 20 March 2023, 7.00 pm - Time Not Specified  
Council Chamber - Civic Offices**

<b>Members Present:</b>	Councillors P Bolton (Chairman), T Matthews, B Vaz and M Owen
<b>Apologies:</b>	Councillor(s) S Heap
<b>Officers In Attendance:</b>	Laura Kirman (Democratic Services Officer), Andrew Small (Strategic Director, Corporate and Section 151 Officer), Sarah Marsh (Chief Internal Auditor), Amy Buckley (Higher Level Apprentice (Internal Communications)) and Sally-Anne Pearcey (Senior Auditor)
<b>Officers In Attendance (Virtually):</b>	Sue Linsley (Senior Auditor) and Adrian Hendry (Democratic Services Officer)
<b>Co-opted Members:</b>	Anthony Jarvis (Vice Chairman)

### **[A RECORDING OF THIS MEETING IS AVAILABLE FOR REPEATED VIEWING](#)**

#### **51 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.

#### **52 DECLARATIONS OF INTEREST**

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

#### **53 MINUTES**

**Resolved:**

The minutes of the meeting held on 13 February 2023 be taken as read and signed by the Chairman as a correct record.

#### **54 MATTERS ARISING**

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

#### **55 AUDIT & GOVERNANCE COMMITTEE - WORK PROGRAMME**

The Committee noted its Work Programme for 2022/23.

#### **56 INTERNAL AUDIT PROGRESS REPORT**

The Chief Internal Auditor, S Marsh, presented the Internal Audit Monitoring Report and updated the Committee on the work completed by Internal Audit since the previous meeting.

The audit of the sundry debt system had been finalised and a reasonable level of assurance had been given. The recommendation tracker remained stable and there were no issues of concern to bring to the attention of the Committee.

**Resolved:**

The Committee noted the summary of the work of Internal Audit and the Corporate Fraud Team for the period February to March 2023

**57 INTERNAL AUDIT STRATEGY AND AUDIT PLAN 2023/24**

The Chief Internal Auditor, S Marsh outlined the Internal Audit Strategy and Audit Plan 2023/24 report, and highlighted that Internal Audit supported and contributed to the achievement of the Council's objectives by supporting good governance. Internal Audit provided assurance to the Committee. The Internal Audit Strategy and Plan for 2023/24, the indicative work programme the years 2024/25 and 2025/26 set out priority areas and how this would be achieved.

**Resolved:**

The Committee:

- (1) Considered the effectiveness and contribution of the Internal Audit Strategy and Plan within the Council's assurance framework, and
- (2) Approved the Internal Audit Strategy and Plan for 2023/24.

**58 RISK MANAGEMENT**

The Strategic Director Corporate and Section 151 Officer, A. Small outlined the risk management framework which had been reviewed by the Senior Leadership Team, New corporate risk templates and matrices had been rolled out and the corporate risk register, format and risk naming convention was as detailed in the report.

The Committee acknowledged the improvements in the approach to risk management and their role in monitoring risk and ensuring accountability.

The Committee were advised that the risk associated with overall size of borrowing would be taken back to the officer group and brought back to a future Committee.

**Resolved:**

The Committee reviewed and endorsed the corporate risk register.

**59 ANY OTHER BUSINESS**

No other business was raised for consideration by the Committee.

**60 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 2023/24**

### **29 June 2023**

- Annual Report of the Chief Internal Auditor 2022/23
- Draft Annual Governance Statement 2022/23
- Audit and Governance Committee Annual Report 2022/23
- Corporate Fraud Team Strategy 2023/24 and 2022/23 Year End Report
- Internal Audit Progress Report
- Risk Management Report
- Treasury Management Outturn Report 2022/23

### **27 July 2023**

Details to be confirmed

### **30 November 2023**

- Internal Audit Progress Report
- Risk Management Report
- Review of the Anti-Fraud and Corruption Strategy (incorporated into the Internal Audit Progress Report)
- Treasury Management Mid-Year Report 2023/24
- Review of Code of Corporate Governance -
- Review of the Internal Audit Charter
- Review of the Whistleblowing Policy

### **16 February 2024**

- Treasury Management Strategy (including investment Strategy) 2023/24
- Capital Strategy 2023/24
- Internal Audit Progress Report.
- Risk Management Report

### **28 March 2024**

- Risk Management Report
- Internal Audit Progress Report
- Internal Audit Strategy and Audit Plan 2024/25
- Corporate Fraud Team Strategy 2024/25

**Note: External Audit Reports will be incorporated into the work programme**

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



**Epping Forest  
District Council**

**Date of meeting:** 27 July 2023

**Portfolio:** Leader of the Council

**Subject:** Audit and Governance Committee Annual Report for 2022/23

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

**Democratic Services Officer:** Laura Kirman

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

- (1) The Annual Report for the Audit and Governance Committee for 2022/23 be agreed and the report be referred to the Council for approval.
- (2) The Committee agrees the changes to its Terms of Reference and refer this to the Council for approval.
- (3) The Committee considers the results of its review of effectiveness and notes its action plan.

### **Executive Summary:**

The effective operation of the Audit Committee forms a key element of the Council's assurance framework. By fulfilling its responsibilities as detailed in this annual report the Committee supports the Council to maintain a high standard of corporate governance

CIPFA (the Chartered Institute of Public Finance and Accountancy) advocates in discharging its responsibilities effectively an Audit Committee should report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. This annual public report demonstrates how the committee has discharged its responsibilities.

This report also reviews the Audit Committee Terms of Reference and its compliance with guidance issued by the CIPFA. This report also seeks to ensure the committee remains effective in the fulfilment of its key governance framework role.

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

To present the Audit and Governance Committee Annual Report for 2022/23 and to recommend that the report be referred to the Council.

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

None.

### **Report:**

**Annual Report of the Audit and Governance Committee 2022/23**

1. This is detailed in appendix A.

### Terms of Reference Review

2. The role of the Audit and Governance Committee has three main functions:
  - Maintenance of governance, risk, and control arrangements
  - Accountability and public reporting
  - Assurance and audit arrangements
3. These are described in detailed in the CIPFA Audit Committees Practical Guidance for Local Authorities and Police, which was updated in June 2022. The guidance includes a model Terms of Reference for a local authority Audit Committee.
4. The Committee's Terms of Reference were last reviewed by the Committee November 2021. They were still in line with the CIPFA 2018 guidance, and no changes were proposed.
5. Internal Audit has compared the Committee's current Terms of Reference with the CIPFA 2022 model terms of reference and minor changes are suggested (Appendix B). These been highlighted through the use of ~~strike through~~ and **bold underline** for easy identification.

### Audit Committee Effectiveness Review

#### Approach

6. The effective operation of the Audit and Governance Committee forms a key element of the Council's assurance framework. An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the Council's business.
7. This review was undertaken by an in-person workshop by the Audit and Governance Committee on 20 March 2023, facilitated by the Chief Internal Auditor using recommended practice in the CIPFA Audit Committee 2022 guidance.
8. The Committee used checklists provided by CIPFA to support an assessment against recommended practice to inform and support the Audit and Governance Committee in its duties. This was not a tick-box activity; there was good interaction and input from the Committee.

#### Results of the effectiveness review

9. The self-assessment (Appendix C) was completed by the Audit and Governance Committee as part of the workshop. The results show that the Council can demonstrate compliance with recommended best practice for an effective Audit Committee.
10. There are four minor areas for improvement as listed in the Action Plan table below.

**Table 1 – Action Plan**

Area	Description	Action owner and proposed timetable
Skills and knowledge analysis	A skills and knowledge analysis of the Committee should be undertaken. As well as shaping the training plan, evidence of the assessment and delivery of training will support the profile of the committee – for example, by including it in the annual report.	The Chief Internal Auditor to facilitate the review now the membership of the Audit and Governance Committee has been confirmed after the May

		2023 elections.
Training and awareness	The Audit and Governance Committee identified the following area where further training was required: <ul style="list-style-type: none"> <li>• risk management and assurance frameworks.</li> </ul>	The Chief Internal Auditor, in conjunction with the Audit and Governance Chair, to devise a training and awareness programme for the Committee, open to all councillors where appropriate, as part of the skills and knowledge analysis described above.
Remit	Appendix C identified a number of areas where the Audit and Governance Committee's role may require clarification: <ul style="list-style-type: none"> <li>• Council's compliance with CIPFA's Financial Management Code</li> <li>• Outcomes from the 2023 External Quality Assessment of Internal Audit</li> <li>• If additional assurances regarding performance management and value for money are required</li> <li>• How the Committee can support the Council's ethical framework</li> </ul>	The Chief Internal Auditor, using a checklist approach, determine how the Audit Committee gain their assurances against the CIPFA 2022 Audit Committee guidance to identify any gaps or weaknesses. To be reported to the 29 September 2023 meeting.
Audit	Provide opportunities for the Audit and Governance Committee to meet in private with the Internal and External Auditors	Democratic Services to arrange for the Audit and Governance Committee to meet in private with the Chief Internal Auditor and the External Audit partner ahead of Committee meetings during 2023/24.

**Resource Implications:**

There are none.

**Legal and Governance Implications:**

The effective operation of the Audit and Governance Committee forms a key element of the Council's assurance framework. By fulfilling its responsibilities as detailed in its annual report the Audit Committee helps the Council to maintain a high standard of corporate governance. There is no legal or constitutional requirement for the Committee to report to the Council on its work, however, it is considered good practice to do so.

**Safer, Cleaner and Greener Implications:**

No specific implications.

**Consultation Undertaken:**

Corporate Governance Group

**Risk Management**

The Audit and Governance Committee has a pivotal role in how the Council delivers good governance. The purpose of the Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process and reviewing the effectiveness of these arrangements.

**Background Papers:**

Minutes of the Audit and Governance Committee.

**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 D to the report.

**Glossary:**

AGS – Annual Governance Statement

CIPFA – Chartered Institute of Public Finance and Accountancy

SOLACE – Society of Local Authority Chief Executives

# Appendix A: ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE 2022/23

## INTRODUCTION

The purpose of the Audit Committee is to:

- provide independent assurance to the Council in respect of the effectiveness of the Council's governance arrangements, risk management framework and the associated control environment; and
- independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment.

Whilst there is no statutory obligation for a local authority to establish an audit committee, they are widely recognised internationally across the public and private sectors as a key component of effective governance. Similarly, it is considered good practice for the Committee to report annually to the Council on its work.

The key benefits of an effective audit committee are:

- increasing awareness regarding the effectiveness and continued development of the Council's governance arrangements.
- providing additional assurance on the robustness of the Council's governance arrangements through a process of independent and objective review.
- reducing the risks of illegal or improper acts.
- increasing public confidence in the objectivity and fairness of financial and other reporting.
- contributing to performance improvements in assurance levels and awareness of the need for strong internal control including the implementation of audit recommendations.
- reinforcing the importance and independence of internal and external audit and similar review processes.

## 1. ASSURANCE ACTIVITY 2022/23

To help the Committee draw conclusions about the effectiveness of the Council's internal control framework, governance, and risk management it gained assurances from the following sources:

### Internal Audit

The Accounts and Audit (England) Regulations 2015 require the Council to maintain an adequate and effective internal audit which is discharged by the Section 151 Officer. Internal Audit is a key source of assurance for both Members and management on the effectiveness of the control framework. The Committee has a responsibility for ensuring that Internal Audit is effective in the provision of this assurance and has worked with the Chief Internal Auditor to ensure the agreed Audit Plan for 2022/23 was delivered.

The Committee considered and agreed reports regarding the Internal Audit Strategy, Internal Audit Charter, and Annual Plan 2022/23. It has also monitored progress

made by management in implementing audit recommendations and received regular progress reports on the work and performance of Internal Audit. These reports have helped in ensuring that reported weaknesses have either been addressed or the identified risks adequately mitigated by management and that there is an effective system of governance and internal control in place.

### **Assurance Framework / Annual Governance Statement**

The Committee's terms of reference include advising on the effectiveness of the Council's assurance framework including the production of the Annual Governance Statement.

During the year, the Committee has received reports on the control framework and how the annual review and assurance process is undertaken. Members are provided with progress made on the issues raised in respect of the Annual Governance Statement and of the annual service assurance process. The Assurance Framework is compiled from various sources of assurance, for instance Directors, managers, and other key officers.

The Chief Internal Auditor provides an annual report and opinion regarding the Council's control framework. This opinion is considered by the Committee alongside other sources of assurance.

The Committee reviewed the Annual Governance Statement (AGS) for 2021/22 which identified governance issues requiring further ongoing improvement or oversight relating to:

- Economic issues due to national and global events leading to a volatile economic situation.
- Statement of Accounts – as nationally councils continue to have difficulties in getting their final accounts audited, including Epping Forest.
- Financial Management Code Review – need for an assessment to ensure the Council can demonstrate compliance against the CIPFA Code.
- Business Continuity – to ensure plans are in place, maintained and periodically tested.
- Financial Regulations review to ensure they remain up to date.

The assurance framework remained unchanged during 2022/23. The Council's Code of Corporate Governance was reviewed by the committee in November 2022 to ensure it remains compliant with the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government. Only minor changes were proposed (and agreed) to ensure it was still up to date, in line with good practice and fit for purpose.

The Committee was able to satisfy themselves that there is a robust assurance framework in place to safeguard the Council's resources through reliance on the annual review of the Council's system of internal control and the Chief Internal Auditor's annual opinion.

### **Anti-Fraud and Corruption**

Countering fraud and corruption is the responsibility of every Member and officer of the Council. The Committee's role in this area has been to monitor and support the actions taken by officers to counter fraud, particularly as the Council has its own in-house Corporate Fraud Team, who work in tandem with Internal Audit.

The Committee receives reports and presentations on such work undertaken in the Council and proactive fraud work, for example participation in the National Fraud Initiative (NFI).

The Council continues to send out a strong message that fraud will not be tolerated and that where fraud is proven the strongest possible actions of redress will be taken.

Based on the work to date, and the implementation of recommendations coming out of investigations undertaken by the Corporate Fraud Team and Internal Audit, the Committee concludes that there is a sound anti-fraud and corruption framework in place. The Council's anti-fraud and corruption strategy was approved by Council, following approval by the Audit and Governance Committee in November 2022.

### **Risk Management**

The Committee receives and discusses reports relating to risk management. Work continues to enhance monitoring and reporting mechanisms to ensure there is adequate scrutiny and challenge of risk across the Council and aligning this with the service planning process.

Committee members are routinely presented with the corporate strategic risk register. A rolling review of service risks will commence in 2023/24 as the risk management framework, including the format of risk registers, was refreshed during 2022/23.

### **Treasury Management**

In accordance with its Terms of Reference, the Committee reviewed the Council's Treasury Management Strategy and considered the risks associated with the Council's treasury activity and how these are managed. The Committee also considered progress reports on the treasury management function and performance against prudential indicators.

### **Statement of Accounts and External Auditors**

Annually the Committee should review and formally approve the Council's Statement of Accounts for the previous financial year. This would normally take place at the June/July meetings. However, this has not been the case for Epping Forest (and many other local councils) as reported above in the Assurance Framework / Annual Governance Statement section.

However, the Committee has been kept abreast of the situation and had to opportunity to challenge the Council's External Auditors (Deloitte) when they attended the September 2022 meeting.

## **2. COMMITTEE WORKING ARRANGEMENTS**

The Committee has a rolling and flexible programme of work for its main areas of activity which is proactively reviewed and amended throughout the year to reflect changes in policies, priorities, and risks. The Committee met five times in 2021/22. The Committee considered items which are presented annually, such as audit results, the draft statement of accounts, the annual governance statement, and audit plans; as well as a number of other items including treasury management as these fall under the committee's remit.

The Committee's work plan is supplemented with periodic bespoke training. For 2022/23, this was on the role of Audit and Governance Committee. In March 2023 the Committee undertook its own effectiveness review which is detailed later in this report.

The Committee helps demonstrate its independence by having two co-opted persons. A recruitment campaign during 2022/3 was unsuccessful to recruit to the one vacant co-opted post and will be undertaken again in 2023/24.

The Committee has the benefit of being well supported by Council officers. This includes the Section 151 Officer, the Monitoring Officer, and the Chief Internal Auditor as well as the Council's external auditors.

There have been no reported major breakdowns in internal control, governance and risk management that have led to a significant loss in one form or another, nor any major weakness in the governance systems that has exposed, or continues to expose, the Council to an unacceptable level of risk.

The purpose, strategy and work programme of the Committee mitigates against any major failure by the Council to obtain independent assurance in relation to the governance processes underpinning:

- An effective risk management framework and internal control environment including audit.
- The effectiveness of financial and non-financial performance (to the extent that it affects exposure to risk and poor internal control).
- The compilation and consideration of the Annual Governance Statement.

### **Outcomes / Achievements**

Through its work, the Committee's main outcome is in the additional assurance provided of the robustness of the Council's arrangements regarding corporate governance, risk management and internal controls.

The Committee has added value through its activity and in particular:

- it has continued with the importance placed upon governance issues, particularly risk management, anti-fraud and the assurances sought that key risks are being mitigated; and
- it has continued to raise the profile of internal control issues across the Council and to seek to ensure that audit recommendations are implemented.

### **Conclusions**

The Committee's remit is achieved firstly through it being appropriately constituted, and secondly by the Committee being effective in ensuring internal accountability and the delivery of audit and a robust assurance framework. The Committee has received and challenged reports including those from internal and external audit.

The agreed work programme enables the Committee to provide independent assurance to the Council as to the adequacy of the risk management framework and the associated control environment.

The Committee has continued to have a real and positive contribution to the governance arrangements of the Council. The Committee's key achievement is in the additional assurance provided of the robustness of the Council's arrangements regarding corporate governance, risk management and the control environment.

In order to build upon its achievements to date and to raise awareness of the work of the Committee during the coming year the Committee will focus on the following:

- Continue to review governance arrangements to ensure that the Council adopts best practice.



- Continue to support the work of audit and ensure that appropriate responses are provided to their recommendations.
- Continue to help the Council manage the risk of fraud and corruption.
- Provide effective challenge, particularly to officers, raising awareness of the importance of sound internal control arrangements and giving the appropriate assurances to the Council.
- Consider the effectiveness of the Council's risk management arrangements.
- Provide existing and new members to the Committee with relevant training, briefings etc. to help in discharging their responsibilities.

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## Appendix B

### AUDIT AND GOVERNANCE COMMITTEE TERMS OF REFERENCE (proposed June 2023)

#### Statement of Purpose

The role of the Audit and Governance Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial statements and provides a forum for considering ethical issues and ensuring high standards of conduct.

The purpose of the Committee is to provide independent assurance to the members of the adequacy of the risk management framework and internal control environment. It provides independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal and external audit arrangements, helping to ensure efficient and effective assurance arrangements are in place.

**The Committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective.**

**The Committee has oversight of both Internal and External Audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.**

1. The specific functions of the Committee are:

#### **Governance, risk, and control**

- a. To review the Council's corporate governance arrangements against the good governance framework, **including the ethical framework, and consider the local code of governance.**
- b. To monitor the effective development and operation of risk management in the Council.
- c. To monitor progress in addressing risk-related issues reported to the Committee.  
to consider the Council's framework of assurance and ensure it adequately addresses the risk and priorities of the authority.
- d. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- e. **To consider reports on the effectiveness of financial management arrangements, including compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) financial management code;**
- f. **To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.** to note the Council's overall approach to value for money in ensuring the authority is making best use of its resources.
- g. To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- h. To monitor the anti-fraud and corruption strategy, actions, and resources.
- i. To review the governance and assurance arrangements for significant partnerships or collaboration.

## Financial and governance reporting

### Governance reporting

- j. To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the Chief Internal Auditor's opinion.
- k. **To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the Council's objectives.**

### Financial Reporting

- l. **To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.**
- m. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- n. To consider the External Auditor's annual letter to those charged with governance on issues arising from the audit of the accounts.  
~~To be responsible for the appointment of the Council's external auditors and ensure it is in line with the requirements of the Local Audit and Accountability Act 2014.~~

### Arrangements for audit and assurance

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

### External Audit

- o. **To support the independence of External Audit through consideration of the External Auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).**
- p. To consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
- q. **To consider specific reports as agreed with the External Auditor.**
- r. **To comment on the scope and depth of External Audit work and to ensure it gives value for money.**
- s. **To consider additional commissions of work from External Audit.**
- t. **To advise and recommend on the effectiveness of relationships between External and Internal Audit and other inspection agencies or relevant bodies.**
- u. **To provide free and unfettered access to the Audit Committee Chair for the auditors, including the opportunity for a private meeting with the committee.**  
~~to be responsible for the appointment of the Council's external auditors and ensure it is in line with the requirements of the Local Audit and Accountability Act 2014~~

### Internal Audit

- v. To approve the Internal Audit Charter.
- w. To review proposals made in relation to the appointment of external providers of Internal Audit services and to make recommendations.

- x. To approve the internal audit strategy and plan, including Internal Audit resource requirements, the approach to using other sources of assurances and any work required to place reliance upon these other sources.
- y. To approve any significant interim changes to the plan and resource requirements and make appropriate enquires of both management and the Chief Internal Auditor to determine if there any inappropriate scope or resource limitations.
- z. To consider any impairments to the independence or objectivity of the Chief Internal Auditor arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- aa. To consider regular reports from the Chief Internal Auditor **on Internal Audit's performance during the year, including the performance of external providers of Internal Audit services (if applicable). These will include:**
  - updates on the work of Internal Audit, including key findings, issues of concern and action in hand as a result of Internal Audit work.
  - **regular reports on the results of the Quality Assurance and Improvement Programme (QAIP).**
  - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) **and Local Government Advisory Notes (LGAN)**, considering whether the non-conformance is significant enough that it must be included in the AGS.
- bb. To consider the Chief Internal Auditor's annual report, including:
  - the statement of the level of conformance with the Public Sector Internal Audit Standards and results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of Internal Audit.
  - the opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the Committee in reviewing the Annual Governance Statement.
- cc. **To consider summaries of specific Internal Audit reports as requested.**
- dd. To receive reports outlining the action taken where the Chief Internal Auditor has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.
- ee. **To contribute to the QAIP and in particular to the external quality assessment of Internal Audit that takes place at least once every five years.**
- ff. **To consider a report on the effectiveness of Internal Audit to support the AGS where required to do so by the Accounts and Audit regulations.**
- gg. **To provide free and unfettered access to the Audit Committee Chair for the Chief Internal Auditor, including the opportunity for a private meeting with the committee.**
- a. To support the development of effective communication with the Chief Internal Auditor

## Treasury Management

- hh. to be responsible for the scrutiny of the Council's Treasury Management Strategy, including receiving regular reports on activities, issues and trends to support the Committee's understanding of treasury management activities, risks and associated assurances.

## Accountability arrangements

- ii. to report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and Internal and External audit functions.
- jj. to report to the full Council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.
- kk. **To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.**

## Membership

- 2. The Committee shall comprise 7 members, including 5 Councillors and 2 co-opted members. Councillors serving as members of the Committee shall be appointed at the Annual Council meeting of Epping Forest District Council for a term of office of one year and shall be eligible for re-appointment for further terms of office.
- 3. Seats on the Committee should be allocated so they are not all drawn from one political group and are also open to Councillors who are not affiliated to any political group.
- 4. Co-opted members shall serve for a period of 3 years from appointment. Such three-year appointments shall be overlapping in terms of their expiry dates. A co-opted member may serve for a total of two such terms as of right but may be considered for two further three-year terms, provided he or she is successful after open competition following public advertisement. Re-appointment for further terms shall be subject to satisfactory attendance.
- 5. Casual vacancies for members of the Committee who are Councillors which occur shall be filled at the next ordinary Council meeting (but not an extraordinary meeting) with a term of office expiring on the date of the next Annual Council meeting.

## Eligibility for Membership - Councillor Members

- 6. Councillors appointed to the Audit and Governance Committee may not also be members of the Cabinet or any select Committee appointed by the Overview and Scrutiny Committee with responsibility for reviewing the Council's finances or financial procedures.
- 7. A Portfolio Holder Assistant (other than any Assistant involved in any portfolio dealing primarily with the Council's finances) appointed by the Leader of the Council shall be eligible for appointment to the Committee.
- 8. Appointment of Councillors shall be made on the basis of evidence of the aptitude, experience, or interest and for this purpose the normal rules for pro rata appointments shall not apply.
- 9. Formal attendance standards be operated in respect of the three Councillor members when reappointment is under consideration by the Council's Appointments Panel and the Chairman and co-opted members of the Audit and Governance Committee be consulted informally about the appointment or reappointment of Councillors at the appropriate time.

### **Co-opted members**

10. Co-opted members, independent of the Council, shall be appointed by the Council on the basis of their professional expertise, experience, and background as relevant to the role and responsibilities of the Audit and Governance Committee. Initial appointments of co-opted members and the filling of casual vacancies shall be made following public advertisement and interview, the latter conducted in accordance with arrangements agreed by the Council. If the number of suitable applicants exceeds the number of co-opted places on the Committee, the Council shall keep a waiting list of suitable applicants should casual vacancies occur.

### **Chairman and Vice-Chairman**

11. The Chairman and Vice Chairman of the Audit and Governance Committee shall be appointed at the first meeting of the Committee in each Council year for a term of one year expiring on the date of the first meeting of the Committee of the next Council year.
12. Casual vacancies in the position of Chairman and Vice-Chairman shall be filled in the same way as required in respect of members of the Committee.
13. Both Councillors and co-opted members serving on the Committee shall be eligible for appointment to the office of Chairman and Vice-Chairman.
14. Where the Chairman of the Committee is a Councillor, the Vice-Chairman will be appointed from among the Co-opted members. Where the Chairman is one of the Co-opted members, the Vice-Chairman shall be a Councillor.
15. The Chairman and Vice-Chairman shall be eligible for re-appointment.

### **Meetings of the Committee**

16. The Committee shall meet at least three times each financial year.
17. The Committee shall be entitled to require any Member, Director, their representatives, or any other officer to attend their meetings in order to discuss any matters under discussion including the annual audit programme.

### **Decision Making**

18. Only the Councillors and co-opted members serving on the Committee shall be entitled to vote.
19. All members of the Committee shall be entitled to all documents, advice, and facilities relevant to their membership of the Committee, regardless of their status as either a Councillor or Co-opted member.

### **Other Requirements**

20. All members of the Committee shall respect the confidentiality of Council information and proceedings where appropriate, particularly where exempt or confidential business is involved.
21. All co-opted members of the Committee shall be required to make a statutory registration of interests in the same form as those required of serving Councillors and to be aware at all times of the requirement to clear any interest relating to their work on the Committee.

22. Members of the Committee should seek to attend all meetings of the Committee unless there are exceptional circumstances which prevent this.
23. All members of the Committee should ensure that they participate fully in any training designed to assist them in their responsibilities as members of the Committee. Similarly, all members should act on appropriate advice and other information supplied by the Council to improve their effectiveness.



## Evaluating the impact and effectiveness of the audit committee using CIPFA’s checklist

An audit committee’s effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority’s business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as ‘influence’, ‘persuasion’ and ‘support’.

The improvement tool below has been used to support a review of effectiveness. It identifies the broad areas where an effective audit committee will have impact.



Figure 1: The influential audit committee

The table includes CIPFA (Chartered Institute of Public Accountancy and Finance) examples of what the audit committee might do to have impact in each of these areas.

The third area includes key indicators that might be expected to be in place if arrangements are in fact effective. These indicators are not directly within the control of the audit committee, as it is an advisory body. They do provide an indication that the authority has put in place adequate and effective arrangements, which is the purpose of the committee.

This tool was used for discussion and evaluation of the strengths and weakness of Epping Forest District Council’s committee, identifying areas for improvement.

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<b>Promoting the principles of good governance and their application to decision making.</b>	<ul style="list-style-type: none"> <li>Supporting the development of a local code of governance.</li> <li>Providing a robust review of the AGS and the assurances underpinning it.</li> <li>Supporting reviews/audits of governance arrangements.</li> <li>Participating in self-assessments of governance arrangements.</li> <li>Working with partner audit committees to review governance arrangements in partnerships.</li> </ul>	<ul style="list-style-type: none"> <li>Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements.</li> <li>Local arrangements for governance have been clearly set out in an up-to-date local code.</li> <li>The authority’s scrutiny arrangements are forward looking and constructive.</li> <li>Appropriate governance arrangements established for all collaborations and arm’s-length arrangements.</li> <li>The head of internal audit’s annual opinion on governance is satisfactory (or similar wording).</li> </ul>	<p>Strength: Formal work programme for the committee is reviewed at each meeting. Various reports received by the committee throughout the year ensures the key indicators for this section are covered. This includes the Annual Governance Statement (AGS), Internal Audit’s annual report, and its regular progress reports, and Local Code of Governance review. The Committee has its own training programme, which is open to all Members.</p> <p>No weaknesses.</p>

<p><b>Contributing to the development of an effective control environment.</b></p>	<ul style="list-style-type: none"> <li>• Encouraging ownership of the internal control framework by appropriate managers.</li> <li>• Actively monitoring the implementation of recommendations from auditors.</li> <li>• Raising significant concerns over controls with appropriate senior managers.</li> </ul>	<ul style="list-style-type: none"> <li>• The head of internal audit’s annual opinion over internal control is that arrangements are satisfactory.</li> <li>• Assessments against control frameworks such as CIPFA’s FM Code have been completed and a high level of compliance identified.</li> <li>• Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement.</li> </ul>	<p>Strength: Chief Internal Auditor’s annual opinion for 2021/22 was ‘satisfactory’. Internal Audit (IA) Plan is approved annually by the Audit and Governance Committee (which covers core control frameworks) and progress monitored at each meeting. Also, at each meeting the audit recommendation tracker is scrutinized and challenged by the Committee.</p> <p>Action plan: The 2021/22 AGS identifies the need for the Council to ensure it is compliant with CIPFA’s Financial Management Code. The results of which need to be communicated to the Committee</p>
<p><b>Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking.</li> <li>• Monitoring improvements to risk management.</li> <li>• Reviewing accountability of risk owners for major/strategic risks.</li> </ul>	<ul style="list-style-type: none"> <li>• A robust process for managing risk is evidenced by independent assurance from internal audit or external review.</li> </ul>	<p>Strength: The Committee receives and challenges risk reports which are submitted to each meeting. This includes review of the corporate risk register, approval of the risk management strategy and updates on recent improvements to the risk management framework. Members have also received risk management training. Opinion on risk included in the Chief Internal Auditor’s annual report.</p> <p>As operational risk registers are reinvigorated during 2023/24 a rolling review program of these will be introduced to the Committee’s workplan.</p>

<p><b>Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing the adequacy of the leadership team’s assurance framework.</li> <li>• Specifying the committee’s assurance needs, identifying gaps or overlaps in assurance.</li> <li>• Seeking to streamline assurance gathering and reporting.</li> <li>• Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit.</li> </ul>	<ul style="list-style-type: none"> <li>• The authority’s leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies.</li> </ul>	<p>Framework of assurance is defined in the Council’s AGS and Local Code of Governance, which is overseen by the Committee.</p> <p>Committee reviews and challenges reports from the different assurance providers including Internal and External Audit and risk management. Committee is being kept abreast of issues regarding delays in getting the Statement of Accounts signed off by External Audit (EA)</p> <p>The effectiveness of Internal Audit was reported to the November 2021 Audit and Governance Committee following the External Quality Assessment.</p>
<p><b>Supporting effective external audit, with a focus on high quality and timely audit work.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing and supporting external audit arrangements with focus on independence and quality.</li> <li>• Providing good engagement on external audit plans and reports.</li> <li>• Supporting the implementation of audit recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>• The quality of liaison between external audit and the authority is satisfactory.</li> <li>• The auditors deliver in accordance with their audit plan, and any amendments are well explained.</li> <li>• An audit of high quality is delivered.</li> </ul>	<p>Weakness: As identified in the 2021/22 AGS – nationally there has been an ongoing issue with councils being unable to get their final accounts audited. This is the same for Epping Forest. The Council continues to work with its External Auditors to resolve the current issues and a timetable is being agreed. The Audit and Governance Committee continues to be kept abreast on progress.</p>
<p><b>Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing the audit charter and functional reporting arrangements.</li> <li>• Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements.</li> <li>• Actively supporting the quality assurance and improvement programme of internal audit.</li> </ul>	<ul style="list-style-type: none"> <li>• Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment).</li> <li>• The head of internal audit and the organisation operate in accordance with the principles of the CIPFA <a href="#">Statement on the Role of the Head of Internal Audit</a> (2019).</li> </ul>	<p>Strength: Internal Audit progress is reported to each Committee meeting. Annual review of the Internal Audit Charter and quality and assurance improvement programme, ensuring compliance with the Public Sector Internal Audit Standards (PSIAS). Mandatory five year independent External Quality Assessment of Internal Audit reported November 2021.</p>

<p><b>Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing how the governance arrangements support the achievement of sustainable outcomes.</li> <li>• Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</li> <li>• Reviewing the effectiveness of performance management arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>• Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives.</li> <li>• The authority's arrangements to review and assess performance are satisfactory.</li> </ul>	<p>Strength: The Committee achieves this through assessment of risk, Internal Audit work and External Audit findings. The involvement of the Committee in the agreement and content of the annual Plan also enables key risks to be adequately monitored.</p> <p>Action Plan: The Council is updating its arrangements for performance management. The Committee could consider if additional assurances are required.</p>
<p><b>Supporting the development of robust arrangements for ensuring value for money.</b></p>	<ul style="list-style-type: none"> <li>• Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee.</li> <li>• Considering how performance in value for money is evaluated as part of the AGS.</li> <li>• Following up issues raised by external audit in their value-for-money work.</li> </ul>	<ul style="list-style-type: none"> <li>• External audit's assessments of arrangements to support best value are satisfactory.</li> </ul>	<p>Strength: This is undertaken as part of the Statement of Accounts process, value for money work undertaken and reported on by External Audit (EA). This, in turn, along with other assurance providers (such as Internal Audit and risk management) informs the Annual Governance Statement which is considered by the Committee before recommending to Full Council for approval.</p> <p>Weakness: However, there have been significant delays in the External Audit process.</p>

<p><b>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (CIPFA, 2014).</li> <li>• Reviewing fraud risks and the effectiveness of the organisation’s strategy to address those risks.</li> <li>• Assessing the effectiveness of ethical governance arrangements for both staff and governors.</li> </ul>	<ul style="list-style-type: none"> <li>• Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements.</li> </ul>	<p>Strength: The Committee approves the annual Corporate Fraud Strategy and Plan, and annual report. And receives regular updates on the work of the Corporate Fraud Team.</p> <p>In line with good practice the Committee annually reviews the Council’s anti-fraud and corruption strategy and its approach to whistleblowing</p> <p>Action Plan: Consider how best the Committee can support the Council’s ethical framework</p>
<p><b>Promoting effective public reporting to the authority’s stakeholders and local community and measures to improve transparency and accountability.</b></p>	<ul style="list-style-type: none"> <li>• Working with key members/the PCC and chief constable to improve their understanding of the AGS and their contribution to it.</li> <li>• Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English.</li> <li>• Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency.</li> <li>• Publishing an annual report from the committee.</li> </ul>	<ul style="list-style-type: none"> <li>• The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality.</li> <li>• The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion.</li> <li>• The authority has published its financial statements and AGS in accordance with statutory guidelines.</li> <li>• The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements.</li> </ul>	<p>Strength: Formal committee structure in place, standard report, published on Council website.</p> <p>The Committee considers what assurances it requires regarding partnerships when approving the Internal Audit Plan as it includes partnerships as a theme.</p> <p>Action Plan: The Committee to ensure it produces annually a report of its work following its hiatus during 2022/23 while waiting for the new CIPFA audit committee guidance. To be underpinned by a periodic skills and knowledge analysis of the Committee.</p>

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



**Epping Forest  
District Council**

**Date of meeting: 27 July 2023**

**Portfolio: Leader of the Council**  
**Subject: Risk Management**  
**Responsible Officer: Andrew Small (01992 564278)**  
**Democratic Services: Laura Kirman (01992 564243)**

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

- (1) To consider the current risk register and refer to Cabinet for approval.**
- (2) To review the Risk Management Policy and Strategy and refer to Cabinet for approval.**

### **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 and refer to Cabinet for approval.

The Committee is to review the Risk Management Policy and Strategy and refer to Cabinet for approval.

### **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 has been reviewed and updated by the Senior Leadership Team to reflect the current position and is attached at appendix 1.
2. The risk register was subsequently presented to the Corporate Governance Group (which includes the Chief Executive and the Section 151 Officer in its membership) for review and challenge.
3. Members are asked to consider the attached updated Corporate Risk Register (Appendix 1) to determine whether the risks listed are scored appropriately and whether there are any additional risks that should be included. Appendices 2a and 2b set out Council's

revised risk likelihood and impact assessment matrices which are used to determine individual risk scorings.



4. The following key points should be noted:

- HRA002 (Inability to provide building/regeneration programme) is a new risk and reflects the increase in building costs, increased cost of borrowing risks, and targets outlined in the Local Plan not being met.
- ECDEV001 (Economic Development) is to be removed from the Corporate Risk Register as the risk is being managed to an acceptable level. It will continue to be managed at Service Level.
- Following a thorough review of SUS001 (Failure to achieve carbon emissions targets) the risk score has increased and clear cross cutting action plans have been identified.
- A detailed evaluation of COMP001 (Failure of compliance with social housing regulation) has resulted in an increase in the risk score. Clear actions have been identified to address this.

The table below outlines the direction of travel for each risk since it was updated for the March 2023 Audit and Governance Committee.

New risk reference	Risk	Residual risk score Mar 2023	Residual risk score Jun 2023	Direction of Travel
HRA 001	Increase in demand from homeless could increase financial need	16	16	↔
HRA 002	Inability to provide building/regeneration programme	N/A	16	NEW
ECDEV 001	Economic Development	4	4	↔
CORSER 001	Risk of data/information breach	12	12	↔
CORSER 002	Lack of and/or inadequate Business Continuity Plans	16	16	↔
ICT 001	Risk of cyber security incident	16	16	↔
SUS 001	Failure to achieve carbon emissions targets	9	20	↑
CONT 001	Failure of Contractor/ Service - waste	16	16	↔
COMP 001	Failure of compliance with social housing regulation	12	15	↑
FIN 001	Failure to maintain a Balanced Budget and Sustainable Medium-Term Financial Plan	10	10	↔
FIN 002	Failure to ensure continued financial viability of Qualis	12	12	↔



FIN 003	Failure to maintain and improve VFM (value for money)	12	12	
PEOPLE 001	Failure to attract, retain skilled employees	12	12	

5. Members are asked to review the Risk Management Policy and Strategy (Appendix 3) which sets out the Council's approach to risk management and supports the consistent and robust identification, evaluation and management of opportunities and risks across the Council.

**Resource Implications:**

Within the report

**Legal and Governance Implications:**

The Corporate Risk Register is an essential part of the Council's overall governance arrangements.

**Safer, Cleaner and Greener Implications:**

None

**Consultation Undertaken:**

The Risk Management Group and Senior 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 considered which could threaten 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 4 to the report.

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# Corporate Risk Register- June 2023


Summary Position June 2023

Page 35	LIKELIHOOD	Almost Certain	5					
		Highly Likely	4				HRA001 HRA002 CORSER002 ICT001 CONT001	SUS001
		Possible	3				CORSER001 FIN002 FIN003 PEOPLE001	COMP001
		Unlikely	2		ECDEV001			FIN001
		Negligible	1					
			1	2	3	4	5	
			Negligible	Low	Medium	High	Very High	
			<b>IMPACT</b>					

## Key

- CORSER002- Lack of and/or inadequate BC Plans
- ICT001- Risk of cyber security incident
- CONT001 -Failure of Contractor/Service – waste
- HRA001- Increase in demand from homeless could increase financial need
- HRA002-Inability to provide building/regeneration programme
- SUS001- Failure to achieve carbon emission targets
- COMP001-Non-compliance with social housing regulations
- CORSER001-Risk of data/ information breach
- FIN002- Failure to ensure continued financial viability of Qualis.
- FIN003- Failure to maintain and improve VFM.
- ECDEV001- Economic Development
- FIN001- Failure to maintain a Balanced Budget and Sustainable Medium-Term Financial Plan (MFTP)
- PEOPLE001 - Failure to attract, retain skilled employees


## Corporate Risk Register- June 2023

RISK REF (ID)	RISK (IF-THEN) - (one line snapshot)	INHERENT LIKELIHOOD	INHERENT IMPACT	INHERENT RISK SCORE	MITIGATION CURRENT CONTROLS	RESIDUAL LIKELIHOOD	RESIDUAL IMPACT	RESIDUAL RISK SCORE	FURTHER ACTIONS REQUIRED	RISK OWNER (Officer & PFH)	COMPLETE OR NEXT REVIEW DATE	STATUS OPEN/ CLOSED
						TREATMENT STATUS	DIRECTION OF TRAVEL	ACTION OWNER			ACTION DATE	
HRA001	Increase in numbers of homeless households and lack of supply of suitable accommodation could result in adverse financial impact directly affecting the general fund.	5	4	20	<ol style="list-style-type: none"> <li>Senior officers authorise all placements.</li> <li>Entered into a block booking arrangement with a local provider at a reduced cost.</li> <li>Building our own stock.</li> <li>New provision other social housing providers.</li> </ol>	4	4	16		Interim Service Director Housing & Property	Sep 23	OPEN
	<b>CAUSE - EFFECT (detail narrative)</b>											
Jun-23	We have seen an unprecedented increase in households becoming homeless due to national factors (cost of living and the implications of the Domestic Abuse Act). There is a possible additional risk of increasing numbers locally from the bridging hotels (2 in the district) if they are made to leave without arrangements for rehousing elsewhere being in place.					TREAT			<ol style="list-style-type: none"> <li>Project to improve tenancy sustainment in the private rented sector has been included in the Service Plan for 2023/4. The purpose being to prevent homelessness at an earlier stage.</li> <li>Review the effectiveness of current support to people experiencing domestic abuse and our ability to prevent homelessness.</li> <li>Investigating an Essex wide solution.</li> <li>Exploring with Qualis whether they can assist with TA provision.</li> </ol>		(All) EG	Sep 23


## Corporate Risk Register- June 2023

RISK REF (ID)	RISK (IF-THEN) - (one line snapshot)	INHERENT LIKELIHOOD	INHERENT IMPACT	INHERENT RISK SCORE	MITIGATION CURRENT CONTROLS	RESIDUAL LIKELIHOOD	RESIDUAL IMPACT	RESIDUAL RISK SCORE	FURTHER ACTIONS REQUIRED	RISK OWNER (Officer & PFH)	COMPLETE OR NEXT REVIEW DATE	STATUS OPEN/ CLOSED
						TREATMENT STATUS	DIRECTION OF TRAVEL	ACTION OWNER			ACTION DATE	
<b>HRA002</b> Inability to provide adequate new build social housing would result in not meeting the Council's housing targets. Inability to provide house building/ Regeneration programme		5	4	20	<ol style="list-style-type: none"> <li>1. Programme-wide risk management schedule is in place.</li> <li>2. Robust assessment of contractors' ability to undertake role.</li> <li>3. Ensure contractors are sufficiently insured.</li> <li>4. Include provisions in contracts to deal with poor performance/failure of contract.</li> <li>5. Project management of all schemes to ensure effective delivery of the schemes is in place.</li> <li>6. Involve Planning staff at early stages and throughout.</li> <li>7. Provide robust feasibility studies.</li> </ol>	4	4	16	<ol style="list-style-type: none"> <li>1. Implementation of sequel to manage cashflows for the schemes. Business case prepared.</li> <li>2. Monitoring the Phase 5 schemes against the business plan budget, given huge build cost increases and planning is being submitted.</li> <li>3. Seeking further collaborative working with Qualis and other partners for consideration of joint ventures and other contract mechanisms.</li> <li>4. Further consideration to the Local Plan for development opportunities.</li> <li>5. Review of HRA business plan including development schemes underway. Close monitoring of expenditure required.</li> </ol>	Interim Service Director Housing & Property	Sep 23	OPEN
<b>CURRENT REVIEW DATE</b> Jun -23	<b>CAUSE – EFFECT (detail narrative)</b>					TREAT				N/A	(All) RH	Sept 23
	<p>If the Council fails to implement an asset management strategy to include regeneration, retrofit of existing properties and/or development of new builds for social housing the Council will not be equipped to deal with increased demand for social housing.</p> <p>This will result in adverse financial impact for the Council with pressures for temporary accommodation failure of service delivery and reputational damage.</p>											

## Corporate Risk Register- June 2023

RISK REF (ID)	RISK (IF-THEN) - (one line snapshot)	INHERENT LIKELIHOOD	INHERENT IMPACT	INHERENT RISK SCORE	MITIGATION CURRENT CONTROLS	RESIDUAL LIKELIHOOD	RESIDUAL IMPACT	RESIDUAL RISK SCORE	FURTHER ACTIONS REQUIRED	RISK OWNER (Officer & PFH)	COMPLETE OR NEXT REVIEW DATE	STATUS OPEN/ CLOSED	
						TREATMENT STATUS				DIRECTION OF TRAVEL	ACTION OWNER	ACTION DATE	
ECDEV001	A failure to deliver projects linked to the council's UK Shared Prosperity Fund (UKSPF) bid, mean that the council will miss out on the benefits linked to £1 million worth of external funding.	4	5	20	1) Strategic Partnerships specialist/Economic Lead responsible for overseeing delivery of various business support programmes to be delivered through economic development team.  2) A full-time officer is working on ensuring that other departments accessing the funds are aware of all the expectations around deploying these.  3) This full-time officer is also responsible for organising quarterly and six-monthly reports back to the UK Government around delivery.  4) Dedicated account manager working with economic development team is aware of key requirements regarding financial returns to government.  5) A process has been set up between the economic development team and the legal and procurement teams, to ensure all contracts for projects are reviewed before sign off.	2	2	4	<ul style="list-style-type: none"> <li>Present to Strategic Leadership Team on the delivery plan.</li> <li>Deliver 2022-2023 programmes, which include the procuring of several business support programmes alongside the completion of the Ninefields Playground which is partially funded through the UKSPF.</li> <li>Conduct quarterly and six-monthly reports highlighting outcomes and outputs associated with 2022-23 UKSPF projects. Six monthly financial returns to Government completed by May 2023.</li> <li>Understand status of Rural England Prosperity Fund which would bring an added £450,000 worth of extra funding into play in tangent with the existing UK Shared Prosperity Fund programme. Bid submitted but no confirmation of award yet.</li> <li>Continue to build communications channels with neighbouring authorities to understand any changes in UK Government reporting requirements and areas for joint delivery.</li> </ul>	Local Strategic Partnership Manager	Sept 23	OPEN	
	<b>CAUSE - EFFECT (detail narrative)</b>												
	i) A lack of staff resource to coordinate the programmes, means that the council is unable to report adequately back to the UK Government on the use of funds.  ii) A failure to follow UK Government legal and procurement rules risks the delivery of UKSPF projects.  iii) A failure to attend to marketing and communications rules linked to the programme leads to risk of the UK Government withdrawing funding support.					TREAT							
Page 38 CURRENT REVIEW DATE Jun 23											DH (all)	Sep 23	

## Corporate Risk Register- June 2023

RISK REF (ID)	RISK (IF-THEN) - (one line snapshot)	INHERENT LIKELIHOOD	INHERENT IMPACT	INHERENT RISK SCORE	MITIGATION CURRENT CONTROLS	RESIDUAL LIKELIHOOD	RESIDUAL IMPACT	RESIDUAL RISK SCORE	FURTHER ACTIONS REQUIRED	RISK OWNER (Officer & PFH)	COMPLETE OR NEXT REVIEW DATE	STATUS OPEN/ CLOSED
<b>CORSER001</b>	Risk of data held by the Council ends up in inappropriate hands.	4	4	16	1) The Council continues to have a designated SIRO, Data Protection Officer, and FOI Officer	3	4	12	1) The IGG 23/24 Work Programme in place and is being prioritised and is subject to ongoing review by the SIRO and Chief Auditor.  2) ICT information Governance policy review to be undertaken by Policy sub-group chaired by the SIRO.  3) Executive Team Information Governance training to take place in 2023 quarterly along with SLT.  4) People Team are reviewing staff who have not undertaken the GDPR and cyber security training. Chase up 12 May 2023. Regular reports sent to managers.  5) FOI infographic eLearning on Litmos along with raising awareness communication and data governance will be rolled out during 2023.  6) Data Cleanse Project launch  7) Information Governance Group to discuss further controls.	Service Director Corporate Services	Sep 23	OPEN
<b>CURRENT REVIEW DATE</b>	<b>CAUSE - EFFECT (detail narrative)</b>				<b>TREATMENT STATUS</b>	<b>DIRECTION OF TRAVEL</b>		<b>ACTION OWNER</b>		<b>ACTION DATE</b>		
Jun-23	Breach of the 2018 Data Protection Act (DPA) and the General Data Protection Regulations (GDPR) leading to significant fines or/and intervention by the Information Commissioner's Office (ICO)  • Increased costs and legal implications • Reputational damage to the Council				TREAT			1) PM/ SM 2) MM 3) PM 4) AP 5) LR (DPO) 6) DCP Team 7) PM		Mar 24 Oct 23 Mar 24 Jun 23 Jun 23 Jun 23 Jul 23		

## Corporate Risk Register- June 2023

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						TREATMENT STATUS	DIRECTION OF TRAVEL	ACTION OWNER			ACTION DATE	
CORSER002  Lack of and/or inadequate BC Plans	Failure to ensure robust plans are in place for critical services and regularly tested could result in an event occurring having adverse impact on service delivery.	5	5	25	1. There is a well-established MIM process for ICT issues to be managed. 2. All 'office' based employees can work from home. 3. The Council has alternative locations it could work from. 4. BC Plan templates and manager training completed in conjunction with Essex Police BC Team.	4	4	16		Service Director Corporate Services	Sep 23	OPEN
						TREAT	↔	1) LL 2) LL 3) LL 4) LL 5) LL			Jul 23 Jul 23 Jul 23 Jul 23 Sep 23	
	<b>CAUSE - EFFECT (detail narrative)</b>											
	The Council is required to develop and implement robust Business Continuity Plans in line with the requirements of the Civil Contingencies Act 2004. Failure to do so can result in loss of service delivery. <ul style="list-style-type: none"> <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>											


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CURRENT REVIEW DATE

Jun-23






## Corporate Risk Register- June 2023

RISK REF (ID)	RISK (IF-THEN) - (one line snapshot)	INHERENT LIKELIHOOD	INHERENT IMPACT	INHERENT RISK SCORE	MITIGATION CURRENT CONTROLS	RESIDUAL LIKELIHOOD	RESIDUAL IMPACT	RESIDUAL RISK SCORE	FURTHER ACTIONS REQUIRED	RISK OWNER (Officer & PFH)	COMPLETE OR NEXT REVIEW DATE	STATUS OPEN/ CLOSED
						TREATMENT STATUS	DIRECTION OF TRAVEL	ACTION OWNER			ACTION DATE	
ICT001	Failure to ensure adequate controls and firewalls are in place, along with close monitoring and training of staff could result in a cyber security incident.	5	5	25	<p>All data back up now directly to the cloud.</p> <p>Documented and tested incident management procedures in place.</p>	4	4	16	<p>1. Microsoft security audit data collection has been undertaken and a prioritised remedial action plan will be created, and resources planned to mitigate key risks found – commenced February 2023.</p> <p>2. PSN compliance check, both internal and external commenced first week of March. A remedial action plan will then be created.</p> <p>3. VMware expired Nov 2022 works to purchase parts and implement in progress.</p>	S151/ Interim Strategic Director	Sep 23	OPEN
	<b>CAUSE - EFFECT (detail narrative)</b>				<p>Cyber security training completed by all users and the People Team notifies ICT of all leavers to ensure access rights are promptly disabled.</p>					<b>DIRECTION OF TRAVEL</b>		
	<p>The Authority handles a large amount of personal and business data. Either through hacking or carelessness, security of the data could be compromised resulting in:</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>Access to the Council's Active Directory domain is protected by both two-factor authentication and robust password security settings.</p> <p>Firewall appliances has been deployed to protect the Council's network.</p> <p>Mystery Phishing campaign completed in March 23</p> <p>Updated Information Security, Security Breach, ICT Remote Access and ICT Security policies in place.</p>	TREAT					<p>1) PT Sep 23</p> <p>2) PT Sep 23</p> <p>3) MM Sep 23</p>	

## Corporate Risk Register- June 2023

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						TREATMENT STATUS	DIRECTION OF TRAVEL	ACTION OWNER			ACTION DATE	
SUS001	Failure to achieve carbon emission targets will result in not achieving our targets contained within our Corporate Plan and will result in increased costs.	5	5	25	Policy controls: Climate Change Action Plan – overarching document to set actions to meet the 2030 target.  Planning policy new development - Local Plan policies on flooding and environmental policies. Sustainability Guidance vols 1-3 covering major and minor development and extensions/refurbishments.	4	5	20		Chief Operating Officer/ Service Director Planning	Sep 23	OPEN
	<b>CAUSE - EFFECT (detail narrative)</b>								1.The Climate Change Action Plan reviewed to identify what is Business as Usual and what are priority actions.			

## Corporate Risk Register- June 2023

<p>Jun-23</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>Areas key to this climate risk are transport including EV charge points, new builds and EFDC's own property, planning for new developments and masterplan areas considering carbon emissions and flood risk, the potential new waste depot and subsidence from trees.</p> <p>If we fail to achieve our targets could result in:</p> <ul style="list-style-type: none"> <li>• Reputational damage</li> <li>• Greatly increased costs from Climate Change Adaptation requirements (flooding, overheating, subsidence from drought, increased insurance claims)</li> </ul>	<p>Transport and Air Quality - Interim Air Pollution Mitigation Strategy – to reduce impacts of pollutants on the Epping Forest Special Area of Conservation (SAC). Air Quality Action Plan – to reduce impact on human health.</p> <p>Other controls: Fleet conversion to Electric Vehicles, EV charge points at Civic, Oakwood Hill and North Weald Airfield. Charge points on EFDC public land at Basons Lane, Ongar, Oakwood Hill, Loughton and soon to be operating, Cottis Lane multistorey car park, Epping. Pilot training Carbon Literacy course for service managers</p>	<p>TREAT</p>		<p>Findings will be reported back to the Senior Leadership Team for 19 June meeting.</p> <p>2.Include energy efficiency investment in Operation Asset Management Strategy and Housing Asset Management Strategy</p> <p>3.EV charge points on EFDC land to be part of asset management strategy.</p> <p>4.Identify EFDC planning staff with required specialist knowledge to oversee carbon emissions and climate considerations.</p> <p>5.Investigate carbon emissions of non-EV waste fleet at proposed depot.</p> <p>6.Implement a tree policy to protect against subsidence and building damage.</p>		<p>1) SB/DG</p> <p>2) SB/DG</p> <p>3) NR</p> <p>4) JW</p> <p>5) MT</p>	<p>Oct 23</p> <p>Oct 23</p> <p>Oct 23</p> <p>Oct 23</p> <p>Oct 23</p>
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## Corporate Risk Register- June 2023

RISK REF (ID)	RISK (IF-THEN) - (one line snapshot)	INHERENT LIKELIHOOD	INHERENT IMPACT	INHERENT RISK SCORE	MITIGATION CURRENT CONTROLS	RESIDUAL LIKELIHOOD	RESIDUAL IMPACT	RESIDUAL RISK SCORE	FURTHER ACTIONS REQUIRED	RISK OWNER (Officer & PFH)	COMPLETE OR NEXT REVIEW DATE	STATUS OPEN/ CLOSED	
						TREATMENT STATUS	DIRECTION OF TRAVEL	ACTION OWNER			ACTION DATE		
CONT001	Failure of Waste Contractor to deliver service and failure of the Council to determine and implement waste service delivery method by Nov 2024	4	5	20	1. Daily communications with Biffa, keeping members and residents informed. 2. Biffa have agreed a further 2-year pay deal with the GMB. Biffa have already managed to recruit an additional 6 drivers who will commence employment shortly. 3. Biffa have invested resources to improve the service delivery in terms of increasing pay, training, and new vehicles. Additional external waste contractor has been deployed to help deal with the missed collections. 4. Cabinet approval for capital and permission to develop an EFDC waste depot at NWA granted in Feb 23. 5. Cabinet decision to go out to procurement for the waste contract was agreed in October 2022. 6. OPS Ltd appointed to project manage Future Waste Services Project. There are 3 workstreams: Workstream 1 – Determine the preferred forward arrangements for Waste Collection provision. Workstream 2 - Mobilise a waste vehicle facility at NWA. Workstream 3 - Procure a Vehicle Fleet	4	4	16	1) Biffa have a vehicle repair/replacement plan in place. Biffa are applying for planning permission to have a workshop at their depot to maintain the vehicles.  2) Stage 1 Procurement documents issued to market on 13 <sup>th</sup> March 2023. 5 bids received; stage 2 paused to determine preferred option for future delivery of waste services.  3) Future Waste services project steering group set up and meet fortnightly  4) Planning permission will need to be sought for the new depot. Informal meeting with planning taken place. Drawings and layout in development. Pre-planning application to be submitted by June 2023.  5) Internal Waste workshop with took place in April. Report to go to scrutiny committee in June and Cabinet in July to determine preferred option for delivery of waste services.  6) Waste vehicle specification being developed, and procurement of waste vehicles will begin in next few months.	Service Director Contracts	Sep 23	OPEN	
	<b>CAUSE - EFFECT (detail narrative)</b>												
	1) Failure of Waste Contract Inability of the Council's partnering contractor, Biffa Municipal Limited to provide waste collection services as specified in Contract. 2) Failure to procure new Waste Contractor to commence in Nov 2024  <b>Consequences:</b> <ul style="list-style-type: none"> <li>Reputational damage to the Council</li> <li>Significant additional costs to the Council</li> <li>Environmental impact – increased rubbish on street, and health issues if waste left out too long before collected.</li> <li>Ongoing service delivery issues</li> </ul>						TREAT						
	CURRENT REVIEW DATE Jun-23												


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## Corporate Risk Register- June 2023

RISK REF (ID)	RISK (IF-THEN) - (one line snapshot)	INHERENT LIKELIHOOD	INHERENT IMPACT	INHERENT RISK SCORE	MITIGATION CURRENT CONTROLS	RESIDUAL LIKELIHOOD	RESIDUAL IMPACT	RESIDUAL RISKSORE	FURTHER ACTIONS REQUIRED	RISK OWNER (Officer & PFH)	COMPLETE OR NEXT REVIEW DATE	STATUS OPEN/ CLOSED
COMP001	Failure of compliance with social housing regulation	4	5	20	1) An external consultancy has given advice on compliance to the council, including policies and procedures. 2) Extensive work has been undertaken to connect spreadsheets containing compliance data to a dashboard for senior management to review monthly. 3) Weekly gas meetings take place monitoring and improving gas compliance. 4) Improvement plan for asbestos being produced for mid-March 2023. 5) COO is agreed lead on Health and Safety for Housing (as required by the Regulator) 6) The Director for Housing & Property is lead for Consumer Standards. As required by the Regulator. 7) Results of the mid-point of the stock condition survey were made available on 8 March 2023. This will inform an assessment of Decent Homes Progress. 8) Live dashboard is in place and being reviewed regularly.	3	5	15		Interim Service Director Housing and Property	Sep 23	OPEN
	<b>CAUSE - EFFECT (detail narrative)</b>											
Jun-23	In addition to the requirements of the Social Housing Regulator described above there are requirements from the Building Safety Act 2022 and Fire Safety Act 2021. HSE is now the new regulator for building safety and whilst currently applies to 7 storeys and above the intention is to reduce this down to lower storey blocks. Requires a competent person to be formally appointed and 'golden thread' of records and retention of documents. Fire Safety Act 2021 – applies to EFDC from January 2023 and will amend the existing regulatory (reform) Fire safety order 2005. Applies to all buildings not just housing. The Council must self-refer if not compliant. Fire Safety (England) Regulations 2022.					TREAT			1) Stock condition survey to be completed. 2) Survey of social housing residents' satisfaction with housing services will take place in the summer of 2023. 3) Asset Management Strategy to be in place for Autumn 2023 ensuring that structural and compliance needs for the council's council housing are given priority and are fully resourced. 4) HAMS project is delayed and not on course which may result in non-compliance and unable to monitor repairs costs adequately. Urgent review underway.		1) SB 2) SB 3) SB 4) SB	Sep 23 Sep 23 Oct 23 Jul 23


## Corporate Risk Register- June 2023

RISK REF (ID)	RISK (IF-THEN) - (one line snapshot)	INHERENT LIKELIHOOD	INHERENT IMPACT	INHERENT RISK SCORE	MITIGATION CURRENT CONTROLS	RESIDUAL LIKELIHOOD	RESIDUAL IMPACT	RESIDUAL RISK SCORE	FURTHER ACTIONS REQUIRED	RISK OWNER (Officer & PFH)	COMPLETE OR NEXT REVIEW DATE	STATUS OPEN/ CLOSED
FIN001	Failure to maintain a Balanced Budget and Sustainable Medium-Term Financial Plan (MTFP) would breach a legal duty to maintain a balanced budget and could potentially result in the bankruptcy of the Council.	3	5	15	1) The active monitoring and reporting on internal and external factors affecting the MTFP, including the 2024/25 Budget through the established Financial Planning Framework  2) Regular communication of financial position and future prospects to Members (through the Cabinet and Scrutiny process) and senior management (via SLT route).	2	5	10		Strategic Director of Resources (Section 151 Officer)	Sep 2023	OPEN
Jun 2023	The Council has a legal duty under the Local Government Finance Act 1992 to maintain a balanced budget. Furthermore, Section 114 (3) of the Local Government Finance Act 1988 dictates...." the CFO (Section 151 Officer) of a relevant authority shall make a report under this section if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure". The updated Medium-Term Financial Plan (MTFP) 2023/24 to 2027/28 adopted by the Council on 28th February 2023 showed a forecast General Fund budget deficit of £2.389 million for 2024/25, which needs to be eliminated in order to set a balanced budget. The General Fund outturn 2022/23 recorded £1 million deficit (contingency balance now below £4 million min.)	TREAT		AS	April – March (23/4)							
	1) Maintain (effective) Recruitment Freeze in 2023/24. 2) Develop and deliver Action Plan for balancing 2024/25 Budget. 3) Develop Shared Services Strategy 4) Develop and deliver Transformation Plan (including Shared Services)	CH		Oct 23								
			TBC	Oct 23								
			TBC	Feb 24								

## Corporate Risk Register- June 2023


RISK REF (ID)	RISK (IF-THEN) - (one line snapshot)	INHERENT LIKELIHOOD	INHERENT IMPACT	INHERENT RISK SCORE	MITIGATION CURRENT CONTROLS	RESIDUAL LIKELIHOOD	RESIDUAL IMPACT	RESIDUAL RISK SCORE	FURTHER ACTIONS REQUIRED	RISK OWNER (Officer & PFH)	COMPLETE OR NEXT REVIEW DATE	STATUS OPEN/ CLOSED
FIN002	Failure to ensure the continued financial viability of Qualis represents a major financial and reputational risk to the Council.	3	5	15	1) Quarterly monitoring and reporting on progress against Qualis Business Plan through the established Governance Framework. 2) Quarterly reporting on Council budget position (including Qualis loan margins and other transactions) through Cabinet and Scrutiny process. 3) Enhanced reporting (with effect from 2023/24 in compliance with December 2021 codes) through Audit & Governance Committee re Capital and Treasury Management strategies (especially on Qualis-related Service and Commercial Investments). 4) Monitoring and reporting on monthly Cash Flow Statement from Qualis.	3	4	12		Strategic Director of Resources (Section 151 Officer)	Sep 2023	OPEN
Jun 2023	The Council's LATCO, the Qualis Group, has had to operate in particularly difficult economic and trading conditions since its inception. This is proving challenging in property development especially, with the recent sharp increase in worldwide interest rates threatening the viability of planned housing and regeneration schemes. In particular, the Council's medium-term income assumptions are dependent on the successful delivery of these schemes through the margins that it makes on on-lending to Qualis.  The Council has obtained security wherever possible against its financial commitments to Qualis, so has purposely mitigated risk to a large extent. Nevertheless, in the event that Qualis fails to establish and maintain its financial viability in the medium-term, the Council would potentially suffer significant financial loss, as well as reputational damage.					TREAT		1) Monitor and report quarterly on Qualis-related Council risk exposure.		AS	Jul 23	

## Corporate Risk Register- June 2023

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													CURRENT REVIEW DATE	CAUSE – EFFECT (detail narrative)	TREATMENT STATUS	DIRECTION OF TRAVEL	ACTION OWNER	ACTION DATE
FIN003	A failure to maintain and improve Value for Money (VFM) in the commissioning and delivery of services would potentially jeopardise public funds and cause the Council significant reputational damage.	3	4	12	1) Quarterly performance monitoring and reporting through established Cabinet and Scrutiny progress.  2) Ad hoc scrutiny of Qualis service-delivery performance.	3	4	12		Strategic Director of Resources (Section 151 Officer)	Sep 2023	OPEN						
Jun 2023	<p>The Council is a Best Value authority under the Local Government Act 1999 and is under a general Duty of Best Value, which requires it to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness” (an optimal balance thereof representing “Value for Money”).</p> <p>The Council’s Duty of Best Value is further reflected in Sections 20 and 21 of the Local Audit and Accountability Act 2014, which require (external) auditors to be satisfied that the Council “has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources”.</p> <p>The Council is redesigning service delivery arrangements in a range of areas (including the transfer of some services to Qualis), so has to ensure that the Duty of Best Value continues to be met.</p>				TREAT		1) Ensure protection of taxpayers’ interests in Grounds Maintenance contract from 2023/24.  2) Ensure protection of taxpayers’ interests in Commercial Assets contract from 2023/24.  3) Further develop, monitor and report on VFM metrics, including benchmarking and ‘baselining’ services prior to outsourcing.  4) Benchmark Housing Maintenance contract performance against industry standards.  5) Complete VFM assessment of Housing Maintenance contract based on 2022/23 performance.		AS	AS	AS	JG	AS	Jun 23	Jun 23	Jul 23	Jul 23	Jul 23



## Corporate Risk Register- June 2023

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						TREATMENT STATUS	DIRECTION OF TRAVEL	ACTION OWNER			ACTION DATE		
<b>PEOPLE001</b> Failure to attract and retain skilled employees	Experiencing significant workforce issues around not having the right skills, behaviours, productivity and capacity in place to deliver services to our residents and deliver the Corporate Plan 2023-27.	4	5	20	1. People Strategy 2020/22 in place that recognises the importance of attraction & retention, employee development, supports our new ways of working and engagement with employees and trade unions, and wellbeing support.  2. A successful Apprentice Scheme which maximises expenditure of the Apprenticeship Levy  3. Well established hybrid/flexible ways of working  4. Leadership development programmes  5. A dedicated L&D (Learning and Development) budget and team  6. Partnership working/shared services other authorities and public services which offers potential career, specialist and personal development.  7. Officers involved in a range of Essex wide groups discussing attraction and recruitment to wider Essex	3	4	12	1. Finalise agreement of our People Strategy 2023/27 which supports delivery of the corporate plan, improve skills & behaviours, attraction, develop the whole workforce, engagement, wellbeing, and digital transformation. On Cabinet Agenda 30 May 2023.  2. People Team service plan activating year 1 of the People Strategy  3. Service workforce development plans become an element of our Service Planning Process	Service Director – Corporate Services	Sept 23	OPEN	
<b>CURRENT REVIEW DATE</b> Jun-23	<b>CAUSE - EFFECT (detail narrative)</b>												
	The Council requires a highly skilled and motivated workforce to deliver the Corporate Plan and services to our residents. Public services are facing challenging times regarding; <ul style="list-style-type: none"> <li>▪ financial restraints</li> <li>▪ cost of goods and services for employees and employers</li> <li>▪ tight labour markets</li> <li>▪ increasing trade union unrest</li> </ul> The Council needs to attract, recruit, and retain a workforce that can meet these challenges whilst meeting high standards of delivery												
						TREAT					1) JB Jun 23  2) JB Jun 23  3) JB/CG Sep 23		

## Corporate Risk Register- June 2023

LIKELIHOOD ASSESSMENT			
Score	Description	Probability of Occurrence	Likelihood of Occurrent
1	Highly unlikely	The event may occur only in rare circumstances (remote chance) 0-2% chance it will occur	1 in 8 plus years
2	Unlikely	The event may occur in certain circumstances (unlikely chance) 3- 10% chance it will occur	1 in 5- 8 year period
3	Possible	The event may occur (realistic chance) 11 - 20% chance it will occur	1 in 2 - 5 year period
4	Highly Likely	The event will probably occur (significant chance) 21 - 80% chance it will occur	1 in 1 - 2 year period
5	Almost Certain	The event is expected to occur or occurs regularly More than 80% chance it will occur	Up to 1 within 1 year

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**IMPACT ASSESSMENT**

	1	2	3	4	5
	Negligible	Low	Medium	High	Very High
<b>Financial</b>	No or very minor loss that is unlikely to have an impact on ability to deliver services.	Loss of a scale that would have a minor impact on ability to deliver some services. Loss/overspend under £50K - or contained within Section/Team	Loss of a scale that would noticeably impact on ability to deliver some services. Loss/overspend £50K - £250K or contained within the Directorate	Loss of a scale that would significantly impact on ability to deliver services. Loss/underspend £250K - £1m Budget adjustments across Directorates	Loss of a scale that would threaten the ability to continue to deliver services. Loss/underspend over £1m - Corporate budget realignment
<b>Service Delivery</b>	No impact to the quality and effectiveness of Service Delivery, all demand for Services can be met and can be delivered in a sustainable manner	Minor impact to the quality and effectiveness of Service delivery but not resulting in disruptions, minor impact to strategic partnerships, ability to meet nearly all demand for Services and with minimal environmental impact.	Moderate impact to the quality and effectiveness of Service delivery resulting in short term disruptions limited to a single service, moderate impact to strategic partnerships. The majority of demand for most Services can be met and delivered with no environmental impact. Moderate impact on achievement of one or more objectives	Major impact to the quality and effectiveness of multiple Services and long term disruptions resulting in required standards, including environmental standards not being met. More than one strategic partnership affected. Demand cannot be met for some key services (e.g. waste) Impact on achievement of a key target(s)/objective(s)	Catastrophic impact to the quality and effectiveness of Service delivery for high number of key Services and key required standards including environmental standards are consistently not met. All strategic partnerships are significantly affected with long term adverse impacts and demand cannot be met for key Services. Catastrophic impact on achievement of several key targets/objectives
<b>Reputation</b>	No customer awareness and contained internally within the Council and no complaints received. No or insignificant impact on relationships with Strategic Partners. No adverse publicity	Contained within Directorate or minor customer awareness. No media concerns. Low level of complaints received from the community and minor impact to some strategic partners	Limited local public and media concern with "short lived" local coverage. Moderate level of complaints received from the public/customers and strategic partners moderately impacted.	Significant regional public ad media concern with the potential to escalate to national coverage. Significant level of complaints received from the public/customers and strategic partner adversely impacted.	Sustained national public and media coverage resulting in long term adverse impacts for the Council. Significant levels of complaints received wider than the District. Strategic partners experience long term catastrophic impacts.
<b>Compliance/Regulatory/Legal</b>	No legal proceedings brought against the Council and EFDC is compliant with all required policies and procedures.	No legal proceedings brought against the Council but minor breaches to some policies and procedures have occurred	The Council is subject to a low number of legal proceedings and some policies and procedures have been breached. Moderate breaches of regulations and standards with financial penalties involving Ombudsman and/or regulators	The Council is subject to a significant number of legal proceedings which are likely to be successful. A number of policies and procedures have been breached by a significant number of EFDC staff. Moderate sanctions by the Regulator	The Council is subject to high profile legal proceedings which is likely to be successful. There has been organisational breaches of all major policies and procedures which will in turn likely to further legal proceedings or sanctions from regulators
<b>Health &amp; Wellbeing of EFDC Staff</b>	No work related fatalities and no adverse impact on staff health and wellbeing. Insignificant impact to staff morale and engagement.	No work related fatalities but potential impact on staff health and wellbeing (e.g. short term absence and sickness rates). Minor impact to staff morale and engagement. There is a diverse workforce where the majority of staff feel equal and included	No work related fatalities but significant impact on staff health and wellbeing (e.g. longer term absences/sickness) Increased numbers of vacancies. Minor impact to staff morale and engagement. Not all staff feel equal and included.	Potential work related fatalities or serious injury. Significant impact on staff and wellbeing, significant impact to staff morale and engagement. Short to medium terms implications with culture the workforce lacks diversity and a significant number of staff are made to feel unequal/excluded	Work related fatalities or multiple serious injuries and staff are affected across all Services. Long term impact to staff morale and engagement and sustained impact to EFDC culture. The workforce lacks any diversity at all and the majority of staff feel unequal/excluded
<b>Partnership/key contractor (objectives/ deadline)</b>	No impact on partnership.	Breach of contract with significant stakeholder Minimal impact on Partnership	Breach of contract with significant stakeholder. Adverse effect on partnering arrangements	Significant impact on Partnership/key contractor or most of expected benefits fail.	Complete failure/breakdown of partnership or key contractor with failure of achieving fundamental objectives
<b>Community health and wellbeing</b>	No impact on the health and wellbeing on the community. No individuals are at risk of physical or mental harm	Minor impact on the health and wellbeing of the community. Low level of individuals are at risk of physical or mental harm and communities are largely unaffected. Minor increase in high street vacancy rate up to 3 months. Minor increase in unemployment up to 3 months. Minor increase in homelessness	Moderate impact to the health and wellbeing of the community. Some individuals are at risk of physical or mental harm and specific communities are adversely impacted. Moderate increase in high street vacancy rate 3-6 months. Moderate increase in unemployment between 3 - 6 months. Failure to support delivery technology resulting in areas 'left behind' unable to embrace change. Moderate increase in homelessness 3 - 6 months period	Major failure to protect the health and wellbeing of the community and physical and mental harm to a high number of individuals is impacted. Communities are unable to thrive. Noticeable increase in high street vacancy rate 6-12 months. Noticeable long term increase in unemployment between 6 - 12 months impacting social services and deprivation. Noticeable long term increase in homelessness between 6 - 12 months.	Catastrophic failings to protect the health and wellbeing of the community. Almost all communities experience physical or mental harm and suffer long term adverse impacts. Significant increase in high street vacancy rate to over the UK National average greatly impacting high street viability. High increase in unemployment level impacting social deprivation with continued rise of unemployment for more than 12 months. High increase in homeless for longer than 12 months.
<b>Environment and/or Public Health</b>	Near miss or resolved without adverse impact	Short term local impact. No lasting detrimental effect on the environment or the community e.g. noise, fumes, dust etc	Moderate impact to the local environmental or social impact	Long term environmental or social impact such as a chronic and/or significant discharge of pollutant	Extensive long term impact. Major public health/environmental incident or loss of significant community facility

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**Risk Management Policy & Strategy  
2023 – 2024**



Author: Karen Dawson Insurance Specialist	20 April 2023
Policy & Strategy Owner	Andrew Small, Section 151 Officer
Version 1	Next review date April 2024

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## Forward

Epping Forest District Council has a Corporate Plan “Your Epping Forest Our Plan 2023 – 2027”. Robust risk management practices are essential for managing the risks associated with achieving our ambitions and delivering our Corporate Plan objectives. To achieve our desired outcomes, management of risk should be integral to our culture.

Epping Forest District Council has seen, and will continue to see, unprecedented changes not only in its funding arrangements, but the way services will be delivered. Such changes will lead to new risks (Corporate, Service, Projects, Shared Services and Partnerships), which will need to be considered and managed appropriately. The Council will respond to such uncertainty as detailed in our Risk Management Policy and Strategy. .

The Council accepts that risks cannot always be totally eliminated. The purpose of the Council’s Risk Management Policy & Strategy is to support the development of a consistent approach to identifying, evaluating and managing risk, ensuring that all reasonable steps are taken to mitigate risks and maximise opportunities, and that the level of risk accepted is balanced against the expected reward.

The management of risk is an essential component of performance management and underpins good governance. Risk management is a key component of corporate governance in maintaining a strong control environment. Risk management must be embedded throughout the Council if it is to make sustained improvement.

Formally incorporating risk management into day-to-day management practices and processes increases the focus on what needs to be done (and not done) to meet objectives and improve performance.

Our approach to risk management provides easy to follow guidance on identifying and managing risks.

Andrew Small

Strategic Director and S151 officer

Epping Forest District Council

# 1. Risk Management Policy

## 1.1. Policy Statement

The Council recognises that an element of risk taking is essential if it is to realise opportunities, thrive and meet its objectives. As such the Council policy is to be:

*“risk aware rather than risk averse by embedding the identification, evaluation and management of risk across all aspects of the Council at different levels to support the achievement of the Council’s objectives”.*

Nationally there is a statutory requirement for risk management within the Accounts and Audit Regulations 2015, which states *“a relevant authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk”.*

This is supported by the CIPFA (Chartered Institute of Public Finance and Accountancy)/SOLACE (Society of Local Authority Chief Executives) Delivering Good Governance guidance (2016). The guidance defines the principles that should underpin the governance of each local government organisation. One of these principles is around implementing robust and integrated risk management arrangements and ensuring that they are working effectively. Additional sector guidance is provided by the International and British Risk Management Standard (BS ISO 31000).

### 1.1.1. The Council’s risk management objectives are to:

- Integrate risk management into the culture of the Council adopting a ‘no blame’ approach using lessons learnt.
- Manage risk in accordance with good practice and sound governance practices.
- Anticipate and respond to changing social, economic, political, environmental, legislative and technological requirements.
- To provide early warning on key and emerging matters, to promote transparent, openness, timely decision making and intervention at appropriate levels.
- Raise awareness using a collaborative supportive approach and provide training on a rolling programme basis across the Council including Members, thus truly embedding within day-to-day decision making, business practices and processes.

### 1.1.2. These objectives will be achieved by:

- Establishing clear roles and responsibilities and reporting lines within the Council for risk management, making clear that everyone should take ownership of risk management.
- Incorporating risk management considerations in the strategic planning and decision making of the Council. To ensure that all Members and Officers make effective decisions to meet their objectives and to safeguard the Council’s assets.
- Incorporating risk management considerations into all levels of decision making, business planning and service delivery for effective decisions to be

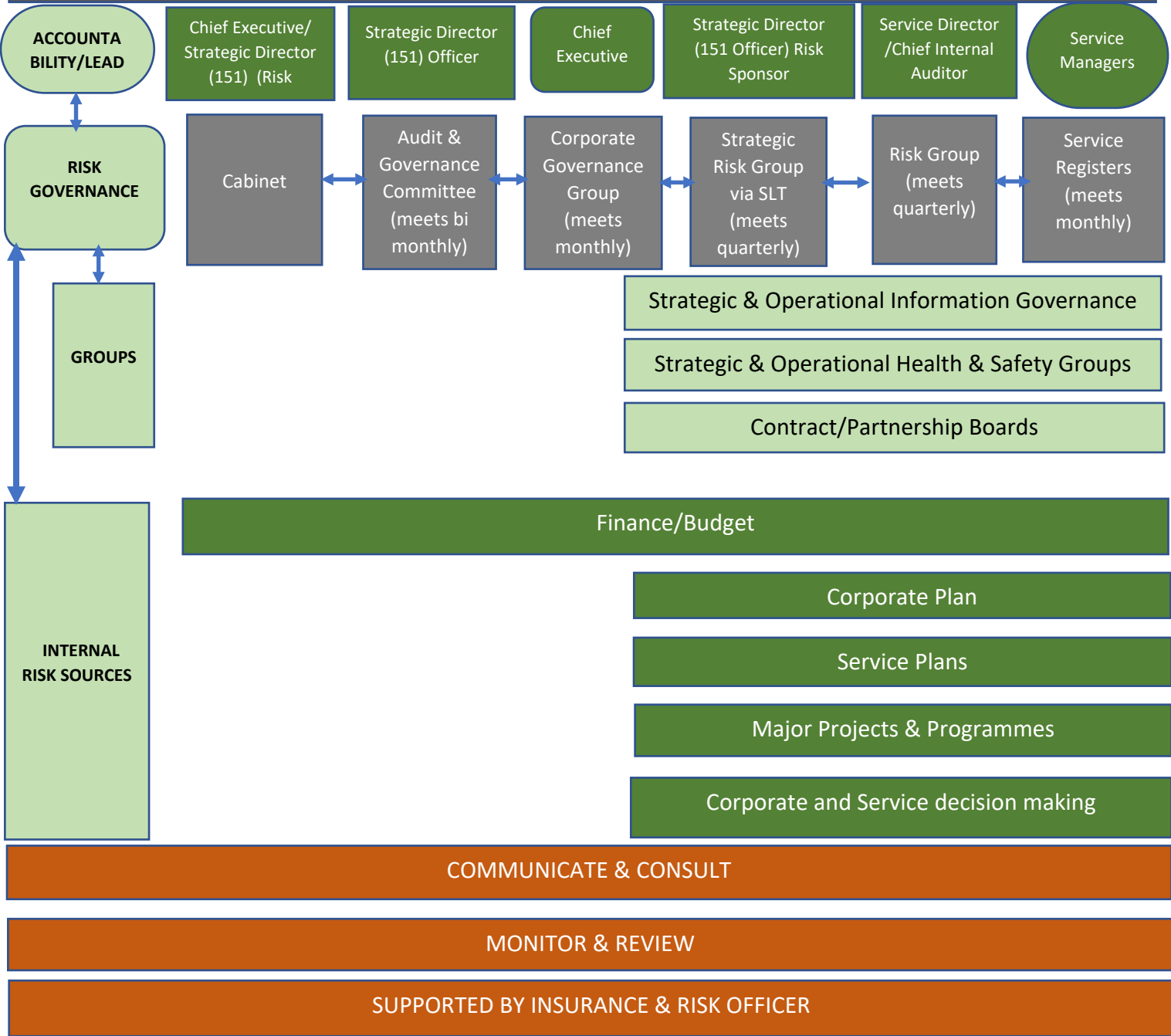
made based on a sound understanding of the risks and opportunities the Council face.

- Providing opportunities for shared learning on risk management across the Council and with Partner organisations.
- Providing a framework for allocating resources to identified priority risk areas.
- Ensure risk management practices are dynamic in order to capture and anticipate emerging risks and to be able to assess the trade-off between risk and opportunity.
- For risk registers to be live documents at strategic, operational and project levels; regularly updated, maintained and challenged as part of business as usual.
- To take actions, where appropriate, to minimise the likelihood of risks occurring and/or reducing the severity of consequences should risks occur.
- To ensure that risks are monitored on an ongoing basis by Senior Management and reported to Members.

## 2. Risk Management Approach

- 2.1. Our approach to risk management supports the consistent and robust identification, evaluation and management of opportunities and risks across the Council. The Council's approach to risk management (**figure 1**) supports openness, challenge and innovation in the achievement of objectives.

# RISK MANAGEMENT APPROACH



*(Figure 1 – EFDC approach to risk management)*

## 3. Risk Management Strategy

### 3.1. What is risk? What is risk management?

- 3.1.1. Risks are significant uncertainties or missed opportunities that may affect the Council's ability to achieve both its strategic and operational objectives as outlined in its Corporate Plan.
- 3.1.2. Risk management is the planned and systematic process by which key risks are identified, evaluated and managed in order to maximise opportunities and minimise potential negative consequences to the Council, to ensure we meet our objectives and desired outcomes.

### 3.2. Benefits of Risk Management

- 3.2.1. Without good risk management practices fully embedded across the Council at all levels, the Council cannot manage its resources effectively, will fail to achieve its corporate objectives and fail to deliver to the community as outlined in the Corporate Plan. Risk Management is not just about avoiding or managing adverse impacts but also taking advantage of the opportunities to improve services, reduce costs and optimise the use of resources.
- 3.2.2. Effective risk management is a live, ongoing process. The Council is fully committed to developing a culture where risk is appropriately and effectively managed and by embedding strong risk governance the following benefits can be realised:

Improvement/Opportunities	Examples
Improved Strategic Management	<ul style="list-style-type: none"> <li>• Sound system of corporate governance</li> <li>• Confidence in the rigour of the Annual Governance Statement</li> <li>• Greater ability to deliver against objectives</li> <li>• Informed decision making</li> </ul>
Improved Operational Management	<ul style="list-style-type: none"> <li>• Delivery of change management and organisational change</li> <li>• Reductions in interruptions to service delivery</li> <li>• Improved prevention of fraud, bribery and corruption</li> <li>• Reduction of waste of resource and reduced leakage</li> </ul>
Improved Financial Management	<ul style="list-style-type: none"> <li>• Better informed financial decision making</li> <li>• Enhanced financial control</li> <li>• Reduction in insurance premiums and claim related costs</li> <li>• Reduction in financial costs</li> <li>• Increase in revenue opportunities</li> </ul>
Improved Customer Service	<ul style="list-style-type: none"> <li>• Minimise service disruption to Customers</li> <li>• Reduce risk of adverse media coverage and loss of reputation</li> </ul>

### 3.3. Embedding Risk Management

3.3.1. To ensure risk management is truly embedded across the Council it should form part of all plans, reports, business cases and decision making. It should be incorporated as part of business as usual activities i.e. in everything we do.

3.3.2. There are a number of ways to implement and support a strong risk culture including:

- Set and maintain the correct risk culture at Executive Team and Senior Leadership level
- Educate employees and Members of the importance of the Risk Management Policy & Strategy
- Employees at all levels to understand their responsibilities in managing risks
- Develop, implement and maintain an efficient risk management process
- Recognise and reward good risk behaviour

## 4. Key Roles & Responsibilities

4.1. To ensure risk management is effectively implemented, all Council Members and Officers should have a level of understanding of the Council's risk management approach and regard risk management as part of their responsibilities:

<b>Responsible Body</b>	<b>Role</b>	<b>Monitoring Period</b>
Executive Team	Ultimate responsibility to ensure the effectiveness for Risk Management , Policy and Strategy remains relevant	Quarterly
Senior Leadership Team	<ul style="list-style-type: none"> <li>• All strategic risks are robustly managed and reviewed in line with the Council's Risk Management Policy &amp; Strategy</li> <li>• Directorate risks are escalated for inclusion onto the Corporate Risk Register</li> <li>• Responsible for the effective leadership and management of risk in their service areas to meet business objectives and outcomes</li> </ul>	Ongoing/Quarterly
Elected Members including the Audit & Governance Committee	Constructively review, scrutinise and challenge the risks involved in delivering the Council's core purpose, priorities and outcomes	Quarterly (in line with Committee cycles)
Insurance & Risk Officer	<ul style="list-style-type: none"> <li>• Design and facilitate the implementation of a Risk Management , Policy &amp; Strategy.</li> <li>• Act as a centre of expertise providing support and guidance.</li> <li>• Collate risk information and prepare reports where necessary.</li> </ul>	Ongoing/Quarterly

	<ul style="list-style-type: none"> <li>• Provide advice that risks are being effectively assessed and managed</li> <li>• Provide guidance to Officers and Members, and identify opportunities for workshops and training.</li> <li>• Highlight to SLT exceptions, cross cutting trends and themes for consideration</li> </ul>	
Service Directors, Service Managers and Team Managers	<ul style="list-style-type: none"> <li>• Up to date Directorate risk registers are maintained and identify cross cutting risks, which impact on the achievement of directorate objectives</li> <li>• Service level registers are maintained and reviewed and any cross cutting risks are escalated onto the Directorate risk register.</li> <li>• Identify and manage operational service risks</li> <li>• Promote risk aware culture</li> <li>• Implement risk improvement recommendations within service departments</li> </ul>	Ongoing/Quarterly
All Employees	<ul style="list-style-type: none"> <li>• All staff have a duty to consider the risks to the achievement of their day to day objectives and notify managers of any threats or opportunities which could hinder or enhance working practices.</li> <li>• Participate fully in risk workshops and action planning as appropriate</li> <li>• Attend training and awareness sessions as appropriate</li> </ul>	Ongoing
Chief Internal Auditor/Internal Audit	<ul style="list-style-type: none"> <li>• Provide independent assurance of the Council's risk management arrangements, reporting on the efficiency and effectiveness of internal controls.</li> <li>• Promote risk management as part of good governance.</li> </ul>	Ongoing/Annual

## 5. Training and awareness

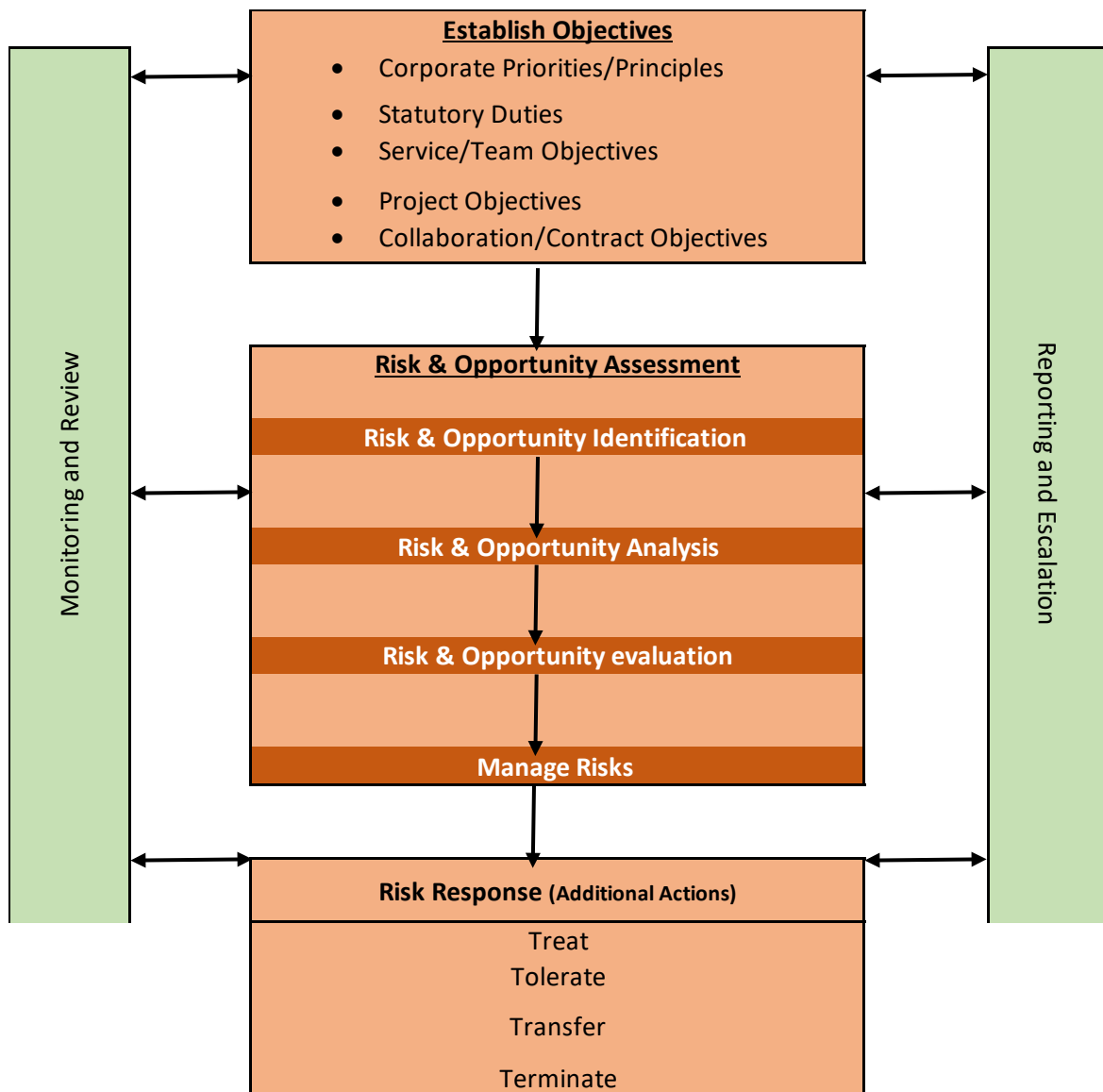
5.1. The Insurance & Risk Officer and Internal Audit will contribute in developing workforce risk management capability across the organisation. This will be achieved through the provision of guidance, education, training and support. The existing suite of guidance materials includes:

- Risk management Policy & Strategy 2023 – 2024
- Risk management Guidance and toolkit

- 5.2. All risk management training materials are available on the insurance & risk page of the Council's intranet.
  
- 5.3. The Risk Management Policy & Strategy is reviewed annually and approved by the Audit and Governance Committee. Guidance and training materials are reviewed on a regular basis to ensure they continue to meet the needs of the organisation and incorporate the latest industry best practice.



## 6. Risk Management Process



(Figure 2 diagram risk management process)

- 6.1. The process should be iterative and fluid and should not be seen as an end to end process. The process should be integrated into all decision making, business case proposals, seeking approvals for change and new initiatives. The risk registers are part of risk management tools and their purpose is to assist directors and managers in managing their risks through every day business activities.
- 6.2. Significant risks identified outside the frequency of reporting requirements should be escalated to the relevant Director/Manager at the earliest opportunity to ensure that actions to mitigate the risk can be implemented in a timely manner.

- **Step 1 – Establishing objectives**  
In order for the management of risks and opportunities the first place to start should be to establish the strategies and objectives which underpin the Corporate Plan, Directorate and Service Plans, Projects and Programmes.
- **Step 2 – Identify the risks & opportunities**
  - i) The purpose is to generate a comprehensive, up to date, easy to understand list of risks that are relevant to Corporate/Strategic, Directorate and Service Plan delivery as well as Corporate projects and programmes. These risks could have an adverse affect or result in missed opportunities in achieving the Council’s objectives and desired outcomes.
  - ii) Corporate risks are the key risks faced by the Council. By definition they will be of a cross cutting nature, have an impact on the delivery of one or more Council objectives/priorities and/or have a potentially significant financial impact if they were to crystallise.
  - iii) Nominations of proposed new corporate risks will be discussed at the quarterly SLT meetings and if agreed will be presented to the Executive Team for approval.

**Ways of identifying risks is to:**

- i) Undertake risk assessment exercises as a Senior Leadership Team, Directorate Management Teams, Service Management Teams and Project Management Teams.
- ii) Horizon scanning to identify emerging risks that are either coming from external factors such as Climate Change, Government changes in policy, legislation and regulatory. Events experienced at both local and national level, as well as exploring with peers to consider the risks or adverse incidents that have been experienced by others in other local authorities.
- iii) Measuring current performance and identifying any weaknesses
- iv) Ensure that all relevant available information and expertise is utilised to make informed decisions and identify any risks that remain.

**Ways of identifying opportunities is:**

- i) Changes in external environment such as government funding arrangements
- ii) Commercial opportunities within the District
- iii) Shared service opportunities
- iv) Innovative new ways of working and investing in new technologies

○ **Step 3 – Analyse and evaluate the risk**

Once identified risks need to be analysed, evaluated and prioritised for treatment. Risks are evaluated through a combined assessment of:

- ❖ **Likelihood** - How likely is the risk to occur
- ❖ **Impact** – The extent of the impact or consequences should the event occur

A 5 X 5 scoring matrix set out in **(Figure 5 below)** is used to undertake the assessment of 'likelihood' and 'impact' to ensure the risks are scored/rated in a consistent way. This allows risks to be plotted on the matrix, which is a visual tool used to illustrate and compare risks.

The matrix/heat map enables the Council to prioritise the risks to ensure the allocation of resources is optimised. The greater the risk, the more effort will be required to manage it where it is within our control.

During this process the risk rating will need to be determined for the inherent risk and residual risk.

- i) The first measurement is to score the inherent risk. This is the potential likelihood and impact of a risk materialising, assuming no controls at all are in place.
- ii) Once the inherent risk has been scored any current controls that are in place to help manage the risk should be identified. The scoring should then be undertaken again and any reduction in the likelihood and impact scores will give the residual/current score of the risk.

It is essential that any controls that are being relied upon to manage risks are effective and working as intended.

The Council has predetermined 'likelihood' and 'impact' criteria to ensure consistency in scoring as set out below.

**Likelihood Criteria** – measures the probability of an occurrence materialising over a 1 year period **(see figure 3 below likelihood assessment)**

**LIKELIHOOD ASSESSMENT**

SCORE	DESCRIPTION	PROBABILITY OF OCCURRENCE	LIKELIHOOD OF OCCURRENCE
1	Highly unlikely	The event may occur only in rare circumstances (remote chance) 0-2% chance it will occur	1 in 8 plus years
2	Unlikely	The event may occur in certain circumstances (unlikely chance) 3- 20% chance it will occur	1 in 5- 8 year period
3	Possible	The event may occur (realistic chance) 21 - 50% chance it will occur	1 in 2 - 5 year period
4	Highly Likely	The event will probably occur (significant chance) 51 - 80% chance it will occur	1 in 1 - 2 year period
5	Almost Certain	The event is expected to occur or occurs regularly More than 80% chance it will occur	Up to 1 within 1 year

**(Figure 3 – Likelihood assessment)**

**Impact Criteria** – measures the extent of impact on key areas that could affect the achievement of our objectives (*see impact assessment below figure 4*)

**IMPACT ASSESSMENT**

	1	2	3	4	5
	Negligible	Low	Medium	High	Very High
<b>Financial</b>	No or very minor loss that is unlikely to have an impact on ability to deliver services	Loss of a scale that would have a minor impact on ability to deliver some services. Loss/overspend of under £50K or contained within Service Area	Loss on a scale that would noticeably impact on ability to deliver some services. Loss/overspend £50K - £250K or contained within the Directorate	Loss on a scale that would significantly impact on ability to deliver services. Loss/overspend £250K - £1m. Budget adjustments across Directorates	Loss on a scale that would threaten the ability to continue to deliver services. Loss/overspend over a £1m. Corporate budget realignment
<b>Service Delivery</b>	No impact to the quality and effectiveness of service	Minor impact to the quality and effectiveness of service delivery	Moderate impact to the quality and effectiveness of	Major impact to the quality and effectiveness of multiple	Catastrophic impact to the quality and effectiveness of

	delivery. All demand for services can be met and be delivered in a sustainable manner	but not resulting in disruptions, minor impact to strategic partnerships. Ability to meet nearly all demand for services and with minimal environmental impact	service delivery resulting in short term disruptions to a single service, moderate impact to strategic partnerships. The majority of demand for most services can be met with no environmental impact and moderate impact on achievement of one or more objectives	services long term disruptions resulting in required standards including environmental standards not being met. More than one strategic partnership affected. Demand cannot be met for some key services. Major impact in achievement of key objectives	service delivery for high number of key services and key standards required are consistently not met. The majority of strategic partnerships are significantly affected with long term adverse impacts. Demand cannot be met for majority of key services. Catastrophic impact on the achievement of key objectives
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**(Figure 4 – Impact Assessment)**

A 5 X 5 scoring matrix set out in **(Figure 5 below)** is used to undertake the assessment of ‘likelihood’ and ‘impact’ combined to ensure the risks are scored/rated in a consistent way. This allows risks to be plotted on the matrix, which is a visual tool used to illustrate and compare risks.

The matrix/heat map enables the Council to prioritise the risks to ensure the allocation of resources is optimised. The greater the risk, the more effort will be required to manage it where it is within our control.

**Likelihood and Impact depicted as a 5 X 5 Matrix with associated key**

5 X 5 IMPACT and LIKELIHOOD MATRIX							
<b>L I K E L I H O O D</b>	Almost Certain	5	5	10	15	20	25
	Highly Likely	4	4	8	12	16	20
	Possible	3	3	6	9	12	15
	Unlikely	2	2	4	6	8	10
	Negligible	1	1	2	3	4	5
				1	2	3	4
			Negligible	Low	Medium	High	Very High
			<b>IMPACT</b>				

**Key:**

<b>Severe</b>	Immediate control improvement to be made to enable business goals and service delivery maintained improved
<b>Material</b>	Close monitoring to be undertaken and cost effective control improvements sought to ensure service delivery is maintained
<b>Tolerable</b>	Regular review to maintain effective controls, low cost control improvements sought if possible
<b>To be Removed/newly arrived</b>	Risks now fully manageable to be removed from the register as BAU (Business As Usual). Potential new risks identified requiring monitoring and review

*(Figure 5 – 5 X 5 Matrix – likelihood and Impact and key)*

- **Step 4 – Manage mitigate/treat risks**  
Once the risk and current controls have been identified, prioritisation scoring has been completed, then the options for managing/mitigating the risk are:

<b>The 4 T's</b>	<b>Description</b>
Terminate	Cease the activity or proposed change as risks deemed too high when compared to expected rewards
Tolerate	The risk is not within the Council control, or the risk attracts a low score/green which the Council is prepared to accept
Treat	Identify actions that will reduce the likelihood and impact scoring or modify the activity to reduce the scoring.
Transfer	External Insurer or other Third Party

- **Step 5 – Reporting**  
  
Reporting of risks should provide senior management and Members with assurance that key risk exposures have been identified, evaluated and effective controls have been implemented. Senior Leadership Team is accountable for strategic risks and each Service Director is accountable for monitoring the risks within their service. Risk information is reported quarterly to the Senior Leadership Team and regularly to Audit and Governance Committee.
- **Step 6 – Monitor/Review**  
This is a key stage of the process and should happen on a continuous basis as part of normal business activities. Monitoring and review of our risks should be integrated into our normal business activities and not added to agendas once a quarter. Monitoring of strategic risks is undertaken by the risk owner with quarterly reviews by the Senior Leadership Team. Monitoring of service risks should be undertaken through regular management team meetings overseen by the Service Director.

## 7. Further Actions

- 7.1. To create a risk management group that will be represented by risk champions covering all directorates and service areas, which will be responsible for:
- Developing and co-ordinating a process for the effective monitoring of risk management arrangements across the Council
  - Supporting the embedding of the corporate approach through dissemination and escalation
  - Challenging directorate assessments of compliance within the framework by reviewing supporting evidence
  - Contributes towards the development of a framework in which partnerships can demonstrate adequate risk management arrangements and reporting and escalation processes
  - Developing, maintaining and implementing the corporate project risk management approach
  - Appraising Service Directors on how well the directorates have performed in embedding risk management into key management processes
  - To develop a risk assessment/criteria for Officers to use when seeking approval from Members which will enable Members to be satisfied that risks have been appropriately identified and will be managed
  - Develop a reporting mechanism for highest scoring Corporate Risks to be included within the Finance performance report that goes to Cabinet quarterly.
  - Longer term - formally define the Council's risk appetite

## 8. Risk Management links

- 8.1. The following documents are linked to the wider Risk Management Framework:
- Local code of Corporate Governance and Annual Governance Statement
  - Treasury Management Risk Strategy

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



**Epping Forest  
District Council**

***Date of meeting: 27 July 2023***

**Portfolio:** Leader of the Council

**Subject:** Annual Report of the Chief Internal Auditor

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

**Democratic Services:** Laura Kirman

---

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

- (1) The Committee is requested to note the following report for 2022/23 and the assurance level given.
- (2) The Committee agrees that for the 12 months ended 31 March 2023, the Council has operated adequate and effective governance, risk management arrangements and control processes.

### **Executive Summary:**

This report is presented in support of the Internal Audit opinion on the adequacy of Epping Forest District Council's (EFDC) internal control environment and provides a summary of the work undertaken by Internal Audit for 2022/23.

The Accounts and Audit Regulations 2015 include a requirement for the Council to carry out an annual review of the effectiveness of its system of internal audit as part of the wider review of the effectiveness of the system of governance. This report supports such a review.

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

To support the Committee in its review of the Annual Governance Statement

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

No other options.

### **Report:**

#### Introduction

This document summarises the results of internal audit work during 2022/23 and, as required by the Accounts and Audit (England) Regulations 2015, gives an overall opinion of the Council's governance, risk management and control framework.

#### Overall Opinion

The Chief Internal Auditor is required to provide the Council with a statement on the adequacy and effectiveness of the organisation's risk management, control, and governance processes.

In giving an opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the organisation is a reasonable assurance there are no major weaknesses in the Council's risk management, control, and governance processes.

In assessing the level of assurance to be given, the following have been taken into account:

- All audits undertaken during the year.
- Any follow-up action taken in respect of audits from previous periods.
- High priority recommendations not accepted by management or acted upon (there were none) and the consequent risks.
- The effects of any significant changes in the Council's objectives, activities, or systems.
- Matters arising from previous reports to the Audit and Governance Committee.
- Any limitations which may have been placed on the scope of internal audit (there have not been any).
- Whether there have been any resources constraints which have impinged on the Chief Internal Auditor's ability to meet the full audit needs of the Council; and
- The results of work performed by other assurance providers including the work of the External Auditors.

The Chief Internal Auditor is satisfied that sufficient internal audit work has been undertaken to allow a reasonable conclusion as to the adequacy and effectiveness (or inadequacy and ineffectiveness) of the Council's risk management, control, and governance processes to be drawn.

**Based upon the results of work undertaken during the year it is the Chief Internal Auditor's overall opinion that the Council has adequate and effective governance, risk management arrangements and control processes. Where there have been significant issues these have been accepted by Management and promptly corrected.**

### Context

This report outlines the work undertaken by Internal Audit covering the period 1 April 2022 to 31 March 2023.

Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal Audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. On behalf of the Council, Internal Audit reviews, appraises and reports on the efficiency, effectiveness, and economy of these arrangements.

Internal Audit is required by professional standards to deliver an annual internal audit opinion and report to those charged with governance, timed to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion.

- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

The primary role of Internal Audit is to provide assurance to the Council and ultimately the taxpayers that the Council maintains an effective control environment that enables it to manage its significant organisational risks and has appropriate governance arrangements to support this. Internal Audit helps the Council achieve its objectives and provide assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Council's control environment which feeds into the Annual Governance Statement.

#### Internal Audit Work during 2022/23

The 2022/23 Internal Audit Plan was prepared based on the risks associated with the Council's objectives in consultation with key officers and took into account:

- Knowledge and experience accumulated in Internal Audit, including the results of previous reviews.
- A review of audit themes against the Corporate risk register and Council priorities.
- The work of other assurance providers both internally and externally.
- The external environment including economic climate, government initiatives such as welfare reform and changes in funding.
- Harmonisation of themes with the Borough of Broxbourne Council and Harlow District Council to enable benchmarking and sharing of good practice.

At the end of each assurance review a report is issued giving a formal audit assurance rating. This rating is based on an assessment of the key management arrangements and internal controls in place and measured using the following scale:

- 'Substantial' assurance – A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
- 'Reasonable' assurance (previously called 'moderate' assurance) – There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put, at risk, the achievement of objectives in the area audited (Any high priority recommendations will prevent this level of assessment).
- 'Limited' assurance – Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
- 'No' assurance – Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

#### Summary of Assurance Work

A total of eight assurance reviews were completed and overall, the audits are positive with most being given Substantial or Reasonable assurance. Prompt action has been taken by management regarding the three limited assurance reports, which relate to Cyber Security, Feeder Systems and Business Reconciliations and Qualis Management KPIs and Payment Mechanisms.

The table below provides a comparison between 2022/23 and previous three financial years.

Assurance rating	2022/23	2021/22	2020/21	2019/20
Substantial	4	5	3	5
Reasonable	1	4	3	3
Limited	3	0	2	4
No	0	0	0	0
<b>Total</b>	<b>8</b>	<b>9</b>	<b>8</b>	<b>12</b>

Appendix A sets out work carried out by the Internal Audit service during the year in narrative form and compares this to the plan agreed by the Audit and Governance Committee March 2022. This summary includes individual audit reviews, consultancy and advice and other Internal Audit engagement activities with the Council.

Appendix B lists the individual audit reports issued as part of the 2022/23 Audit Plan and number of recommendations made by risk priority.

#### Tracker process

Recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. Recommendation categories, in order of priority are high, medium, and low depending on the level of risk involved.

The Audit and Governance Committee receives a report of all overdue recommendations plus any high-risk recommendations from final reports issued, regardless of whether they are overdue or not.

The process continues to work well with good commitment by managers to ensure audit recommendations are implemented or there are good business reasons why there has been a delay. There are no significant issues to report regarding the implementation of audit recommendations.

#### Other Sources of Assurance

The opinion given in this annual report does not rely solely on the formal audits undertaken by the section.

*Special investigations:* Internal Audit and the Corporate Fraud Team investigate any allegations of fraud and suspected irregularity although there are separate arrangements for reporting, investigating, and dealing with benefits fraud. The Audit and Governance Committee would be notified of any significant internal frauds (estimated at more than £10,000). There have been none for 2022/23 fulfilling this criterion; the same as the previous three years. There were no reported whistleblowing allegations.

*Advice:* Internal Audit is most effective when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems. This includes Internal Audit representation on key business groups which in 2022/23 included:

- The Corporate Governance Group
- Risk Management Group
- Strategic Information Governance Group and the Information Assets Owners Group

- Strategic Safety Group and the Operational Safety Group
- Portfolio and Steering Group

Internal Audit has provided advice around the implementation of purchase cards to ensure there are adequate controls to minimise the risk to the Council of misuse, and ensure processes are efficient.

Internal Audit has also helped the Council move forward with their risk management processes and information governance arrangements.

In addition, Internal Audit raises awareness of control issues throughout the Council particularly through the update of key governance documents and the co-ordination and analysis of service assurance statements which feeds into the Annual Governance Statement.

*Anti-Fraud and Corruption work:* The Corporate Fraud Team reports directly to the Chief Internal Auditor and ensures a corporate approach to anti-fraud activities as well as ensuring synergies with the Internal Audit team. For example, the Council participates in the National Fraud Initiative (NFI), which is a data matching exercise run every two years. The exercise seeks to identify fraud spanning public bodies and Internal Audit is the key point of contact and facilitates and supports the Council’s involvement. Internal Audit works in tandem with the Corporate Fraud Team to look into possible internal (Officer) fraud.

Effectiveness

In line with good practice, the Internal Audit service should on an annual basis ensure it is compliant with the 2017 Public Sector Internal Audit Standards (PSIAS), notifying the Audit and Governance Committee of any areas of non-compliance.

In 2021 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 conforms to the Public Sector Internal Audit Standards and the results communicated to the November 2021 Audit and Governance Committee. The resultant quality assurance and improvement programme from that review has been completed.

The EQA exercise was repeated during March and April 2023 as St Albans City and District Council joined the shared service in November 2022 and they did not have an up to date EQA. The outcomes from this EQA are being finalised with the assessor.

This report confirms there have been no impairments to the independence and objectivity of the Internal Audit service during the year.

The regular progress reports presented to the Audit and Governance Committee provide Members with the opportunity to monitor Internal Audit’s output and effectiveness. Feedback on the implementation of recommendations also provides evidence of the degree of influence Internal Audit has on changes to strengthen the control framework for the Council.

Performance indicators are in place to monitor service performance and reported at each Audit and Governance Committee with a summary for the year presented below:

Aspect of Service	Performance Indicator	Target	Year End 2022/23	Year End 2021/22
Audit Plan	Achievement of the Annual Plan	Sufficient internal audit work in	Achieved	Achieved

		order that the Chief Internal Auditor can give their annual opinion		
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>	<ul style="list-style-type: none"> <li>• 4 days</li> <li>• 2 days</li> </ul>	<ul style="list-style-type: none"> <li>• 2 days</li> <li>• 2 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>	<ul style="list-style-type: none"> <li>• 17 days *</li> <li>• Largely met (as reported by tracker)</li> </ul>	<ul style="list-style-type: none"> <li>• 12 days *</li> <li>• Largely met (as reported by tracker)</li> </ul>
Continuous Professional Development (CPD)	Auditors maintain and improve their knowledge, skills, and other competencies through directed and self-directed activities.	40 hours of CPD activity per auditor	Achieved	Achieved

\* Internal Audit continues to work closely with Service Directors and Service Managers to ensure recommendations are owned and have realistic implementation dates. For more complex reports or wider reaching recommendations this will take time to finalise to ensure agreed action plans to correct weaknesses identified are right for Epping Forest and are realistic and achievable.

Internal Audit staff participate in Continuous Professional Development including keeping abreast of best professional practice. Members of the Internal Audit team participate in various networking groups including the Essex Audit Group, the Midland Audit Group, and the London Audit Group, where speakers on topical issues give presentations. There are also close working relationships with other councils.

**Resource Implications:**

Within the report

**Legal and Governance Implications:**

Within the report

**Safer, Cleaner and Greener Implications:**

No specific implications

**Consultation Undertaken:**

Corporate Governance Group

**Background Papers:**

NB: There are papers referred to in the preparation of the report which are not attached as appendices, but which are available for public or Councillor study.

Public Sector Internal Auditing Standards (PSIAS) 2017  
Accounts and Audit Regulations (England) 2015

**Risk Management:**

Internal Audit has a primary objective to provide an independent and objective opinion on the adequacy of the Council's control environment, including its governance and risk management arrangements. The audit reports referred to in this report assist managers to determine the adequacy and effectiveness of the arrangements in place in their services.

**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 as at March 2022	Proposed outline/ scope for 2022/23	Year End position	Status / Assurance
<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	Theme here is to review effectiveness of governance and oversight arrangements. Strategic Governance – Qualis Group (Qualis Property Solutions) Declarations of Interest – staff (not an audit)	Qualis Property Solutions KPIs and Payment Mechanisms: The SLA should be revisited to ensure that delivery of the service is in line with that agreed by the Council and that the expected benefits are being realised.  Staff declarations of interest: Internal Audit and Corporate Fraud is working with the Service Director Corporate Services to ensure there is a robust process to ensure any declaration of interests for staff are both captured and acted upon  Internal Audit (IA) is an active member of the Corporate Governance Group, which during the year has overseen progress against the Annual Governance Statement action plan, updated the Council’s anti-fraud and corruption strategy and reviewed the Local Code of Corporate Governance.	Qualis Property Solutions KPIs and Payment Mechanisms – limited assurance

Audit Area and Context	Corporate Risks as at March 2022	Proposed outline/ scope for 2022/23	Year End position	Status / Assurance
<p>Fraud, including proactive fraud work.</p> <p>Any loss through fraud is a drain on resources which, in turn, reduces the amounts available for service delivery.</p>	<p>Financial resilience features on the corporate risk register</p>	<p>Co-ordinating NFI (National Fraud Initiative) data matching, 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.</p> <p>Potential for fraud considered in all audits.</p>	<p>IA coordinated the submission with Corporate Fraud reviewing data matches arising from the 2022/23 NFI data matching exercise, in liaison with Licensing, Housing, Revenues and Benefits, Payroll, Council Tax and the Electoral Register</p> <p>During the year there have been four investigations undertaken jointly between Internal Audit and Corporate Fraud Team as detailed under contingency. Findings of these investigations have been fed back to the relevant manager and Service Director, as well as the Section 151 Officer.</p>	<p>Completed for 2022/23</p>

Audit Area and Context	Corporate Risks as at March 2022	Proposed outline/ scope for 2022/23	Year End position	Status / Assurance
Assurance Framework including Risk Management and support to Audit Committee	Risk in achieving corporate priorities	<p>Co-ordination of year-end assurance reporting, including the Annual Governance Statement.</p> <p>Assistance to the Risk Management Group who continue to develop and embed the Council's risk management framework.</p> <p>Support and training to the Audit Committee.</p>	<p>Internal Audit drove the annual Service Assurance Statement review each service undertakes regarding its own effectiveness of its governance, risk management and internal control arrangements. Findings and key themes or common issues were fed into the Annual Governance Statement.</p> <p>Internal Audit, in conjunction with the Insurance Officer, has been instrumental in developing the Council's risk management framework both strategically and operationally. This has led to training being provided by the Council's insurers and a revised risk register template and risk scoring mechanism.</p> <p>IA has provided training to the Audit Committee on their role and facilitated the Committee's effectiveness review.</p>	Completed for 2022/23

Audit Area and Context	Corporate Risks as at March 2022	Proposed outline/ scope for 2022/23	Year End position	Status / Assurance
<p>Information Management and Governance</p> <p>Data protection and security. Data sets, owners and protocols. Governance and data sharing. Training and awareness</p>	<p>Data/information features on the corporate risk register</p> <p>Breach of data protection and other legislation related risks which could lead to significant fines and reputational damage.</p>	<p>Continue to assist the Council's Data Protection Officer (DPO) and officer Strategic and Information Owners Assets Groups by providing assurance in targeted areas.</p>	<p>Internal Audit is actively involved in both the Strategic Information Governance Group (SIGG) and the operational Information Asset Owners Group (IAOG), feeding back to the Corporate Governance Group.</p> <p>Internal Audit resource is being used to help deliver the SIGG and IAOG work plans, including helping service areas update their Record of Processing Activities.</p>	<p>Completed for 2022/23</p>
<p>Performance Management</p> <p>Data integrity and quality (collection, collation, analysis and validation). Use of performance targets.</p>	<p>Risk of non-achievement of corporate priorities and lack of transparency</p>	<p>The suitability and integrity of Performance Indicators (PIs) is considered within operational audits.</p> <p>Corporate Performance Indicators (PIs) underperformance audit: Will look at in detail at those corporate PIs that regularly underperform to ensure the right PI is being used and is being calculated correctly before understanding the reasons for the underperformance and what is being done to address it.</p>	<p>Performance has been considered as part of the Council housebuilding, Section 106, and Qualis Property Solutions– Key Performance Indicators (KPIs) and Payment Mechanisms.</p> <p>Corporate performance Indicators: This audit has been deferred. The Council is moving away from PIs to Objectives and Key Results (OKRs) to measure achievement of the Corporate Plan 2023/24-2026/27 aims. It was too early to audit these.</p>	<p>Completed for 2022/23</p>

Audit Area and Context	Corporate Risks as at March 2022	Proposed outline/ scope for 2022/23	Year End position	Status / Assurance
<p>Value for Money (VfM)</p> <p>Guiding principle of the Council.</p>	<p>VfM helps the Council manage its corporate risk on financial resilience.</p>	<p>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.</p> <p>In addition, VfM is considered within operational audits in terms of 3Es (economy, efficiency, and effectiveness) and bench marking.</p> <p>In 2022/23 Internal Audit will use data analytics to undertake short sharp focussed projects starting with procurement and payments to build up expertise in the use of data analytics.</p>	<p>Scheme of delegation: Delegated authorities have been reviewed as part of the Council housebuilding and Qualis Property Solutions – Key Performance Indicators (KPIs) and Payment Mechanisms audits.</p> <p>Areas for improvement in terms of the 3Es (Effectiveness, Efficiency and Economy) identified in a number of audits including debtors, Section 106 Agreements, and Safes.</p> <p>Data analytics: IA used data analytics to examine a sample of contracts. Testing confirmed the Council's Procurement Rules had been adhered to in respect of the number of tenders obtained, the requirements in relation to local suppliers are met, tenders and contracts were appropriately authorised, and where necessary, waivers to the Procurement Rules are appropriate and properly reported.</p>	<p>Completed for 2022/23</p>

Audit Area and Context	Corporate Risks as at March 2022	Proposed outline/ scope for 2022/23	Year End position	Status / Assurance
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	Theme here is to ensure joint arrangements are working in the best interests for the Council with appropriate governance/monitoring arrangements in place.  Qualis Management audit	Qualis Property Solutions – Key Performance Indicators (KPIs) and Payment Mechanisms – as detailed earlier under governance	Qualis Property Solutions – Key Performance Indicators (KPIs) and Payment Mechanisms – limited assurance
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.	Time is set aside each year for Internal Audit to attend appropriate project meetings, as well as providing ad hoc advice and support. For 2022/23 this will include continued 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 builds on the initial review in 2021/22 with this more comprehensive audit in 2022/23 as the programme of work progresses.	Throughout the year Internal Audit has met with key officers to ensure sufficient overview of the new housing system and planning system projects to ensure there is adequate oversight of project progress, budgets, capacity and prioritisation with other projects.  Internal Audit is a member of the Portfolio and Steering Group that oversees all projects Chaired by the Section 151 Officer and meets monthly.  Council housebuilding: Progress of individual schemes is monitored against plans and through fortnightly meetings, and risks are detailed on a site-by-site basis. Oversight of the programme is ensured through the Council Housebuilding Cabinet Committee.	Council housebuilding – substantial assurance

Audit Area and Context	Corporate Risks as at March 2022	Proposed outline/ scope for 2022/23	Year End position	Status / Assurance
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.	<p>Internal Audit were involved in four investigations, relating to an agency worker, planning applications, vehicle repairs, and a stolen van. Findings of these investigations have been fed back to the relevant manager and Service Director, as well as the Section 151 Officer.</p> <p>Internal Audit has also undertaken a review of Right to Buy (RTB) conveyancing processes to ensure they have been properly carried out.</p> <p>And undertaken a review of agency staff to ensure there is appropriate oversight of agency workers and consultants procured by the Council. Data analysis has been used to gain insights into the roles covered by off-payroll workers and the length and cost of their employment.</p>	Completed for 2022/23

Audit Area and Context	Corporate Risks as at March 2022	Proposed outline/ scope for 2022/23	Year End position	Status / Assurance
<b>Themed/cross cutting audits</b>				
<p>Income Streams</p> <p>To ensure financial resilience the Council needs to protect and maximise its income streams</p>	<p>Finance resilience features on the corporate risk register</p>	<p>Each year a portion of Internal Audit work will focus on ensuring key income streams for the Council are maintained and adequately controlled.</p> <p>The commercial rents and leases audit is described in more detail later in this plan.</p>	<p>The commercial rents audit has been deferred to 2023/24.</p> <p>Instead, Internal Audit completed the 2021/22 sundry debtors audit as described below under Key Financial Controls.</p>	<p>Completed for 2022/23</p>
<p>Procurement</p> <p>Themed audits - compliance, vfm, fraud, goods and services. End to end processes (need, selection, appointment, contract management and exit strategies)</p>	<p>Risks include non-compliance with legislation, fraud and not achieving value for money.</p>	<p>Annually focus on an aspect of procurement which could range from need, selection, appointment, contract management and exit strategies.</p> <p>Linked with the vfm theme above data analytics will be used in 2022/23 to ensure compliance with Procurement Rules and Financial Regulations.</p>	<p>See data analytics work described earlier regarding tendering processes.</p> <p>Procurement of contractors was reviewed as part of the Council housebuilding audit.</p>	<p>Completed for 2022/23</p>
<p>Health &amp; Safety (H&amp;S)</p>	<p>Risk of compromising the health and safety of individuals and noncompliance with H&amp;S legislation leading to fines or imprisonment.</p>	<p>Working with the Strategic Safety Group, of which Internal Audit (IA) is a member, IA will map out the H&amp;S framework at the Council to identify where there are gaps in assurance provision so the group can develop a plan to address these.</p>	<p>Internal Audit visited both Oakwood Hill and the North Weald Airfield to examine Health and Safety practices for themselves. Officers were able to provide assurance that H&amp;S was being effectively managed, or they had action plans in place to address where there were deficiencies.</p>	<p>Completed for 2022/23</p>



Audit Area and Context	Corporate Risks as at March 2022	Proposed outline/ scope for 2022/23	Year End position	Status / Assurance
Business Continuity Planning (BCP)	Business continuity is on the corporate risk register	During 2022/23 Internal Audit will keep a watching brief over business continuity as the Council reinvigorates its approach to it during the year	Internal Audit attended the business continuity workshop where the refreshed business continuity plans were discussed and what good practice looks like.  Progress on refreshing the Council's business continuity arrangements has been monitored via the Corporate Governance Group.	Completed for 2022/23
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	Rolling programme of key financial control (KFC) audits. For 2022/23: <ul style="list-style-type: none"> <li>• Sundry Debtors</li> <li>• General Ledger</li> <li>• Cash and Banking</li> </ul>	Sundry Debtors: A new sundry debt system went live August 2021. The weaknesses identified at the start of the audit were addressed during the audit.  General Ledger: Not a formal audit, instead Internal Audit has provided advice as the finance section addresses known weaknesses.  Cash and banking: Cash collected at the Council's locations is reconciled and banked promptly.  Safes: This was an additional audit ensuring the Council holds an accurate record of safes, and assets held within them are fully insured.	Debtors – reasonable assurance  Safes – substantial assurance  Cash and banking – substantial assurance

Audit Area and Context	Corporate Risks as at March 2022	Proposed outline/ scope for 2022/23	Year End position	Status / Assurance
<p>IT Audits:</p> <p>IT Governance, IT Regulation, Security/Privacy, Business Systems, Disaster Recovery plan (DRP)/BCP, Network, Emerging Technologies e.g. mobile devices, IT Applications and Projects</p>	<p>Cyber security features on the corporate risk register</p> <p>Opportunity for IT to be an enabler for delivering the Council's priorities.</p>	<p>A specialist IT Auditor will be brought in as required for the more technical audits.</p> <p>In 2022/23 Internal Audit will assess the Council's cyber security framework especially for remote working.</p>	<p>Cyber security: The Council needs to be continually alert to developing cyber security risks. In recognition of the evolving risks, the ICT service will work in 2023 with the Essex Digital Partnership in considering the adoption of "Cyber Essentials+" standards across the Council. This accreditation and programme is promoted by the National Cyber Security Council (NCSC).</p>	<p>Cyber security – limited assurance</p>
<b>Operational/service level audits</b>				
<p>Economic and Partnerships includes:</p> <ul style="list-style-type: none"> <li>• Digital Gateway</li> <li>• Town Regeneration</li> <li>• Enterprise Zone Schemes</li> <li>• Sustainable Transport projects</li> <li>• Climate Emergency projects</li> </ul>	<p>Economic development and climate emergency feature on the corporate risk register</p>	<p>In 2022/23 focus on the actions being taken by the Council to address its climate emergency priority</p>	<p>Climate emergency: This has been deferred to allow time for the Council to review and evaluate progress against the Climate Action Plan.</p>	<p>No formal assurance work undertaken</p>

Audit Area and Context	Corporate Risks as at March 2022	Proposed outline/ scope for 2022/23	Year End position	Status / Assurance
<p>Contracts and Technical Services</p> <ul style="list-style-type: none"> <li>• Commercial</li> <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>	<p>These services help deliver the Council's three priorities: stronger council, stronger communities, and stronger place</p>	<p>Adherence to Procurement Rules (same audit as described under the Procurement theme above)</p> <p>The 2022/23 commercial rent and leases audit will ensure the Council is collecting the rent due to them and that lease agreements are being adhered.</p>	<p>See work detailed under Value for Money and data analytics regarding testing around the Council's Procurement Rules.</p> <p>Commercial rents and leases: This now forms part of the 2023/24 Plan.</p> <p>As part of the sundry debtors audit it was confirmed that commercial rent invoices are promptly and accurately issued. Work is ongoing around debt recovery.</p>	<p>Completed for 2022/23</p>
<p>Planning</p> <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>	<p>Local Plan and Delays in Issuing Planning permissions both feature on the corporate risk register.</p>	<p>IA will assess in 2022/23 the processes in place to deliver the Local Plan (assuming its adoption), in particular the effectiveness of Planning Performance Agreements (PPAs) and consider whether there is a joined-up process between planning and relevant corporate priorities such as Economic Development or climate change strategy</p>	<p>Local Plan delivery: This audit was not undertaken because the Local Plan had not been adopted.</p> <p>Section 106 agreements (carried forward from 2021/22): The Council has a robust policy framework for seeking Section 106 agreements and good processes to monitor these.</p> <p>In addition, planning processes have been examined as part of the investigation detailed under contingency.</p>	<p>Section 106 agreements – substantial assurance</p>

Audit Area and Context	Corporate Risks as at March 2022	Proposed outline/ scope for 2022/23	Year End position	Status / Assurance
Community and Wellbeing <ul style="list-style-type: none"> <li>• Homelessness and temporary accommodation</li> <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>	These services help deliver the Council's stronger communities priority	Working with the Corporate Fraud team, Internal Audit will examine in 2022/23 the community grant process to ensure legitimate community groups are using their grants for the purposes it was awarded.	Community Grants: This audit did not go ahead as planned as the Council has revised the number of grants it awards, reducing the risk of fraud.	No formal assurance work completed in 2022/23
HRA (Housing Revenue Account) <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>	These services support the Council's stronger place priority Housing capital features on the corporate risk register.	The Council housebuilding audit is a comprehensive review as the programme of work progresses.	Council housebuilding: Progress of individual schemes is monitored against plans and through fortnightly meetings, and risks are detailed on a site-by-site basis. Oversight of the programme is ensured through the Council Housebuilding Cabinet Committee	Council housebuilding – substantial assurance

Audit Area and Context	Corporate Risks as at March 2022	Proposed outline/ scope for 2022/23	Year End position	Status / Assurance
<p>Customer Services</p> <ul style="list-style-type: none"> <li>• Revenue and Benefits (covered under key financial controls)</li> <li>• Customer Services</li> <li>• Community data and insights</li> <li>• External communication</li> </ul>	<p>Welfare reform and financial resilience both feature on the corporate risk register</p>	<p>During 2022/23 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 should the need arise</p>	<p>All assurance work regarding the central government covid grants has been completed. This work confirmed the Council has implemented due diligence processes to provide assurance that claimants met the eligibility criteria, minimising the risk of fraud/error.</p> <p>Council Tax Energy Rebates: Internal Audit provided advice and guidance with regards to the Government's Council Tax Energy Rebates scheme and assistance was given to performing eligibility checks using the central government Spotlight verification tool.</p>	<p>Completed for 2022/23</p>

Audit Area and Context	Corporate Risks as at March 2022	Proposed outline/ scope for 2022/23	Year End position	Status / Assurance
<p>Corporate Services</p> <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>These services support the Council's stronger council priority</p>	<p>Many of the financial, business support and H&amp;S aspects are covered elsewhere in the plan.</p>	<p>See H&amp;S assurance mapping above (under H&amp;S)</p> <p>Feeder systems and business reconciliations (carried forward from 2021/22): At the time of audit reconciliations were not taking place as expected. On the whole, these are now in place.</p> <p>Town and Parish Council precepts - Internal Audit provided advice on the processes and controls for the payment of precepts.</p>	<p>Feeder system and reconciliations – limited assurance</p>
<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>Internal Audit work in these areas is captured earlier in this plan.</p>	<p>As described under projects, Internal Audit is a member of Portfolio and Steering Group and provides advice and good practice to officers they have seen elsewhere.</p>	<p>Completed for 2022/23</p>

Audit Area and Context	Corporate Risks as at March 2022	Proposed outline/ scope for 2022/23	Year End position	Status / Assurance
<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>	<p>Implementation of all recommendations continues to be scrutinised as part of the tracker process.</p> <p>Recommendations made in previous reports are routinely followed up when the audit is next undertaken, for example council house building and sundry debtors.</p>	<p>Completed for 2022/23</p>

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Appendix B - Audit Plan Monitoring 2022/23  
Year end position

	Service	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	High Priority Recs	Medium Priority Recs	Low Priority Recs
Section 106 Agreements	Planning Services	5	Final report	■	■	■	substantial	0	1	1
Council housebuilding	Housing & Property	15	Final report	■	■	■	substantial	0	1	1
KFC Debtors	Customer Services	15	Final report	■	■	■	reasonable	0	6	2
Cyber security	Corporate Services	10	Final report	■	■	■	limited	0	10	0
Feeder Systems and Business Reconciliations	Corporate Services	10	Final report	■	■	■	limited	4	2	0
Qualis Property Solutions - KPIs and Payment Mechanisms	Housing & Property	5	Final report	■	■	■	limited	2	6	1
Safes (new audit)	Corporate Services	10	Draft report	■	■		substantial			
KFC Cash and banking	Customer Services	15	Draft report	■	■		substantial			
Right to Buy Conveyancing (new audit)	Corporate Services	5	In progress	■						
Commercial rent and leases	Housing & Property	20	deferred							
Climate emergency action plan	Economic Development & Partnerships	12	deferred							
Qualis Commercial	Chief Executive	12	deferred							
Corporate KPIs (underperformance)	Strategy Delivery & Performance	15	deferred							
Delivery of the Local Plan	Planning Services	15	deferred							
Community Grants	Community Culture & Wellbeing	12	cancelled							
<b>TOTAL</b>								<b>6</b>	<b>26</b>	<b>5</b>

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Key  
c/f = carried forward  
KFC = Key Financial Controls  
KPIs = Key performance Indicators

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



**Epping Forest  
District Council**

**Date of meeting:** **27 July 2023**

**Portfolio:** **Leader of the Council**

**Subject:** **Corporate Fraud Team Annual Summary 2022/23**

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

**Democratic Services:**

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

- (1) That the Corporate Fraud Team Annual Summary for 2022/23 be noted.**

### **Executive Summary:**

This report summarises the key achievements of the Corporate Fraud Team for the year 2022/23

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

To note the Corporate Fraud Team Annual Summary for 2022/23

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

No other options

### **Introduction**

The Corporate Fraud Team (CFT) sits alongside the Internal Audit team and therefore both together support and contributes to the achievement of the Council's 2023-27 strategic objectives.

The purpose of the Corporate Fraud Team is to:

- Ensure that the Council has sufficient and appropriate resources on an ongoing basis to protect the delivery of its statutory duties and discretionary services from fraud, abuse, and corruption.
- Contribute to the commitment of keeping Council Tax low by preventing and detecting frauds which deliberately target and affect the Authority's tax base.
- Ensure as the Council continues with its culture of innovation it is not compromised by fraud as per the 2023-2027 plan.
- Provide independent and professional investigations into all aspects of fraud

affecting the Council, preventing fraud and abuse, and taking fair and consistent action against those committing offences.

- Support the Council’s anti-fraud culture and framework.
- Deliver a corporate anti-fraud service that is innovative, professional, and compliant with the relevant legislation.

This subsequently underpins the objectives of the 2023-27 strategic plan, particularly those focusing on a Stronger Council as shown below:

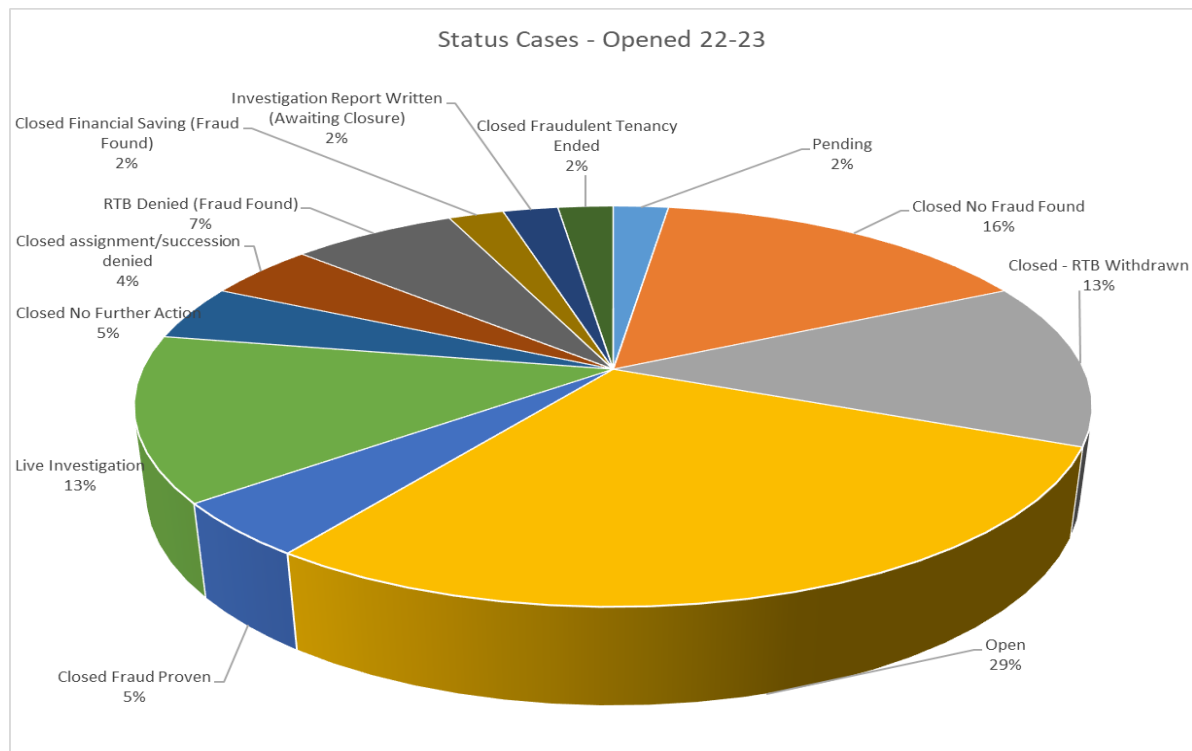
We will provide the highest standards of financial competence, management, and governance.

- Ensuring value for money in the use of resources and delivery of services
- Maintaining low Council Tax, embracing commercial opportunities, and achieving long-term financial sustainability
- Optimising decision making and risk management through strong governance and best practice
- Being accountable through transparent finance, governance and decision making

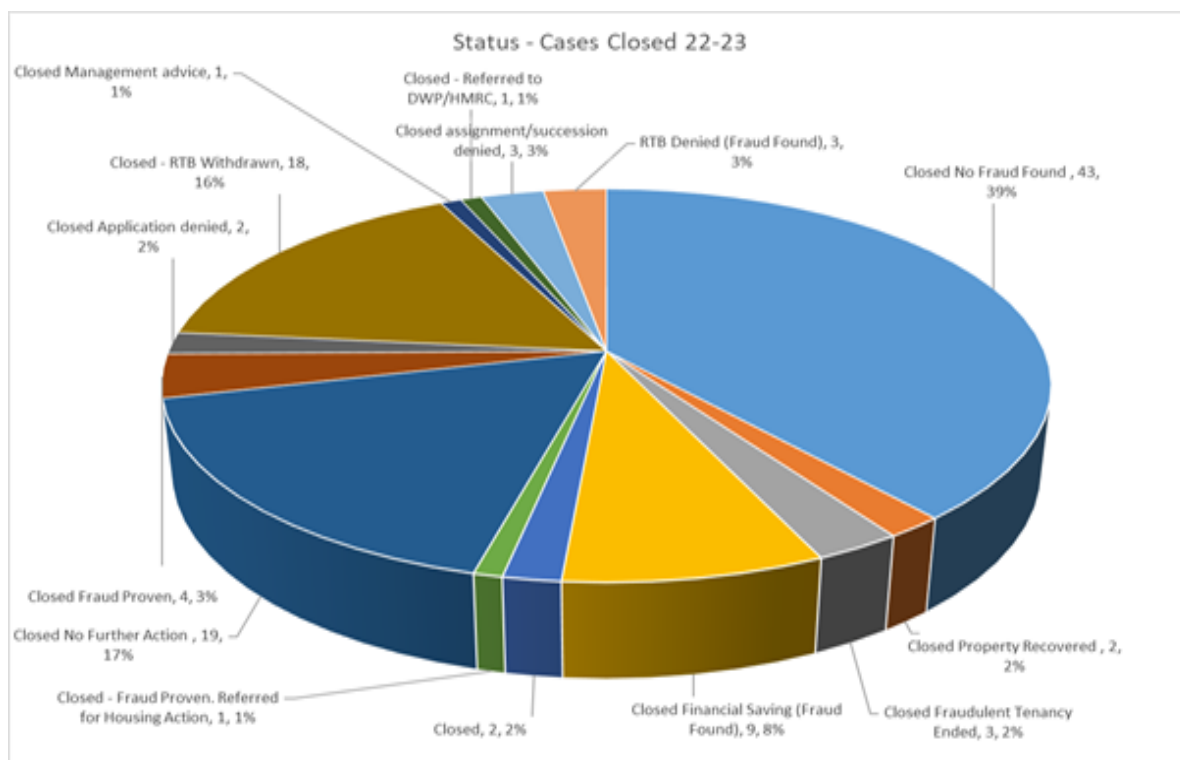
**General overview of 2022/23 activity**

During the period 1 April 2022 to 31 March 2023, 45 investigations were opened with 111 being closed. Below is a summary of the types of fraud these investigations focused on.

**Investigations opened 2022/23 by category:**



**Investigations closed 2022/23 by category:**



The implementation of a new fraud case management system in late 2021 has enabled the Team to customise the closure categories to reflect the outcome of each particular case more accurately, whereas the previous system was restricted to either “no fraud or fraud proven, giving little detail on initial viewing.

#### **Success rates:**

111 investigations were closed during 2022/23. Of these, 45 were closed as a form of fraud being detected and/or proven with the most success coming in the area of Social Housing Fraud (including Right to Buy Applications). As a percentage of case closures, these fraud proven cases account for 41% of them. This figure represents around an 4% increase over the previous year.

#### **Notable examples of types of fraud investigated during 2022/23**

##### **Right to Buy**

During the period, the usual policy of vetting 100% of Right to Buy applications continued. These applications are made to the Home Ownership Team from tenants wishing to purchase their property under the Right to Buy Scheme. As part of this ongoing commitment to positively vet these applications, all of the applicants were interviewed by officers of the Corporate Fraud Team either using video calls or in person by visiting their homes.

As a result of this involvement, a total of 22 Right to Buy applications have been stopped and/or withdrawn. A number of these applications have been identified as having issues which would impact on the property purchase going ahead being tenancy related issues (suspected subletting, not utilising it as their main or principal home etc.) or significant concerns over the origin of the funding giving rise to suspicions of money laundering.

One application was cancelled as investigations into their tenancy resulted in an evening

visit to the property by two Corporate Fraud officers who, instead of finding the tenant, were greeted by a family who asserted that they had been living at the property for around three years. This was verified with the co-operation of a number of neighbours who were able to substantiate the information. It was clear that our tenant had been subletting the property from around the time she had been allocated it and, in all probability, had never lived in it at all. The tenant was subsequently tracked down and the matter resolved by the Right to Buy (RTB) application being denied and the tenant surrendering the keys to the property.

Another RTB application was denied as a result of investigations that pointed towards the tenant having abandoned their EFDC property and moved to Norfolk. Numerous visits to the property were unsuccessful which prompted further enquiries to be made. It was established that the tenant had moved their child's school to one in Norfolk in October 2022. A visit was paid to our tenant at an address they were connected to in Norwich where they, their eldest child and a new born baby were living. This matter is subsequently part of ongoing legal process to recover our property.

As a result of these applications being stopped or withdrawn, approximately £2.1 million of potential Right to Buy discount has been saved by the Council (based on the revised maximum discount amount of £96,010).

As purchases did not go ahead on the 22 EFDC properties, these properties continue to remain as valuable public assets allowing the Council to potentially utilise them at a later date to house applicants from the waiting list. Furthermore, keeping them within the housing stock means that these properties continue to provide significant revenue streams in the form of on-going rent payments which have been calculated to be worth approximately £1.5 million to the Council.

### **Tenancy successions**

Working in conjunction with Housing Management, the Corporate Fraud Team operates a policy of undertaking enquiries on each application to succeed a tenancy (succession normally applies when a tenant dies). This is due to previous levels of fraudulent applications being high. Seven investigations were undertaken into successions during this period with three to be found fraudulent mainly in the aspect of the family member stating that they lived with the tenant prior to their death when in fact, this was found to be untrue. These three successions did not go ahead.

### **Internal investigations**

During 2022/23, the CFT have conducted a number of internal investigations to completion. One investigation was launched into a contractor working for EFDC when it was discovered by the Corporate Fraud Team that they had been subject to disciplinary proceedings by the governing body of their profession and had subsequently been suspended indefinitely by them. It became apparent that the contractor had failed to declare these matters to EFDC. The relevant line manager was duly informed, and the contractor's contract was immediately terminated. As a result of this, an audit is being undertaken by Internal Audit to ensure that there are no discrepancies in the area of work being performed whilst the contract was employed.

A number of these internal investigations are still ongoing at the time of this report and will be reported in due course.

### **Other work of the Corporate Fraud Team**

In addition, to the above:

- A CFT officer formed part of the Internal Audit data analytics group and their focus was on potential fraud regarding contracts. No evidence of fraud was found.
- The CFT have made themselves available to ICT in order to carry out retrieval action for any equipment that has not been returned by outgoing employees, contractors etc. During the period, around three interventions have been undertaken on behalf of ICT resulting in the successful return of valuable IT assets including the internal investigation mentioned earlier.
- The team is continuing to provide training and advice to departments within EFDC and external organisations. During the year, CFT officers have provided external training and advice to staff of other councils.

### **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.

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



**Epping Forest  
District Council**

**Date of meeting:** 27 July 2023

**Portfolio:** Leader of the Council

**Subject:** Corporate Fraud Team Plan 2023 / 24

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

**Democratic Services:**

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

- (1) The Corporate Fraud Team Plan for 2023/24 be approved.

### **Executive Summary:**

This report sets out to members the focus and approach of the Corporate Fraud Team for the year 2023 /24.

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

To approve the Corporate Fraud Team's Plan for 2023/24 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 (Epping Forest District Council), 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 2023/24 period along with some longer term aims.
3. The Corporate Fraud Team sits alongside the Internal Audit team and therefore both supports and contributes to the achievement of the Council's 2023-27 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 Plan is to document the Corporate Fraud Team's approach to:
  - Providing 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**

This strategy is indicative of the CFT's priorities for the forthcoming year, however it 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 plan sets out the main focus of work that will be undertaken by the team during the period 2023/24 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 a recognised area of high success since its inception in 2014, the process of vetting 100% of Right to Buy Applications will continue into 2023/24 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 working closely with colleagues in Revenues with ongoing proactive processes 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 has historically yielded good results and resulted in several cases whereby previously uncollected revenue has / is being recovered.
- 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. Regular meetings are held between the Housing and CFT management.
- The ongoing process of engaging other key stakeholders across the Council will continue in order to raise awareness and encourage the reporting of suspicions. 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.
- Following successful involvement in one of the webcasts arranged by Housing Services, 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 last year however due to the Covid 19 situation, no public or face to face meetings have been possible. These restrictions have now been lifted and along with the proliferation and success of online video conferencing, the CFT will be actively exploring attendance at community group meetings, resident association meetings etc. with a view to forging ongoing links within the community and as a useful vehicle for undertaking the research needed for new advertising campaigns.

### **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. 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 plans to undertake the following areas of work in the forthcoming year:

### **National Fraud Initiative (NFI) Exercise**

The NFI exercise has formed a fundamental staple of the work programme for the fraud team and will continue to be so going forward into the next year. 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 The People Teams as well as other local authorities and public-sector organisations to review these data matches and undertake any resulting investigations as appropriate.

### **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.

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**

The Corporate Fraud Team are expected 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.

### **Longer Term Projects**

Several longer-term projects are currently continuing into 2023/24 and beyond. These include:

- Consultation is ongoing with The People Team (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 previously mentioned, collaborative work between the Corporate Fraud Team and Internal Audit into specific areas of identified risk has already begun developing and utilising data mining/matching techniques into areas that are not covered by currently used data matching tools. This is designed to be a long-term project to be included as an annual part of the CFT/IA work programme(s).
- 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, including the introduction of an online Tenancy Succession application form (joint project with the Neighbourhoods team) as well as some revisions to the Right to Buy documentation.

### **Resources**

The Corporate Fraud Team consists of a Corporate Fraud Team Manager and one investigator (both full time) reporting to the Chief Internal Auditor. Both are fully qualified and accredited Counter Fraud Specialists with experience of criminal investigation work across the public and private sectors.

During 2022/23 the team consisted of the Corporate Fraud Team Manager and three investigators (all full time). In March 2023, as part of the Council’s efficiency savings, two of the investigators were made redundant. This will ultimately impact the amount of work the Corporate Fraud Team can achieve in 2023/24. However, to mitigate this, adjustments are being made looking at areas of work prioritisation, ensuring the best use of resources and introducing different methods of assessing work such as intelligence-based investigation and risk assessing each referral the team receives.

### **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.

## Report to the Audit and Governance Committee



**Epping Forest  
District Council**

***Date of meeting:***                      ***27 July 2023***

**Portfolio:**                              **Leader of the Council**

**Subject:**                                **Annual Governance Statement 2022/23**

**Responsible Officer:**                      **Andrew Small (01992 564278).**

**Democratic Services Officer:**

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

- (1) The Committee reviews and comments on the draft Annual Governance Statement for 2022/23**

### **Executive Summary:**

The Council's Statutory Statement of Accounts have to be prepared in accordance with the Accounts and Audit Regulations 2015. Within the Regulations, and in accordance with defined 'proper practice', there is a mandatory requirement to publish an Annual Governance Statement (AGS).

The production of an AGS enables the Council to use the review process positively and proactively to deliver assurance about governance arrangements within the Council to stakeholders, and to develop better arrangements where the review finds areas in need of improvement. The process involves a comparison of achievements against the principles set out in the Council's Local Code of Governance and supports an intention and commitment to provide good governance.

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

Although the AGS is not subject to audit by the external auditors, it is a public document and auditors form a view of governance arrangements by comparing statements with their accumulated knowledge of systems and controls. Any significant differences between the two are likely to raise questions about the Council's willingness to acknowledge and address problem areas.

Approval of the AGS should be at a corporate level and should be confirmed by the most senior Officer and Councillor signing the Statement on behalf of the Council. It is good practice for the Council to review and approve the AGS separately from the accounts, as proposed in this report, as this helps to ensure its robustness and reinforce its corporate standing. As the AGS is published, it is an opportunity to demonstrate that the Council is self-aware and has set a transparent agenda for improvement.

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

No other options.

## Report:

### Background

1. The CIPFA/SOLACE document Delivering Good Governance in Local Government Framework (2016) defines the principles that should underpin the governance of each local government organisation and has been followed in preparing the AGS. In accordance with good practice the governance statement has included the following information:
  - (a) an acknowledgement of responsibility for ensuring there is a sound system of governance.
  - (b) an indication of the level of assurance that the systems and processes that comprise the Authority's governance can provide.
  - (c) a brief description of the key elements of the governance framework, including reference to group or partnership activities where those activities are significant.
  - (d) a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements; and
  - (e) an outline of the actions taken, or proposed, to deal with significant governance Issues.
2. The Council must review its systems of internal control and governance annually and assure itself that its internal control environment is effective. Various sources of assurance are relied upon to enable the preparation of the AGS. These include:
  - work of the internal auditors
  - work carried out by the external auditors
  - reports from other review agencies and inspectorates (if applicable).
3. The AGS is derived partly from detailed reviews by all Directors of the effectiveness of the governance arrangements operating within their service areas, by reference to a detailed checklist incorporating the key elements within the Local Code of Governance. As part of this process Directors have considered available evidence to demonstrate that these governance systems and processes are working effectively and as intended. All Directors have provided assurance statements indicating the level of assurance that can be placed on the effectiveness of key controls operating at service level. These statements are intended to be a balanced representation of the arrangements in place during the year, and to highlight those areas where improvement is required. Significant issues are commented upon in the Governance Statement.
4. Internal Audit focuses its work on providing an independent and objective opinion on the Council's internal controls and submits an annual report and quarterly monitoring reports to this Committee, where significant audit findings and improvement areas are highlighted. The Chief Internal Auditor is required to include in the annual audit report an opinion on the overall adequacy and effectiveness of the Council's internal control environment, drawing attention to any issues that are relevant to the preparation of the Governance Statement. The annual audit report for 2022/23 forms part of the June 2023 agenda of the Audit and Governance Committee
5. The AGS covers all significant corporate systems, processes, and controls, spanning the whole range of the Council's services, including those designed to ensure that:
  - the Council's policies are implemented in practice



- high quality services are delivered efficiently and effectively
  - the Council's values and ethical standards are met
  - laws and regulations are complied with
  - required processes are adhered to
  - financial statements and other published performance information is accurate and reliable
  - human, financial, environmental, and other resources are managed efficiently and effectively
6. The AGS is required to disclose any governance issues which may impact on the Council being able to achieve its corporate objectives. These are set out towards the end of the AGS, together with proposed actions to address these concerns and improve performance.
  7. Preparation of the AGS has been managed by the Council's Corporate Governance Group, and a draft of the AGS was considered by them. This Corporate Governance Group will continue to monitor the actions set out in the AGS, along with other work that is relevant to governance. This will include, but is not limited to, managing the audit recommendation tracker, and reviewing progress with risk and performance management.
  8. The AGS should be produced at the same time as the draft accounts and needs to be up to date at the time of publication. A draft AGS is presented to the Committee for their review and comment, however, the final (signed) version will come back to the Committee with the draft accounts. This will ensure it will account for (if appropriate) any significant event that affects the assessment of the Council's governance arrangements that might occur from April 2023 onwards.

**Resource Implications:**

From existing resources.

**Legal and Governance Implications:**

Completion and approval of the Annual Governance Statement is required by the Accounts and Audit (England) Regulations 2015.

**Safer, Cleaner and Greener Implications:**

No specific implications.

**Consultation Undertaken:**

Corporate Governance Group and Directors.

**Background Papers:**

The following papers referred to in the preparation of the report are not attached as appendices but are available for public or Councillor study:

Accounts and Audit (England) Regulations 2015  
 Delivering Good Governance in Local Government (Framework and Guidance Note for English Authorities) CIPFA/SOLACE (2016 Edition)

**Risk Management:**

The risk management arrangements that the Council has in place are a fundamental element of the assurance framework and the AGS is based extensively on these. However, despite the work undertaken, the Council's review of its internal control and governance environment may not identify all of the internal control issues that exist.

**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 2 to the report.

# DRAFT Annual Governance Statement 2022/23

## 1. Scope of Responsibility

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

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

The Council has approved and adopted a Local Code of Governance (last reviewed November 2022), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Councils Constitution. A copy of the Code is on our website at [www.eppingforestdc.gov.uk](http://www.eppingforestdc.gov.uk). The code is aligned to the 2016 edition of the CIPFA/SOLACE framework.

This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 6(1) of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement (AGS).

## 2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. It is also responsible for evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Council's Code of Governance recognises that effective governance is achieved through the following seven CIPFA/SOLACE principles.

- (i) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- (ii) Ensuring openness and comprehensive stakeholder engagement.
- (iii) Defining outcomes in terms of sustainable economic, social and environmental benefits.

- (iv) Determining the interventions necessary to optimise the achievement of intended outcomes.
- (v) Developing the Council's capacity, including the capability of its leadership and the individuals within it.
- (vi) Managing risks and performance through robust internal control and strong public financial management; and
- (vii) Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

It is important the Council can demonstrate that its Annual Governance Statement is aligned with its Local Code and the seven CIPFA/SOLACE principles and this is set out in Appendix 1.

The table below summarises the Council's Governance Framework (which includes the system of internal control) for the year ending 31 March 2023 and up to the date of approval of this Statement and the Statement of Accounts.

No.	The Governance Framework
	The key elements of the Council's governance arrangements for 2022/23 were:
1	The Corporate Plan covering 2018-2023, setting out the Council's priorities and defining the goals to be achieved (a new Corporate Plan has been agreed covering 2023-2027)
2	The Constitution, which is revised each year: <ul style="list-style-type: none"> <li>2.1 sets out the Council's decision-making framework.</li> <li>2.2 gives a clear definition of the roles and responsibilities of members, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer)</li> <li>2.3 includes a Scheme of Delegation of responsibility, Financial Regulations and Procurement Rules; and</li> <li>2.4 defines Codes of Conduct for members and officers, and a Protocol for how the two work together.</li> </ul>
3	The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios. The Council's Local Code of Governance was reviewed and approved by the Audit and Governance Committee November 2022.
4	There are three Select Committees to cover the Council's corporate ambitions being Stronger Communities, Stronger Place and Stronger Council. In addition, Task and Finish Panels undertake specific reviews and there is a co-ordinating Overview and Scrutiny Committee.
5	A Standards Committee
6	An Audit and Governance Committee

No.	<b>The Governance Framework (cont.)</b>
7	<i>An Executive Management Team consisting of the Chief Executive, Strategic Director, and Chief Operating Officer. The Chief Executive as Head of Paid Service is supported by the Council's Monitoring Officer and Section 151 Officer. It should be noted that since 01 April 2023 the Section 151 Officer (and his deputy) are covering both Epping Forest District Council and Colchester City Council as part of the move towards the expansion of shared services, and potential devolution within Essex.</i>
8	<i>A Corporate Governance Group consisting of the Chief Executive, Section 151 Officer, Monitoring Officer, the Chief Internal Auditor, and other senior officers as required depending on the agenda, meeting monthly.</i>
9	<i>A Corporate Risk Strategy, which was overseen by a Risk Management Group meeting quarterly. The Council's risk management framework was revised during the year. The Risk Management Group has been disbanded and is now overseen by the Senior Leadership Team on at least a quarterly basis.</i>
10	<i>A standard committee report format that includes specific consideration of all legal, financial, professional, technical, risk management and equalities implications</i>
11	<i>A Medium-Term Financial Plan which informs service planning and budget setting, and a Finance and Performance Management Cabinet Committee that meets regularly.</i>
12	<i>A Comments, Compliments, and Complaints procedure</i>
13	<i>A risk-based approach to Internal Audit, emphasising the need for sound control, governance and risk management arrangements.</i>
14	<i>A robust Whistle Blowing Policy and process (reviewed and last updated November 2022) along with an Anti-Fraud and Corruption Strategy (which was reviewed and approved by the Audit and Governance Committee in November 2022) outlining the Council's zero tolerance approach to fraud and corruption and include anti-bribery and anti-money laundering policies.</i>

### 3. Review of Effectiveness

The Council is responsible for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the various sources noted below and concludes that the arrangements continue to be regarded as fit for purpose in accordance with the Council's governance framework:

- i. The Chief Executive and Service Director governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively, including the Council's relationship with its subsidiary company, Qualis.
- ii. Documentary evidence of processes, procedures, and standards
- iii. A Corporate Fraud Team, which supports the Council's counter fraud and corruption framework in taking action to prevent, detect and investigate fraud.

- iv. The Chief Internal Auditor’s annual opinion on the Council’s control environment, delivered to the Audit and Governance Committee, as the body charged with governance. Audit reports issued along with the assurance ratings of, substantial, moderate, limited or no assurance, on the adequacy and effectiveness of the Council’s control environment, including key financial systems.
- v. The work undertaken by the External Auditor and reported, including their “Communication with those Charged with Governance” (ISA260); and
- vi. Significant governance issues from previous years and from 2022/23.

#### **4. Overall opinion of Epping Forest District Council’s Governance Arrangements**

This AGS demonstrates that the Council has sound governance arrangements in place which continued to work well in practice for the 2022/23 financial year. However, the Council is not complacent and areas for improvement or development are detailed in Section 5.

The Corporate Governance Group has undertaken an assessment of the arrangements for governance during 2022/23 including a review of the assurance checklists and statements submitted by managers. It has concluded that arrangements are fit for purpose and working effectively, and this has been endorsed by the SLT (Senior Leadership Team). As a result of this assessment, a small number of other governance issues have been identified to further strengthen arrangements, as detailed in Table 2 below.

#### **5. Significant Governance Issues**

This final part of the Annual Governance Statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues or risks. The Council’s Corporate Governance Group, which monitors and reviews the corporate governance framework, has ensured that issues raised in the previous AGS have been addressed as detailed in Table 1.

**Table 1: Progress on significant governance issues identified in the 2021/22 AGS**

No.	Significant issue identified in 2021/22 AGS	Action taken in 2022/23 to address the issue
1	<p><b>Economic Issues</b></p> <p>At the time of preparing the AGS in 2021/22, national and global events had led to a very volatile economic situation. Unprecedented increases in inflation compared to previous years were being seen and shortages of raw materials etc. was a problem globally. This had a direct impact on the Council in terms of potential cost increases including major works and projects. It was feared that the economic position could also lead to an increased demand for Council services.</p>	<p>The implications of the economic situation were monitored with mitigating strategies developed and implemented by the Senior Leadership Team.</p> <p>Key considerations featured in the reports presented to Cabinet, and in the development of the MTFP (Medium-Term Financial Plan) for 2023/24 and future years.</p>

No.	Significant issue identified in 2021/22 AGS (cont.)	Action taken in 2022/23 to address the issue
2	<p><b>Statement of Accounts</b></p> <p>It was reported in the 2021/22 AGS that, due to technical and resource issues (mainly with the External Auditor) there had been a delay in the final (audited) approval of the 2020/21 Accounts. Nationally, there was an ongoing issue with councils being unable to get their final accounts audited, which was having a knock on impact on the 2021/22 and 2022/23 Accounts.</p>	<p>The Council continued to work with its External Auditors to resolve the audit difficulties. The Audit and Governance Committee was kept informed on progress.</p> <p>At the time of preparing this (the 2022/23) AGS, the 2020/21 Accounts have yet to be signed off by the auditors, although audit work is at an advanced stage.</p>
3	<p><b>Financial Management Code</b></p> <p>2020/21 saw the introduction of CIPFA's Financial Management Code 2019. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management.</p>	<p>The planned compliance assessment – programmed for 2022/23 – has slipped into 2023/24. This is now programmed in for 2023/24.</p> <p>However, substantial progress has been made over the last three years in developing a resilient Finance function and addressing many of the underlying principles within the Code.</p>
<p><b><i>Common themes emerging from the 2021/22 Service Assurance Statements were:</i></b></p>		
4	<p><b>Business Continuity</b></p> <p>As the Council emerges from the Pandemic, there is a need to revisit and maintain Service Business Continuity Plans, as well as ensuring that staff are both aware of business continuity arrangements and are testing the plans.</p>	<p>A Business Continuity project is ongoing to review the Business Continuity Framework and processes. This is being overseen by the (officer) Corporate Governance Group.</p>
5	<p><b>Financial Regulations</b></p> <p>Financial Regulations were due to be reviewed in 2022/23. There was a consensus that officers would welcome guidance and training on the Council's Financial Regulations. There will be a joined-up approach between Finance, HR and Internal Audit to ensure this is both proportionate and targeted.</p>	<p>The review of Financial Regulations is now scheduled for 2023/24 to ensure that they are informed by the new Management Structure.</p>

In preparing this AGS and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement or require careful monitoring. These are set out in the table below, together with the steps to be taken to address them.

**Table 2: Areas for improvement or monitoring during 2023/24**

No.	Objective	Risk area/action plan for 2023/24
1	<p><b>Economic Issues</b></p> <p>At the time of preparing this (2022/23) AGS, economic volatility – both nationally and globally – continues, although there are some early signs of stability emerging with inflation beginning to settle down (CPI peaked at 11.1% in October 2022), with notable reductions in fuel and energy prices. Interest rates though continue to rise as the Government strives to further dampen inflation. This is having a direct impact on both the Council and Qualis, threatening the viability of a range of capital schemes.</p> <p>The economic situation is also proving challenging for the local community and is increasing the demand for Council services in some areas (e.g. Housing Benefits) as well exerting pressure on core Council funding streams such as Council Tax and Business Rates.</p>	<p>The implications continue to be monitored by SLT and feature as key considerations in the reports presented to Cabinet and in the development of the MTFP (Medium-Term Financial Plan) for 2024/25 and future years.</p> <p>This includes the Section 151 Officer's quarterly Qualis Monitoring Report to Cabinet.</p> <p>Frontline services – especially Revenues and Benefits – continue to prioritise and resource the delivery of the various support packages offered by the Government in response to public need (e.g. through various Energy schemes and rebates).</p>
2	<p><b>Statement of Accounts</b></p> <p>The delays with the audit of the Accounts reported in the 2021/22 AGS have worsened (nationally) in 2022/23, with the Government now actively considering a range of concerns raised from within the Local Government sector. Locally, the Council has an increasingly resilient Finance function, but a shortfall in External Audit resources has prevented the final sign off of the draft</p>	<p>The Council is continuing to work with its External Auditors to resolve the audit difficulties, and the Section 151 Officer is also accessing professional guidance and support available through professional networks, including the Essex Finance Officers Association (EFOA).</p> <p>The Audit and Governance Committee is being kept informed on progress.</p>



No.	Objective	Risk area/action plan for 2023/24
	<p>2020/21 Accounts and limited audit work has been undertaken on the draft 2021/22 Accounts. Concerns include potential accuracy of rolled forward balances in the 2022/23 Accounts.</p>	
3	<p><b>Financial Management Code</b></p> <p>The assessment has carried over from the 2021/22 AGS action plan, although further progress was made in addressing the underlying principles of the Code in 2022/23.</p>	<p>The Code assessment will now be undertaken in 2023/24 to ensure that the Council can demonstrate compliance with the Code. If there are any remaining deficiencies, an action plan will be developed to address these.</p>
4	<p><b>Income Recovery</b></p> <p>The Income Recovery functions require improvement, with the Council experiencing a range of interlinked financial pressures as a consequence of sub-optimal performance (leading to increased revenue costs through additional bad debt provisions and lower returns from funding incentives such as the Essex “Council Tax Sharing Agreement” – CTSA). The Sundry Debtors function has a substantial backlog of outstanding cases (exacerbated by the recent installation of a new IT system) and the Council experienced higher Local Tax Arrears than expected at the year end, due to a decline in both Council Tax and Business Rates collection performance in Quarter 4 of 2022/23.</p>	<p>Additional performance measures have been introduced in 2023/24 to more closely monitor and capture the Council’s progress in tackling a backlog in outstanding Sundry Debts. Additional resources are also being engaged within the Revenues function.</p> <p>Income collection and recovery systems – including performance – for both Local Tax and Sundry Debts is being explored and benchmarked as part of the shared services partnership with Braintree District Council and Colchester City Council.</p>
5	<p><b>Financial Regulations</b></p> <p>The review has carried over from the 2021/22 AGS action plan, with the delay partly as a consequence of ongoing delays to the introduction of the new</p>	<p>The review will now be undertaken in 2023/24.</p> <p>The updated Financial Regulations will be systematically rolled out in a structured way to ensure that they are suitably disseminated and clearly embedded within frontline service areas.</p>

No.	Objective	Risk area/action plan for 2023/24
	Management Structure.	
<i>Common themes emerging from the 2022/23 Service Assurance Statements were:</i>		
6	<b>Risk Management</b> Further work is required to develop and embed risk management processes.	Work undertaken in 2022/23 to refresh the Corporate Plan and to better align risk management processes will continue into 2023/24 driven by the Council's Senior Leadership Team.
7	<b>Business Continuity</b> A Business Continuity project has been ongoing during 2022/23 which has included providing relevant training to services so that they can develop their business continuity plans.	Business continuity arrangements will be strengthened through the completion of all Business Continuity Plans (corporate and service level) and these will be tested during 2023/24.

We propose to continue improving matters in the year ahead, in order to further enhance our governance arrangements. We are satisfied that these steps will address the need for any improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed .....

Signed .....

Date:

Date:

**Georgina Blakemore**

**Councillor Chris Whitbread**

**Chief Executive**

**Leader of the Council**

Appendix 1 Epping Forest Code of Governance

INTEGRITY	OPENNESS	VISION	OUTCOMES	CAPACITY & CAPABILITY	PERFORMANCE	ACCOUNTABILITY
Behave with integrity, demonstrating a strong commitment to ethical values and respect the rule of law.	Ensure openness and comprehensive stakeholder engagement	Define outcomes in terms of sustainable economic, social and environmental benefits	Determining the interventions necessary to optimise the achievement of intended outcomes	Develop the Council's capacity, including the capability of its leadership and the individuals within it.	Manage the Council's risk and performance through robust internal control and strong public financial management.	Implement good practice in transparency, reporting and audit to deliver effective accountability.
Examples supporting the Annual Governance Statement (AGS) 2022/23						
<p>Constitution sets out code of conduct for Members and staff.</p> <p>Regularly publicised whistleblowing policy. Zero tolerance to anti-fraud and corruption.</p> <p>Clear and transparent decision-making process. Section 151/Monitoring Officer part of report clearing process.</p> <p>Standards Committee</p>	<p>Published Freedom of Information and complaints/compliments scheme.</p> <p>Publicly available agenda and minutes of meetings.</p> <p>Monitoring and maintaining a record of partnerships.</p> <p>Member appointment to community organisations.</p> <p>Active consultation through the Council's Consultation policy and plan</p> <p>'Critical friend' challenge through the Council's scrutiny process.</p> <p>Revised and updated Code of Governance</p>	<p><b>2023-27</b> Corporate Plan which is supported by service/operational plans.</p> <p>Adopted Local Plan that supports the Council's vision.</p> <p>Decision making process that take into account these effects on its residents, paying due regard to the public sector equality duty.</p> <p>Providing fair access to Council services offered.</p> <p>Economic Development Strategy</p>	<p>Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance.</p> <p>Decision making processes that receive objective and rigorous involvement including involvement of the Monitoring and Section 151 Officers</p> <p>Anti-Fraud and Corruption strategy.</p>	<p>Revised People Strategy</p> <p>Established induction and training programme for existing and new Councillors.</p> <p>Process includes mentoring and training events.</p> <p>Induction process for staff, access to personal development appropriate to their roles. Formal Personal Development Review (PDR) for staff and access to health and wellbeing opportunities.</p>	<p>Risk management is an integral part of the council's activities and decision making.</p> <p>Framework updated during 2022/23</p> <p>Internal Audit function that provide assurance on governance, risk management and controls reporting to the Audit and Governance Committee</p> <p>Active corporate fraud team</p> <p>Medium Term Financial Plan.</p>	<p>Defined process to ensure reports for the public/stakeholders are fair, balanced, easily accessible and understandable.</p> <p>Reporting regularly on performance and on the use of resources.</p> <p>Processes to ensure external/internal audit recommendations are acted upon.</p> <p>Requirement for Service Directors to produce annual assurance statements which feed into the AGS</p>
An active Corporate Governance Group which takes charge of the Annual Governance Statement						

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



**Epping Forest  
District Council**

***Date of meeting: 27 July 2023***

**Portfolio:** Leader of the Council  
**Subject:** Internal Audit Monitoring Report June 2023  
**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 March to June 2023**

### **Executive Summary:**

This report updates Members on the work completed by Internal Audit and the Corporate Fraud Team since the March 2023 Audit and Governance Committee and provides the current position in relation to overdue recommendations.

### **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:**

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

- The audit plan for 202/23 is almost complete and sufficient work has been undertaken in order for the Chief Internal Auditor to give their annual report and assurance opinion which is reported elsewhere in the agenda. Progress is being made on the 2023/24 Audit Plan as detailed in Appendix 1.
- Two final reports have been issued since the Committee received its last update in March 2023.

#### **Council House Building (substantial assurance)**

There is a detailed schedule of schemes within phases to support the Council House Building Programme. The Council has appointed Airey Miller as their consultant and agent, and they provide detailed management reports on the schemes within each

phase.

Testing confirmed that individual schemes are adequately controlled through monitoring of progress against plans, contractors, and Clerk of Works reports and through fortnightly team meetings. Risks are detailed on a site-by-site basis within the Airey Miller management reports.

Oversight of the programme is ensured through the Council Housebuilding Cabinet Committee who have a defined Terms of Reference. This Committee or the Portfolio Holder approve scheme progression at key stages of the development process, although control can be enhanced if approval dates at each stage are logged. This will complement the logging of scheme progress at the technical level undertaken by Airey Miller.

A recommendation has been made to set a deadline to complete and approve the Council's Asset Management Strategy.

### **Qualis Property Solutions KPIs and Payment Mechanisms (limited assurance)**

A Service Level Agreement (SLA) sets out the pricing framework for housing repairs and voids works, and charges are raised in line with the agreement. Now that the company has been operating for a full two years, a review of Qualis Property Solutions should be undertaken to ensure that delivery of the service is in line with the SLA agreed by the Council and that the expected benefits are being realised.

Operationally, the contract is monitored through monthly Core Group meetings with high level oversight provided through director-level strategic meetings. To ensure such a substantial and complex contract is properly managed, the contract should be overseen by suitably trained staff with sufficient capacity to carry out the role effectively, with oversight provided by an officer with the appropriate seniority. Additionally, the relationship between the Council and Qualis Property Solutions could be improved through establishing additional, more informal, communication channels to help engender trust.

The existing Performance Indicators (PIs) should be reviewed and revised as necessary to provide a range of qualitative as well as quantitative measures, and the results be more robustly challenged by the Council, so the contract can be more effectively monitored. The methodology for applying service credits, which can be used if Qualis Property Solutions does not meet the agreed performance targets, should be agreed, and applied to provide better value for money for the Council and give Qualis Property Solutions the appropriate discipline in terms of the agreed service levels and charges.

Performance reports, including annual benchmarking results, should be presented to Overview and Scrutiny Committee and/or Stronger Communities Select Committee as part of their work programme to provide effective scrutiny and constructive challenge by Members.

Subsequent to the audit, the Council engaged Housemark to carry out an independent assessment of the housing repairs service performance delivered by Qualis Property Solutions. The findings of the review are consistent with those of this audit.

### **Recommendation Tracker**

3. 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.

- The current overdue tracker is shown at Appendix 2 and contains eleven medium and one low priority recommendations which have passed their due date. There are no high priority recommendations.

Table 1. Summary of tracker in June 2023

Recommendation type	Number (June 2023)	Number (March 2023)	Number (February 2023)	Number (November 2022)	Number (September 2022)	Number (June 2022)
High Priority not yet passed its due date	0	0	0	0	0	0
High Priority passed its due date	0	0	0	0	0	0
Medium Priority passed its due date	11	7	7	7	7	7
Low Priority passed its due date	1	1	1	0	1	1
<b>Total</b>	<b>12</b>	<b>8</b>	<b>8</b>	<b>7</b>	<b>8</b>	<b>8</b>

#### **Other Internal Audit activities**

- Internal Audit has continued to provide advice and guidance in several business areas:

**Service Assurance Statements:** Completed the annual service assurance exercise consulting with Directors and Service Managers as part of the annual governance process, to provide assurance to the Council and its stakeholders that good governance arrangements are in place. The results have been fed into the draft Annual Governance Statement which is elsewhere on the agenda.

**Risk Management:** Internal Audit continues to assist with the roll out of the new corporate risk management framework.

**Compliance with Procurement Rules:** Using data analytics, Internal Audit examined a sample of contracts and confirmed the Council's Procurement Rules had been adhered to in respect of the number of tenders obtained, the requirements in relation to local suppliers are met, tenders and contracts were appropriately authorised, and where necessary, waivers to the Procurement Rules are appropriate and properly reported.

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

- Two Right to Buy (RTB) applications have been stopped by the CFT or withdrawn following CFT contact. One applicant was visited by officers making further investigations into suspected false information and, following the meeting, the application was withdrawn. Further enquiries revealed that the tenant was not using the property as their main and principal home and living elsewhere. The tenant terminated their tenancy, and the property is in the process of being recovered.

7. A subletting investigation has resulted in a tenant terminating their tenancy when they were discovered living elsewhere. The property has been recovered and is in the process of being re-let.
8. Following investigations, one tenancy succession was prevented, and two Council Tax Single Person Discounts have been removed.
9. Work is ongoing in respect of the new data matches received from the National Fraud Initiative (NFI).
10. Two internal investigations are active and ongoing.

**Legal and Governance Implications:**

None

**Safer, Cleaner and Greener Implications:**

None

**Consultation Undertaken:**

Corporate Governance Group

**Background Papers:**

2022/23 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.



Appendix 1 - Audit Plan Monitoring 2023/24  
 Progress as at June 2023

	Service	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	High Priority Recs	Medium Priority Recs	Low Priority Recs
22/23 Right to Buy Conveyancing	Corporate Services	5	In progress	■						
IT Disaster Recovery	Corporate Services	10	In progress	■						
Qualis Commerical (c/f)	Chief Executive	12	Scoping							
KFC Housing rents and arrears	Housing & Property	15	Scoping							
Commercial rent and leases (c/f)	Housing & Property	20								
Public Interest Reports	Chief Executive	15								
Data analytics - contractor, consultants and agency staff	Corporate Services	10								
KFC Fixed Assets	Corporate Services	12								
Budgetary control	Corporate Services	15								
Housing - statutory H&S compliance	Housing & Property	12								
KFC Council Tax and Business Rates	Customer Services	15								
Tree strategy	Contracts and Technical	12								
Delivery of the Local Plan (c/f)	Planning	15								
Homelessness	Community Culture & Wellbeing	12								
<b>TOTAL</b>										

KFC = key financial control  
 c/f = carried forward

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EFDC Internal Audit Recommendation Tracker (Overdue)

Last updated: 12 June 2023

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>Harlow Gilston Garden Town 2019/20 Issued July 2020</p> <p style="text-align: center;">Page 131</p>	1	<p>To clarify the accountability and extent of any liability of each partner in the HGGT a signed overarching agreement between the councils should be prepared. This will include a data sharing agreement. Arrangements regarding the recovery of costs incurred by the councils should be agreed by all parties and included in the agreement.</p>	Med	<p>Work is now well underway on the next steps to establish Combined Delivery Service following Board decision on 10 Feb 2020.</p> <p>Legal work is underway to clarify arrangements and delegations for the CDS</p> <p>Link to HIG delivery and governance</p>	<p>HGGT Director</p> <p>HGGT Project Manager</p> <p>HGGT Programme Manager</p>	<p>Political and corporate agreement to proposals – 31/03/21</p> <p>Shadow structures then up and running</p> <p>Formal decision making will need to follow the local election period – 30/09/21</p>	<p><del>31/03/22</del> <del>31/12/22</del> <del>31/03/23</del> 31/03/24</p>	<p><b>May 21:</b> HGGT Solicitors, Weightmans, are developing a partnership agreement between all the HGGT partners.</p> <p><b>Jul 21:</b> Lead Members and Lead Officers of all five Partner authorities are meeting to progress this.</p> <p><b>Sep/Oct 21:</b> An HGGT Governance Review Task and Finish Group has been established to take forward the formalisation of governance arrangements for HGGT. The Task and Finish Group agreed for further work to be undertaken towards the establishment of a Joint Committee.</p> <p><b>Jan 22:</b> Work to put in place a Joint Committee continues to progress. Given the scale and complexity of the work, the timescales have been pushed back and we are now looking for formal approval in summer 2022 and for operation of the Joint Committee to commence in September 2022. The Partner Councils will be taking a stage 1 sign-off report through their formal decision-making processes to seek agreement 'in principle'.</p> <p><b>Jun 22:</b> The stage 1 governance report was approved by all five Partner</p>	Overdue

**EFDC Internal Audit Recommendation Tracker (Overdue)**

Last updated: 12 June 2023

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 style="text-align: center;">Page 132</p>								<p>Councils and detailed work is progressing. It is anticipated that the Partnership will formally consult with Members in September 2022 with final draft proposals. An update report is being taken to the HGGT Board on 13 June 2022. The expectation is that the joint Committee will be formed and in place during 22/23. The establishment of the Joint Committee would include Inter Authority Agreements formally addressing cost and risk sharing.</p> <p><b>Aug 22:</b> A report setting out the legal Joint Delegations Framework will go to HGGT Board 13 Sept 2022. This will include a recommendation to return in Dec 22 with a Inter Authority Agreement formally addressing cost and risk sharing. Subject to approval by all five council partners, anticipate a go live to the Joint committee and IAA for start of municipal year 2023.</p> <p><b>Nov 22/Feb 23:</b> The HGGT Board endorsed the legal Joint Delegations Framework in Sept 2022. The Inter Authority Agreement formally addressing cost and risk sharing will go to the Board in Feb/March 2023 subject to agreement by the 5 Council</p>	

**EFDC Internal Audit Recommendation Tracker (Overdue)**

Last updated: 12 June 2023

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
Page 133								<p>partners on which local authority will be the Accountable Body for the partnership in the future. Subject to approval by all five council partners, anticipate a go live to the Joint committee and IAA in the municipal year 2023.</p> <p><b>Jun 23:</b> The HGGT Board endorsed the legal Joint Delegations Framework in Sept 2022. The Inter Authority Agreement formally addressing cost and risk sharing will now go to the Board in June 2023. Subject to approval by all five council partners through individual council processes, anticipate a go live to the Joint committee and IAA in the municipal year 2023/24.</p>	
<p><b>Key Financial Controls – Fixed Assets 2019/20</b> Issued November 2020</p>	3	<p>Detailed Fixed Asset financial procedures be drafted, and to include a section on year-end processes.</p>	Med	<p>Detailed financial procedures will be developed and documented alongside updated Financial Regulations.</p>	<p>Chief Financial Officer</p>	30/09/21	<p><del>31/08/22</del> <del>31/12/22</del> <del>31/03/23</del> 30/09/23</p>	<p><b>Nov 21/Feb 22:</b> A Senior Finance Business Partner has been appointed to cover HRA, Capital and Projects. The Capital role includes responsibility for the Fixed Asset Register (FAR). Processes are being reviewed as well as understanding how the CIPFA asset system works and how it feeds into the year-end processes.</p>	Overdue

**EFDC Internal Audit Recommendation Tracker (Overdue)**

Last updated: 12 June 2023

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 style="text-align: center;">Page 134</p>								<p><b>Jun 22:</b> Process notes will be compiled (including the roll forward of the FAR through to closedown). It will take time to do this and is dependent on how well the closedown goes.</p> <p><b>Aug/Nov 22/Feb 23:</b> Due to the late running 2020/21 audit, there was a substantial delay in getting clearance from the external auditors to roll forward the Fixed Asset Register into 2021/22. This led to a condensed timetable for preparing the 2021/22 Statement of Accounts and officers did not have to time to document the system at that point as planned (key content includes the roll forward process) and 'rough notes' were taken during the subsequent closedown process. The Capital team are now committed to completing the task in Quarter 3 (i.e. by 31st December 2022) when clearance is anticipated from the external auditors to roll forward the Fixed Asset Register from 2021/22 into 2022/23.</p> <p><b>Jun 23:</b> Work has started on the procedure notes. This is</p>	

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								included in 2023/24 Finance Service Plan.	
<p><b>Active Directory Management 2020/21</b> Issued December 2020</p> <p style="text-align: center;">Page 135</p>	9	All unsupported Windows Server 2008 servers should be promptly replaced or decommissioned with a target set to achieve this.	Med	Accepted. An external Project Manager will be appointed to manage the identification and replacement of all unsupported Windows servers.	Interim IT Service Manager	30/04/21	<del>31/07/21</del> <del>31/12/21</del> <del>31/01/22</del> <del>30/08/22</del> <del>31/12/22</del> 30/06/23	<p><b>Jun 21:</b> A project to assess the 2008 servers and produce a technical plan for migrating or rebuilding has been started.</p> <p><b>Sep 21:</b> A project is in flight with the IT company EACS. An initial review has been completed and currently agreeing statement of work.</p> <p><b>Nov 21/Jan 22:</b> Project agreed with supplier and ready to instigate. Still awaiting kick off date for work.</p> <p><b>Jun 22:</b> EACS are working through servers, although the work is moving slower than expected.</p> <p><b>Aug 22:</b> Work is progressing. The status of servers is as follows:</p> <ul style="list-style-type: none"> <li>• Ten complete</li> <li>• Six in flight</li> <li>• Eight being clarified</li> </ul> <p><b>Nov 22:</b> EACS have assisted with the upgrade of servers which has proven to be time consuming for EFDC to implement. A group of servers remain that are dependent upon moving to the cloud (links to the Azure project which is undergoing</p>	Overdue

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Page 136								<p>an End Stage Assessment). The likely solution will be to firewall off the remaining 12 servers. The current deadline of December may be under threat depending upon the findings of the PSN audit.</p> <p><b>Feb 23:</b> A further two servers have been replaced and progress is being made on the remaining ones.</p> <p><b>Jun 23:</b> Work is continuing, and the remaining five servers will be decommissioned by 30 June 2023.</p>	
	<p><b>Accounts Payable 2020/21</b> Issued May 2021</p>	1	<p>Financial Regulations are formally reviewed, updated, and approved. Once approved the new Financial Regulations be made available to all staff electronically and staff notified of the key changes.</p>	Med	<p>This will be actioned after the implementation of the new Corporate Finance function, which will impact on some of the details within Financial Regulations.</p>	<p>Chief Financial Officer and Deputy S151 Officer.</p>	31/03/22	<p>31/03/23 31/03/24</p>	<p><b>Jun/Aug/Nov 22/Feb 23:</b> The new Corporate Finance function has recently been Implemented, although a further – relatively short – pause has been introduced pending completion of the ongoing service structure review, to ensure that the updated Financial Regulations accurately reflect the Council’s future financial governance needs in the light of any amendments to wider financial procedure (if applicable).</p> <p><b>Jun 23:</b> This will be carried out during 2023/24.</p>



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<p><b>Gas Safety</b> Issued August 2021</p>	<p>1</p>	<p>1. Update and finalise the Gas Safety Policy, ensuring the policy is reviewed and updated on a regular (annual) basis in line with current Gas Safety legislation.</p> <p>2. Review other council's Gas Safety Policy's and adopt best practice, e.g. including details on governance and assurance (i.e. monitoring of gas safety compliance, roles and responsibilities and key performance indicators) and equality and diversity considerations</p> <p>3. Publish the Gas Safety Policy on the Council's website</p> <p>4. Notify key officers of the update Gas Safety Policy ensuring they are kept informed of changes in the policy and gas safety legislation and save the policy on the</p>	<p>Med</p>	<p>Agreed</p>	<p>Head of Asset Strategy</p>	<p>30/09/21</p>	<p><del>31/12/21</del> <del>31/03/22</del> <del>31/12/22</del> <del>31/03/23</del> 31/12/23</p>	<p><b>Oct 21/Jan 22:</b> Revision of the policy has not yet been completed due to competing priorities. The existing policy is in line with Gas Safety legislation and is being updated to reflect current council procedures and best practice. Once finalised and approved it will be communicated to relevant staff and published on the Council's website.</p> <p><b>Jun 22:</b></p> <p>1. Policy has been reviewed but now needs to be reviewed again largely because the contract is now being run by Qualis Management and we need to ensure that the details match what has been agreed with Qualis in contract meetings.</p> <p>2. Key performance indicators have been re-assessed in line with both EFDC/Qualis management requirements. Agreed KPIs will be submitted as part of a change control note for amendment on the SLA with Qualis. Once the change control has been signed off, we will make the changes to the policy.</p> <p>3. This forms part of a larger piece of work that housing</p>	<p>Overdue</p>

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<p style="text-align: center;">Page 138</p>		<p>Council’s network that is accessible to key officers.</p>						<p>and property are starting in order to publicise all safety information to residents. Key stakeholders to the Gas servicing contract and policy have been involved in the transfer and mobilisation of service form the old contractor to Qualis. This information is communicated through regular meetings.</p> <p><b>Sept/Nov 22/Feb 23:</b> The existing policy is still relevant and aligns with the regulations. As part of a larger piece of work with a consultant (Pennington’s Choices) the policy and procedures for all compliance items (including gas) will be reviewed. Policy changes will be communicated electronically to all stakeholders and stored on the Council’s intranet.</p> <p><b>Jun 23:</b> Draft Policy produced by Pennington Choices (specialist consultant) being worked towards by teams. Gas and compliance more broadly is the focus of attention and the Policy will be taken through the Council governance framework over coming months for formal adoption.</p>	

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								Responsibility for gas servicing rests with Qualis and has oversight from the Interim Director of Housing and Property plus, Interim Head of Asset Management.  Monthly CORE meetings between lead Officers for EFDC and Qualis are in place with documented records.	
<b>Procurement and Contract</b> Issued January 2022 Page 139	3	(a) Procurement Rules are revised to clarify that the Procurement team should be notified before officer's sign contracts on behalf of the Council.  (b) The introduction of monitoring processes by marketplace contract expenditure reports and supplier expenditure reports from the general ledger would highlight high value expenditure by supplier. This would also ensure that the Procurement and Contract team is aware of the Council's signed contracts and that purchase orders are	Med	Amendments to the Rules can take some time to implement due to the Governance process.  Provided access to the appropriate systems is provided, the Team will perform periodic checks (bi-annual or quarterly) to look for anomalies or high value spend, as long as resource is available within the team.	Team Manager – Procurement and Contract Management	31/03/23	31/03/24	<b>Jun 23:</b> (a) This change has not yet been made. The Rules were only changed in January 2022 and therefore more time is needed to formally review and amend Procurement Rules. (b) Procurement and Contract Development Team have used Marketplace reports to attempt to identify high value spends that require contracts and ensure they are in place. Enquiries have been made to gain access to Business Objects to obtain more accurate supplier expenditure information, however, the request has not yet been actioned.	Overdue

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		raised contract extensions.							
Treasury Management Issued May 2022 Page 140	1	Treasury Management risks and the associated control framework are detailed within the Finance Risk Register or a separate Treasury Management Risk Register. The risk and mitigating controls be linked to the CIPFA Treasury Management practice notes. Risks need to include the absence of adequate business continuity planning arrangements.	Med	The absence of a Service Risk Register reflects the Council's current Risk Management Framework and is consistent with other services. The recommendation is supported and, at the time of responding to this report, the Corporate Risk Management Working Group is considering a range of measures designed to strengthen current Risk Management arrangements; especially the management of operational risk and is likely to recommend the widespread introduction of Service Risk Registers.	Chief Financial Officer and Deputy S151 Officer & Principal Accountant.	31/12/2022	30/06/23	<b>Feb/Jun 23:</b> Risk management training by Zurich was rolled out corporately in February 2023. Following this service risk registers are being developed. Treasury management risks will be included in the finance risk register.	Overdue
Treasury Management Issued May 2022	2	The Treasury Management procedure notes developed by the Senior Accountant are expanded to detail how operational arrangements address the CIPFA	Low	Recognition of the recent progress made with systems documentation is welcomed. The full rollout of the 2021 Treasury Management Code (effective from 2023/24) will include bringing Treasury Management systems documentation	Chief Financial Officer and Deputy S151 Officer & Principal Accountant.	31/12/2022	31/03/23	<b>Feb 23:</b> Operational procedure notes will be developed to coincide with the full rollout of the 2021 Treasury Management Code. <b>Jun 23:</b> This is included in 2023/24 Finance Service Plan.	Overdue

## EFDC Internal Audit Recommendation Tracker (Overdue)

Last updated: 12 June 2023

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		Code Treasury Management Practice notes at the operational level.		more overtly into line with the updated Treasury Management Practice Notes. Implementation Date					
<b>Cyber Security</b> Issued November 2022	4	The scope of annual external penetration tests should be expanded to include all 3rd party cloud hosted applications.	Med	Accepted. PSN security testing covers the corporate website. Independent testing to be organised.	ICT Infrastructure & Compliance Manager	31/03/2023	30/06/23	<b>Jun 23:</b> Work has started on this and is partly completed.	Overdue
<b>Cyber Security</b> Issued November 2022	5	The 'Password Not Required' field should be set to FALSE across all Council Active Directory accounts	Med	Accepted. Work in progress to address this issue.	ICT Infrastructure & Compliance Manager	31/03/2023	30/06/23	<b>Jun 23:</b> A report has been created and is being actioned.	Overdue
<b>Cyber Security</b> Issued November 2022	7	All unsupported WatchGuard firewall appliances should be promptly decommissioned and replaced.	Med	Accepted. A list has been created of all firewalls that needs replacing. These will be included in the replacement programme. IT is obtaining quotes for cost of replacement hardware.	ICT Infrastructure & Compliance Manager	31/03/2023	30/06/23	<b>Jun 23:</b> Firewalls are being replaced. Evaluating at present due to Azure & decommissioning of servers.	Overdue
<b>Cyber Security</b> Issued November 2022	9	All unencrypted network services should be promptly disabled. Firewall rules should be subject to quarterly review and all	Med	Accepted. Review and validation of firewall rules in progress.	ICT Infrastructure & Compliance Manager	31/03/2023	30/06/23	<b>Jun 23:</b> Consultation exercise within ICT to determine which rules we could remove. Uncertain rules were disabled & monitored.  <ul style="list-style-type: none"> <li>Advised one of the FTP rules was required. ICT</li> </ul>	Overdue

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		inactive or unused rules disabled.						disabled the other rules but these all impacted service and had to be reinstated. <ul style="list-style-type: none"> <li>• SMTP rules - we disabled the rules but these all impacted service and had to be reinstated.</li> <li>• GCSX rules were removed from the firewall.</li> <li>• Telnet rule has been disabled and we are not aware as yet of any impacts to service.</li> </ul>	

## Report to the Audit & Governance Committee



**Epping Forest  
District Council**

**Date of meeting:** 27th July 2023

**Portfolio:** Finance, Qualis Client & Economic Development

**Subject:** Treasury Management Outturn 2022/23

**Responsible Officer:** Andrew Small (01992 564278)

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

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### Recommendations/Decisions Required:

- (1) To note the Treasury Management Outturn 2022/23 (**Appendix A**) and pass comment for full Council.

### Executive Summary:

The Council's Treasury Management Strategy (including Investment Strategy) for 2022/23 was considered at a meeting of the Audit and Governance Committee on 17th January 2022 and was subsequently agreed by full Council on 24th February 2022.

In accordance with CIPFA's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) and generally accepted good practice, the Treasury Management Outturn for 2022/23 (presented in **Appendix A**) sets out the Council's actual Treasury Management activity for 2022/23, including the year-end position contained in the Council's (draft) Statement of Accounts for 2022/23.

**Appendix A** begins by setting the external context for 2022/23 by exploring the Economic Background, Financial Markets and Credit Ratings; this includes the well-documented inflation spike and spiralling interest rates.

The Borrowing and Investment position for Epping Forest District Council as at 31st March 2023 shows the following:

- *Borrowing* – external borrowing marginally increased by £12.6 million (from £269.0 million to £281.6 million) during the period April 2022 to March 2023; and
- *Investments* – there was a decrease in investments of £4.6 million (from £18.7 million to £14.1 million) during the same period.

The CIPFA Code also covers all the financial assets of the Council, as well as other non-financial assets which the Council holds, primarily for financial return. This report therefore also considers the Council's Commercial Property Portfolio, which delivered Net Income of £8.447 million in 2022/23 and continues to be a key part of the Council's strategy to minimise Council Tax increases.

**Appendix A** concludes by considering compliance with the Council's adopted Treasury

Management indicators. Compliance was achieved in all areas.

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

To enable the robust scrutiny the Council's Treasury Management performance in 2022/23 in compliance with CIPFA's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) and generally accepted good practice.

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

The Local Government Act 2003 created a framework for the financing of capital investments in local authorities which came into operation from April 2004. Alongside this, the Prudential Code was developed by CIPFA as a professional Code of Practice to support local authority decision making in capital investment and financing. Local authorities are required by regulation to have regard to the Prudential Code.

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

None.

### **Background Papers:**

Treasury Management Strategy (including Investment Strategy) 2022/23 (Audit and Governance Committee, 17th January 2022).

(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 inherent financial risks associated with Treasury Management activity; not least the potential for loss of interest and/or deposits. The Council therefore engages the services of external Treasury Management advisors, Arlingclose Ltd.

Borrowing and Investment decisions are made in accordance with the Council's formally adopted Treasury Management Strategy (including Investment Strategy). The Strategy includes several Risk Management features, including – for example – the overriding priority that security of deposit takes precedence over return on investment.



### Treasury Management Outturn 2022/23

#### **Introduction**

The Council has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve Treasury Management semi-annual ("mid-year updates") and annual reports.

The Council's Treasury Management Strategy for 2022/23 (including Investment Strategy) was considered at a meeting of the Audit and Governance Committee on 17th January 2022 and was subsequently agreed by full Council on 24th February 2022. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's Treasury Management Strategy.

The 2017 Prudential Code included a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's updated Capital Strategy 2022/23 to 2026/27, complying with CIPFA's requirement, was also considered by the Audit and Governance Committee on 17th January 2022, and was also adopted subsequently by full Council on 24th February 2022.

#### **External Context: April 2022 to March 2023**

**Economic Background:** The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March 2023 period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.

Starting the financial year in April 2022 at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July 2022 and then 11.1% in October 2022. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February 2023. Annual headline CPI registered 10.4% in February 2023, up from 10.1% in January 2023.

Quarterly GDP was subdued throughout the year, registering a 0.1% gain in the April to June 2022 period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter (July to September 2022). The October to December 2022 period was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Quarter 4 (January to March 2023) was 0.6%.

The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 0.50% in December 2022 and February 2023 and then 0.25% in March 2023, taking the Bank Rate to 4.25%.

**Financial Markets:** Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.

**Credit review:** During the last few months of the reporting period there were only a handful of credit changes by the rating agencies, then in March 2023 the collapse of Silicon Valley Bank (SVB) in the US quickly spilled over into worries of a wider banking crisis as Credit Suisse encountered further problems and was bought by UBS.

Credit Default Swap (CDS) prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October 2022 at the time of the then-Government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated by the end of the period as fears of contagion subsided, but many are still above their pre-March 2023 levels reflecting that some uncertainty remains.

On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list. As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remains under constant review.

Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 Notices have been issued by only a handful of councils with specific issues.

## Local Context

On 31st March 2023, the Council had net borrowing of £267.5 million arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

**Table 1: Balance Sheet Summary**

	<b>31/03/23 Actual £m</b>
General Fund CFR	159.088
HRA CFR	154.475
<b>Total CFR</b>	<b>313.563</b>
Less: Other Debt liabilities	0
<b>Borrowing CFR</b>	<b>313.563</b>
Less: External borrowing	(282.681)
<b>Internal borrowing:</b>	<b>30.882</b>
Less: Usable reserves	(34.005)
Less: Working capital	(9.673)
<b>Net Investments</b>	<b>(12.796)</b>

The Treasury Management position as at 31st March 2023 and the change during the financial year is shown in Table 2 below.

**Table 2: Treasury Management Summary**

	<b>31/03/22 Balance £m</b>	<b>Movement £m</b>	<b>31/03/23 Balance £m</b>	<b>31/03/23 Rate %</b>
Long-term Borrowing	213.7	34.9	248.6	3.27%
Short-term Borrowing	55.3	(22.3)	33.0	3.76%
<b>Total Borrowing</b>	<b>269.0</b>	<b>12.6</b>	<b>281.6</b>	
Long-Term Investments	0	0	0	N/A
Short-term Investments	0	3.0	3.0	3.95%
Cash and Cash Equivalents	18.7	(7.6)	11.1	3.82%
<b>Total Investments</b>	<b>18.7</b>	<b>(4.6)</b>	<b>14.1</b>	
<b>Net Borrowing</b>	<b>250.3</b>	<b>17.2</b>	<b>267.5</b>	

The Council's cash flows during the financial year were generally stable relevant to the turmoil experienced during Covid and its immediate aftermath. Thus:

- Long-Term Borrowing (up £35.9 million) – long-term loans increased during the year, as the Council moved to secure a diminishing number of competitive interest rates at the expense of short-term loans. On-lending to Qualis also further in accordance with committed Capital Investment plans.
- Short-Term Borrowing (down £22.3 million) – the level of borrowing obtained from other local authorities was purposely reduced in the year, which enabled long-term replacement debt to be taken out at competitive interest rates as described above. Some short-term borrowing was 'rolled over' on competitive rates with the agreement of lenders.
- Short-Term Investments (up £3.0 million) – the use of the "Debt Management Account Deposit Facility" (DMADF) proved successful again this year with the Council securing better returns on short-term deposits (typically two to three weeks) than previously achieved on bank deposits; and
- Cash and Cash Equivalents (down £8.9 million) – the use of the DMADF noted above is reducing the need for higher balances on Cash and Cash Equivalents (Bank and MMF deposits).

### **Borrowing Update**

Local authorities can borrow from the PWLB provided they can confirm they are not planning to purchase 'investment assets primarily for yield' in the current or next two financial years, with confirmation of the purpose of capital expenditure from the Section 151 Officer. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing.

Acceptable use of PWLB borrowing includes Service Delivery, Housing, Regeneration, Preventative Action, Refinancing and Treasury Management.

The Council is not planning to purchase any investment assets primarily for yield within the next three years and so is able fully access the PWLB.

## **Borrowing Strategy**

At 31st March 2023, the Council held £281.6 million in loans (an increase of £13.6 million compared to the position as at 31st March 2022), as part of its strategy for funding the Capital Programme and is summarised in Table 3 below.

**Table 3: Borrowing Position**

	<b>31/03/22 Balance £m</b>	<b>Net Movement £m</b>	<b>31/03/23 Balance £m</b>	<b>31/03/23 Weighted Average Rate %</b>	<b>31/03/23 Weighted Average Maturity (Years/Days)</b>
Public Works Loan Board	215.0	46.6	261.6	3.39%	15.17 Years
Banks	0	0	0	N/A	N/A
Local authorities (long-term)	0	0	0	N/A	N/A
Local authorities (short-term)	54.0	(34.0)	20.0	3.76%	125 Days
<b>Total Borrowing</b>	<b>269.0</b>	<b>12.6</b>	<b>281.6</b>		

The chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

The cost of both long and short-term borrowing rose dramatically over the year, with rates at the end of March 2023 around 2% to 4% higher than those at the beginning of April 2022. Rate rises have been driven primarily by inflation and the need for central banks to control this by raising interest rates. Particularly dramatic rises were seen in September 2022 after the Liz Truss 'mini budget' that included unfunded tax cuts and additional borrowing to fund consumer energy price subsidies: over a twenty-four-hour period, some PWLB rates increased to 6.0%. Rates have now fallen from September 2022 peaks but remain volatile and well above recent historical norms. The PWLB 10-year maturity certainty rate stood at 4.33% at 31st March 2023, 20-years at 4.70% and 30-years at 4.66%.

A new HRA PWLB rate of gilt yield plus 0.4% (0.4% below the currently available certainty rate) was announced on 15th March 2023. This discounted rate is to support local authorities borrowing for Housing Revenue Accounts (HRA) and the delivery of social housing and was made available with effect from 15th June 2023, initially for a period of one year. At the time of preparing this report, Housing officers are evaluating the outputs from the independent Stock Condition Survey, which is critical to the future viability of the HRA Business Plan, including the Housebuilding Programme; the availability of discounted financing from the PWLB will be a further consideration in updating the Programme.

## Other Debt Activity

The Council did not raise any other capital finance in 2022/23.

## Treasury Investment Activity

CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define Treasury Management Investments as investments that arise from the organisation's cash flows or Treasury Risk Management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held, and money borrowed in advance of need. During 2022/23, as is normal, the Council's investment balances varied due to timing differences between income and expenditure.

At 31st March 2023, the Council held £14.1 million in investments (down £4.6 million compared to the position as at 31st March 2022), which are summarised in Table 4 below.

**Table 4: Treasury Investment Position**

	<b>31/03/22 Balance £m</b>	<b>Net Movement £m</b>	<b>31/03/23 Balance £m</b>	<b>31/03/23 Income Return %</b>	<b>31/03/23 Weighted Average Maturity Days</b>
Banks & Building Societies (unsecured)	1.7	(0.6)	1.1	1.35%	Instant Access
Government (incl. local authorities)	0	3.0	3.0	3.95%	19 Days
Money Market Funds	17.0	(7.0)	10.0	4.10%	Instant Access
<b>Total Investments</b>	<b>18.7</b>	<b>(4.6)</b>	<b>14.1</b>		

Both the CIPFA Code and Government guidance requires local authorities to invest funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Bank Rate increased from 0.75% at the beginning of the year (April 2022) to 4.25% at the end of March 2023. Short-dated cash rates, which had ranged between 0.7% - 1.5% at the beginning of April 2022, rose by around 3.5% for overnight/7-day maturities and 3.3% for 6 to 12-month maturities.

By the end of March 2023, the rates on “Debt Management Account Deposit Facility” (DMADF) deposits ranged between 4.05% and 4.15%.

### **Non-Treasury Investments**

The definition of investments in CIPFA’s Treasury Management Code covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in the Investment Guidance issued by Ministry of Housing, Communities and Local Government (MHCLG), in which the definition of investments is further broadened to also include all such assets held partially for financial return.

The Council also holds a significant commercial property portfolio on its Balance Sheet, which are summarised in Table 5 below.

**Table 5: Commercial Property Investments**

Category	31/03/23 Balance Sheet Value	Net Income 2022/23	Net Income 2021/22
	£Ms	£Ms	£Ms
Shops*	93.479	5.736	5.326
Industrial Units	38.114	1.689	1.375
Other**	16.890	1.022	0.789
<b>Total Value/Net Income</b>	<b>148.483</b>	<b>8.447</b>	<b>7.490</b>

\*Includes Public Houses and a Petrol Station

\*\*Includes North Weald Airfield and Sports Facilities

The Council received total net income of £8.447 million from Commercial Property Investments in 2022/23 (compared to £7.490 million for 2021/22). Significantly stronger returns were achieved this year from Industrial Units especially (reflecting a range of renegotiated leases) and “Other” investments (following a significant increase in Market rents).

The Committee should note that the numbers reflect the accrued position currently in the Council's books, which does not take account of the collectability of income, although – so far – the Council's portfolio has weathered both the pandemic and the early stages of the 'cost of living crisis' generally very well. Nevertheless, an increase in write-offs cannot be ruled out in the future given the current economic climate.

## **Compliance**

The Strategic Director and Section 151 Officer reports that all Treasury Management activities undertaken during the first six months of the year complied fully with the CIPFA Code of Practice. Compliance with the approved Treasury Management Strategy was as follows:

- Investment Limits – full compliance achieved
- Security – full compliance achieved
- Liquidity – full compliance achieved
- Interest Rate Exposure – full compliance achieved
- Maturity Structure – full compliance achieved; and
- Long-Term Investments – full compliance achieved.



**Table 8: Investment Limits**

Sector	Time Limit	Counterparty Limit	Sector limit	31/03/23 Actual	Complied? (Yes/No)
The UK Government	50 years	Unlimited	N/A	£3.0 million	Yes
Local authorities & other government entities	25 years	£10.0 million	Unlimited	£0	Yes
Banks (unsecured)*	13 months	£4.0 million	£20.0 million	£1.1 million	Yes
Building Societies* (unsecured)	13 months	£2.0 million	£2.0 million	£0	Yes
Registered Providers* (unsecured)	5 years	£3.0 million	£3.0 million	£0	Yes
Money Market Funds*	N/A	£10.0 million	Maximum of 3 Funds (£10m each)	£10.0 million	Yes

**\* Minimum Credit Rating**

Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken account of.

## **Treasury Management Indicators**

The Council measures and manages its exposures to Treasury Management risks using the following indicators.

**Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	<b>2022/23 Actual</b>	<b>2022/23 Target</b>	<b>Complied?</b>
Portfolio average credit rating	AA	A-	Yes

**Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

	<b>2022/23 Actual</b>	<b>2022/23 Target</b>	<b>Complied?</b>
Total cash available within 3 months	£12.8 million	£3.0 million	Yes

**Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

<b>Interest rate risk indicator</b>	<b>2022/23 Actual</b>	<b>2022/23 Limit</b>	<b>Complied?</b>
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates (Borrowing)	£0.35 million	£1.0 million	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates (Investments)	£0.10 million	£0.5 million	Yes

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The Council no longer has any Variable Rate Exposure on Borrowing.

**Maturity Structure of Borrowing:** This indicator is set to control exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	<b>31/03/23 Actual</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Complied?</b>
Under 12 months	12%	50%	0%	Yes
12 months and within 24 months	3%	50%	0%	Yes
24 months and within 5 years	5%	50%	0%	Yes
5 years and within 10 years	18%	50%	0%	Yes
10 years and within 15 years	15%	50%	0%	Yes
15 years and within 20 years	45%	50%	0%	Yes
20 years and within 25 years	1%	50%	0%	Yes
25 years and above	2%	50%	0%	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Council’s exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	<b>2022/23</b>
Actual principal invested beyond year end.	£3.0 million
Limit on principal invested beyond year end.	£15.0 million
Complied?	Yes

**Other**

**IFRS 16:** The implementation of the new IFRS 16 Leases accounting standard was due to come into force for local authorities from 1st April 2022. Following a consultation, CIFPA/LASAAC announced an optional two-year delay to the implementation of this standard; the decision which was confirmed by the Financial Reporting Advisory Board (FRAB) in early April 2022. Authorities can now choose to adopt the new standard on 1st April 2022, 1st April 2023, or 1st April 2024. IFRS16 is unlikely to have a material impact on Epping Forest District Council; on that basis, the intended local adoption of the new standard is on 1st April 2024.

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## Report to the Audit & Governance Committee



**Epping Forest  
District Council**

**Date of meeting: 27th July 2023**

**Portfolio: Finance, Qualis Client & Economic Development**

**Subject: Draft Statement of Accounts 2022/23**

**Responsible Officer: Andrew Small (01992 564278)**

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

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### Recommendations/Decisions Required:

- (1) To note the Draft Statement of Accounts 2022/23 (**Appendix A**) prior to the completion of the external audit process.

### Executive Summary:

The Executive Director & Section 151 Officer is responsible for the preparation of the Council's annual Statement of Accounts. The Statements are prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ('the Code') and are based on International Financial Reporting Standards (IFRSs). The Statements are also required to give a "true and fair view" of the Council's financial position as at 31st March 2023, and the income and expenditure for the year then ended,

The Council is required to make the accounting records and related documents available for inspection each year in the exercise of the rights of interested persons under Section 26 of the Local Audit & Accountability Act 2014 and Section 15 of the Accounts & Audit Regulations 2015.

The inspection period for the financial year ending 31st March 2023 was due to commence on 1st June 2023 and run for a period of 30 working days from this date. However, it has not been possible for the Council to commence the inspection period as, in line with most councils nationally, Epping Forest District Council continues to experience major audit delays and the Statement of Accounts 2020/21 have not yet been finalised, and the audit of the Statement of Accounts 2021/22 has yet to commence.

However, in the interests of transparency, the Council published an *uncertified* draft Statement of Accounts 2022/23 on the Council website on 2nd June 2023 (presented at **Appendix A**), which the Committee is asked to note.

The audited Statement of Accounts for 2022/23 will be presented to the Committee at a future meeting (date to be determined). This will provide an opportunity for the Committee to scrutinise, and approve, the Statements prior to the issue of the Committee Chair's signature.

**Reasons for Proposed Decision:**

To enable the robust scrutiny the Council's annual Statement of Accounts 2022/23 in accordance with generally accepted good practice.

**Legal and Governance Implications:**

The local government financial reporting and audit regime exists within in a tightly regulated framework. For the accounting period 2022/23, this includes the:

- Local Government Act 1972 (Section 151)
- Local Government Act 2003 (Section 21(2))
- Local Audit and Accountability Act 2014 (various); and
- Accounts & Audit Regulations 2015.

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

None.

**Background Papers:**

Epping Forest District Council's *draft* Statement of Accounts 2022/23 (published 2nd June 2023).

CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ('the Code').

**Risk Management:**

There are a number of areas of risk embedded throughout the Statement of Accounts, which have been individually addressed and treated in accordance with guidance and professional judgement.



**Epping Forest District Council**  
**Statement of Accounts 2022/2023**



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## 1. INTRODUCING EPPING FOREST DISTRICT COUNCIL

Epping Forest is a district in Essex. It takes its name from the forest which runs from the Greater London border in the south through the district northwards. Covering an area of 131 square miles, Epping Forest shares boundaries with Hertfordshire and four other Essex districts. It is a mixture of rural and urban areas and over a quarter of the population live in rural and rural-related areas.

The district has an estimated resident population of 135,000 (2021 Census), representing an increase of 8.3% in the last decade. Key population centres are the commuter towns in the south of the district - Buckhurst Hill, Chigwell and Loughton. These towns have a combined population of over 50,000 but cover less than 10% of the total area of the district. There are also the market towns of Epping, Waltham Abbey and Ongar and numerous villages and hamlets situated in attractive countryside. The district has good transport links, with both the M25 and M11 running through it and crossing at Theydon Garnon. The area is served by the London Underground Central Line and over ground railway.

Most of the district is designated within the protective status of the Metropolitan Green Belt with both Epping Forest and Roding Valley Meadows being sites of Special Scientific Interest (SSI). This brings visitors to the district and tourism generates a substantial amount of income for the local economy each year.

The residents of the district are relatively affluent with gross weekly full time pay higher than the East of England (2020) average. Young people are considered successful with their education, with over 80% achieving NVQ Level 2 and above (2020) which is higher than the East of England average. The percentage of the population (aged 16-64) qualified to NVQ Level 4 or above is also higher than the East of England (2020) average.

Epping Forest is in the upper 40% of least deprived Lower-Tier Local Authorities (LTLAs) nationally, although there are areas of deprivation and 13% of children (aged 0-15) live in families with a relatively low income. Life expectancy in the district is higher than the national average (2017-19), but an aging population puts pressure on both NHS and local government services. It is estimated that over 30% of the district's population will be aged 60 or over by 2041. Additional properties will be built over the coming years to assist in accommodating the anticipated rise in the population.

Within the district, local government services are provided at three levels; by Epping Forest District Council, Essex County Council and local Town and Parish Councils.

- District Council services – Housing, Street Cleansing, Waste Collection and Recycling, Sports and Recreation, Planning Applications, Electoral Registration, Benefit Administration, Council Tax and Business Rates Collection, and Environmental Health.
- County Council services – Education, Social Care, and Highways and Transportation; and
- Parish and Town Council services – Allotments, Burial Grounds and Cemeteries, Public Halls, and Playgrounds and Sports Grounds.

## 2. PERFORMANCE AGAINST CORPORATE OBJECTIVES

A new Corporate Plan for 2018-2023 was adopted in December 2017. The Council has a duty to secure continuous improvement in a way in which its functions and services are exercised, and as part of that duty a range of Key Performance Indicators (KPIs) relevant to the Council's service priorities and key objectives are adopted each year.

The Year 5 Action Plan (covering 2022/23) represented the fifth reporting cycle for the Corporate Plan.

The Corporate Plan links the key external drivers influencing Council services, with a set of corporate aims and objectives, grouped under three corporate ambitions.

- Stronger Communities
- Stronger Place; and
- Stronger Council.

Performance against all KPIs is reviewed quarterly and all key corporate programmes are reported on monthly through an internal governance process (and quarterly too, to support and align to KPI's and wider governance requirements). In 2022/23, the quarterly governance process for Performance was aligned as a single Overview and Scrutiny function, bringing together the three Corporate aims and objectives and also to ensure continued achievability and relevance, and to identify proposals for appropriate corrective action in areas of under-performance.

### Stronger Communities

The 'Stronger Communities' ambition has three strategic aims supported by six key objectives. In turn these objectives are focused on three corporate programmes: Customer Excellence, Community Data Insights, and Community Health & Wellbeing – which between them – managed seven KPI's.

#### Key Performance Indicators (KPIs)

The reported outturn for the seven KPIs in the year, was as follows:

- 3 out of 7 (42%) met their target
- 2 out of 7 (29%) did not meet their target; and
- 2 out of 7 (29%) were for information only, with no set target.



*First Point of Contact Resolutions* performed well with the 45% target being exceeded in all four quarters. Meanwhile *Complaints Resolution performance against the SLA target* was also positive with cases being resolved on time against a target of 85%.

*Customer Satisfaction* however continues to prove more challenging, with the overall average of 57% against a target of 80%. Work is now underway to review customer satisfaction as a priority for the Council through a range of key projects.

Targets for *Engagement in Community, Physical or Cultural Activity* have again been exceeded with an average of 3,821 recorded against a target of 3,500. This is very positive considering the current cost of living crisis.

## Stronger Place

The 'Stronger Place' ambition also has three strategic aims which are supported by seven key objectives. In turn these objectives are focused on six corporate programmes: Community Health & Wellbeing, Council Housebuilding, District Sustainability, Economic Development, Planning Development, and Town Centre Development – which between them – managed nine KPIs.

### Key Performance Indicators (KPIs)

The reported outturn for the nine KPIs in the year, was as follows:

- 1 out of 9 (11%) met their target
- 5 out of 9 (56%) did not meet their target; and
- 3 out of 9 (33%) were for information only, with no set target.



Recycling rates were slightly off target with an average rate of 58.86% achieved against the 60% target. The Household Waste was off target too with an average of 0.230kg per household recorded against a target of 0.100kg, largely due to waste contractor issues and higher than anticipated missed collections.

The overall *Percentage of Planning Applications Determined Within Agreed Timelines* (on Major, Minor and 'Other' applications) was 78.5% for the year, although processing times varied between application categories as follows:

- Major Applications - 94.1% (Target 80%)
- Minor Applications - 68.3% (Target 90%)
- Other Applications (e.g. house extensions) - 73.2% (Target 90%)

Performance on Major Applications improved during the year due to enhanced project management and extended timescales agreed with developers. As with 2021/22, performance on Minor Applications was affected by the legacy of the Air Quality Impact Assessment standards, which have delayed decision-making, although this is now showing an upward trend as the backlog continues to decline. Performance on Other Applications has been lower this year as resources have been more focussed on Major Applications, which are higher fee earning (necessitated by the difficult budget position). Performance in all categories still remained comfortably above the Government's minimum 60% standard (the threshold for 'underperformance').

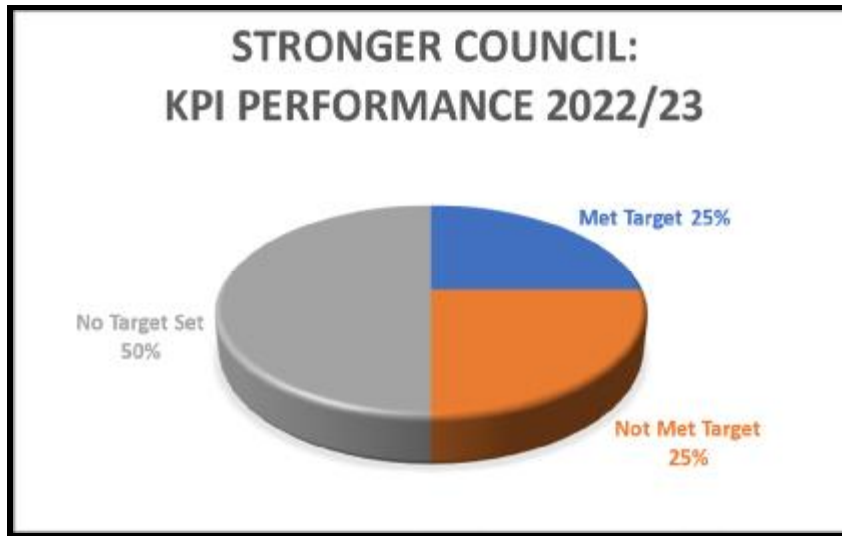
## Stronger Council

The 'Stronger Council' ambition has four strategic aims supported by six key objectives. In turn these objectives are focused on three corporate programmes: Accommodation, IT Strategy, and the People Programme – which between them – managed four KPIs.

### Key Performance Indicators (KPIs)

The reported outturn for the four KPIs in the year, was as follows:

- 1 out of 4 (25%) met their target
- 1 out of 4 (25%) did not meet their target; and
- 2 out of 4 (50%) were for information only, with no set target.



*Staff Sickness Absence* improved in 2022/23 with the average rate dropping to 1.95% compared to 3.11% in 2021/22. However, *Staff Turnover* was off target, with a total turnover rate of 16.37% against the national set average target of 11%.

### **Projects**

All projects – priority and non-priority – are reported through the monthly internal governance framework. Priority projects are additionally reported on through a quarterly wider Council governance process.

The reported outturn for priority projects in the year, was as follows:

- 8 out of 15 (53%) were Completed, Placed on Hold, or Cancelled
- 4 out of 15 (27%) were 'In Delivery' at year end; and
- 3 out of 15 (20%) were at 'Service Design/Scoping' stage.

Successfully completed projects (excluding projects on hold or cancelled) delivered during the year improved technology and reduced operating costs, including:

- Revenues & Benefits SAAS Project ("Cloud One")
- Community and Culture Trust; and
- Back Office System (Digital Planning System) – Phase 1

Project delivery is ongoing in 2023/24 for the remaining projects.

### 3. FINANCIAL REVIEW 2022/23

In common with the wider public sector and most of the private sector, the 2022/23 financial year has proved a tough one, with the Council's finances facing a head wind created by the economic crisis, with both revenue and capital spending plans coming under substantial pressure. The revenue budget recorded a substantial overspend in the year and the affordability of capital commitments is becoming significantly more challenging due to rapidly rising interest rates.

The Consolidated Income & Expenditure Statement (CIES) on Page 23 shows that the Net Cost of Services for 2022/23 was very stable at £27.604 million (compared to £25.274 million in 2021/22); after other factors such as the impact of Taxation and other Gains and Losses, including those from the ring-fenced Housing Revenue Account, are adjusted for, Total Comprehensive Net Income of £80.623 million was recorded (down £5.548 million compared to 2021/22).

The presentation of individual services ("Continuing Operations") on the face of the CIES follows the principles established in CIPFA's "Service Reporting Code of Practice for Local Authorities (2022/23)" (SERCOP); consistency of reporting is achieved with the internal management accounts, which reflect how services are delivered and organised within the Council.

Elsewhere on the CIES, there are substantial fluctuations (both up and down). However, the CIES reflects a vast range of adjustments required by both statute and accounting standards. Underlying the figures, is the performance of the Council's General Fund and Housing Revenue Account in the year.

#### General Fund

The table below reflects the Month 12 (year-end) Management Accounts for 2022/23.

General Fund Services 2022/23	Net Expenditure		Variance £000's
	Budget £000's	Outturn £000's	
Chief Executive	658	659	1
Commercial & Technical Services	139	(125)	(264)
Community & Wellbeing	1,783	1,454	(329)
Corporate Services	9,763	8,741	(1,022)
Customer Services	2,255	3,032	777
Finance & Audit	2,411	2,974	563
Housing & Property	1,849	1,541	(308)
Place	375	297	(78)
Planning & Development	1,480	1,976	497
Strategy, Delivery & Performance	850	600	(250)
Qualis Income	(2,909)	(1,775)	1,135
Financing & Recharges	(3,023)	(2,459)	563
<b>Totals</b>	<b>15,631</b>	<b>16,917</b>	<b>1,286</b>

The Month 12 Accounts show that the General Fund budget was in deficit by £1.286 million at year end. It was an outcome that came as no surprise, with a deficit of £1.2 million forecast as early as Quarter 1 (30th June 2022), and reflected a difficult year financially for the Council with rising inflation and interest rates, as well as further delays in the adoption the Local Plan, being significant factors behind the deficit.

The most significant variance related to Qualis Income, falling short of budget by £1.135 million due to the lengthy delay in finalising the Local Plan, as well as challenging economic conditions, combining to have a detrimental impact on income from the margins that the Council generates from Qualis loans. In addition, rising interest rates also pushed up the cost of PWLB borrowing for the Council, which put a further squeeze on loan margins.

In contrast, the Corporate Services function recorded a budget surplus of £1.022 million, with substantial savings occurring in a range of Corporate Services including ICT (£382,900), Other Support Services (£238,000) and Insurance (£237,300).

## Housing Revenue Account (HRA)

The table below summarises the outturn on the HRA for 2022/23 compared to 2021/22.

Description	2021/22 £000's	2022/23 £000's	Variance £000's
Total Income	(37,182)	(37,969)	(787)
Total Expenditure	33,452	35,888	2,436
<b>Net Cost of Services (included in CIES)</b>	<b>(3,730)</b>	<b>(2,081)</b>	<b>1,649</b>
Corporate expenses charged to HRA	364	320	(44)
<b>Net Cost/(Income) of HRA Services (included in CIES)</b>	<b>(3,366)</b>	<b>(1,761)</b>	<b>1,605</b>
Other accounting adjustments	1,789	2,684	895
<b>(Surplus)/Deficit on HRA Services</b>	<b>(1,577)</b>	<b>923</b>	<b>2,500</b>
Reconciling adjustments (including reversals)	(482)	(1,311)	(829)
<b>(Increase)/Decrease in HRA Balance</b>	<b>(2,059)</b>	<b>(388)</b>	<b>1,671</b>

The HRA Balance further increased by £0.388 million in the year (£2.059 million in 2021/22); this was despite some significant budget pressures, most notably on Repairs and Maintenance, which were up by £1.056 million this year (from £8.841 million in 2021/22, to £9.897 million in 2022/23).

In contrast, overall Income increased by £0.787 million (from £37.182 million in 2021/22, to £37.969 million in 2022/23), driven by additional income received from Dwelling Rents, aided by the addition of newly developed housing to the Council's stock.

Capital charges for Depreciation and Amortisation increased in the year by £0.782 million (from £9.708 million in 2021/22, to £10.490 million in 2022/23) due mainly to previous Revaluation Gains (in 2021/22). However, this year, Revaluation Losses of £4.785 million (£5.515 million in 2021/22) were charged to the HRA, which outweighed Revaluation Gains of £1.462 million (£1.950 million in 2021/22) credited to the HRA (to reverse Revaluation Losses that had been charged in previous years). The Revaluation Losses and Impairment Charges made to the HRA do not impact on Rent levels as they are reversed out in the Movement in Reserves Statement.

As with 2021/22, no contributions were required from the HRA to fund capital expenditure this year, due to slippage in the Housing Development Programme. The HRA Balance ended the year at £4.552 million (compared to 4.164 million in 2021/22).

## Collection Fund

The Collection Fund is a ring-fenced account for the management of Council Tax and Business Rates income. It was mixed fortunes for the Collection Fund this year as the system and the numbers continued to settle down following the pandemic-driven upheaval experienced in 2020/21 and 2021/22.

The Council also continued to benefit from the Essex Council Tax Sharing Agreement this year (up from £436,578 in 2021/22 to £531,111 in 2022/23, although short of budget expectations) and the Essex Business Rates Pool (estimated Levy saving circa £750,000). Thus:

- Council Tax (2022/23 Deficit £2.678 million) – the Epping share of the recorded (in-year) Deficit is £317,840. The Deficit was primarily driven by the need to make additional Provision for Non-Payment at year end (up from £1.124 million in 2021/22, to £3.349 million in 2022/23) in the light of a larger than expected Arrears List.
- Business Rates (2022/23 Surplus £9.914 million) – the Epping share of the recorded Surplus is £3,965,795. For the second year running, an exceptionally large Surplus was recorded as Section 31 reserves built up during the pandemic were released to the Collection Fund; the balance on the Business Rates element of the Collection Fund is Page 166 surplus for the first time since 2019/20.

The Collection Fund carried an overall Surplus as at 31st March 2023 of £1.252 million (Council Tax £1.334 million Deficit, Business Rates £2.586 million Surplus).

## Balance Sheet

The Council's Balance Sheet value increased by £80.583 million (10.6%) in 2022/23, resulting in a net position of £839.449 million as at 31st March 2023 (£758.866 million as at 31st March 2022). Notable differences (excluding the Pensions balance) include the following:

- *Property, Plant & Equipment (up £24.734 million)* – property values have again proved resilient this year despite the economic turbulence experienced. Most notably, the value of Council Dwellings increased by £32.306 million in the year
- *Investment Properties (down £13.523 million)* – the gains experienced in the value of the Investment Property portfolio (immediately post-pandemic) in 2021/22 have been reversed this year. Fair values declined in the commercial sector within the context of economic uncertainty, a rapid rise in the cost of debt, high inflation, and corporate demand uncertainty, together with the ongoing long-term structural shifts in demand accelerated by the pandemic, resulting in an 8% reduction in the overall portfolio, although industrial units were hardest hit, suffering a 14% reduction. The value of the Council's retail units fell by 6%
- *Long-Term Debtors (up £9.232 million)* – the rise in long-term debtors primarily relates to an increase in the principal outstanding on loans made to Qualis (long-term balance outstanding £66.489 million as at 31st March 2023)
- *Debtors (down £8.143 million)* – the fall in short-term debtors is primarily due to a change in the year-end position on Business Rates with the preceptors with the balance on the Collection Fund being accrued as a Debtor this year for £4.397 million, whereas a Creditor balance of £1.552 million was accrued in 2021/22.
- *Cash & Cash Equivalents (down £5.940 million)* – the level of Cash carried by the Council is still subject to some volatility and generally higher than pre-pandemic levels. Although the position gradually stabilised as the pandemic receded, (nationally) there continued to be some uncertainty as to the winding up arrangements for Covid business grants, including the timing of repayments of unspent balances to Central Government. This was added to by other Government grants (e.g. on Energy and Fuel) in 2022/23 in the light of the 'cost of living crisis'
- *Creditors (down £17.181 million)* – the reduced Creditors balance primarily relates to a reduction in Government and Other Local Authority Creditors of £15.017 million. Notable differences included a reduced balance (of £6.005 million) owing to the Government in respect of Section 31 (Business Rates) payments. In addition, a receipt of £5.173 million was received from the Government in March 2022 in respect of the Council Tax Energy Rebate ("Support for Energy Bills") scheme, which related to the 2022/23 financial year, so was accrued as a receipt-in-advance
- *Short-Term Loans (down £17.377 million)* – the strategy of taking out Short-Term Local Authority Loans was eased during the year as short-term borrowing rates became less attractive compared to previous years; this led to the gradual return of long-term loans (the approach is kept under constant review with our appointed Treasury Management advisors, Arlingclose); and
- *Long-Term Loans (up £30.867 million)* – the net increase in long-term loans reflected a change in borrowing strategy in the light increased interest rates as described above.

### Usable Reserves

The overall balance on Usable Reserves reduced from £37.744 million to £34.005 million over the year.

The General Fund (unallocated) balance began the year at £4.070 million and ended the year at £3.219 million, with the reduction mainly reflecting the Budget overspend of £1.286 million recorded in the Month 12 Management Accounts (noted above). A planned contribution of £0.337 million to the General Fund balance in 2022/23 was not achieved, with a contribution from the balance of £0.972 million required instead. The Council's adopted minimum contingency balance is £4.0 million and, as the Budget overspend at year end was forecast during the year, the Medium-Term Financial Plan (MTFP) 2023/24 to 2027/28 (adopted in February 2023) includes a strategy to replenish the General Fund balance over the five-year period.

Earmarked Reserves reduced from £6.629 million to £3.824 million over the year. The dominant factor was the usage of the remaining balance of £2.710 million on the Collection Fund Deficit Reserve (CFDR). The CFDR was a newly created reserve in 2020/21. Its purpose was to help cover the Council's share of the Collection Fund loss created by the pandemic. The original funding for the reserve was received from the Government under Section 31 of the Local Government Act 2003, reflecting a loss in revenue triggered by the temporary expansion of Business Rates Relief to assist local businesses. The remaining balance was utilised to offset the Council's share of the deficit on Business Rates (a legacy of the pandemic), which enabled the Collection Fund to return to a surplus this year (see below for discussion on Collection Fund).

### Unusable Reserves

The Council is required to maintain substantial Unusable Reserves, primarily for technical accounting purposes. The overall balance increased from £721.122 million to £805.444 million over the year.

Most notably, the Council's pension position improved dramatically, with the Net Liability of £44.163 million recorded as at 31st March 2022, turning into a Net Surplus of £25.912 million as at 31st March 2023 (a positive swing of £70.075 million). This was primarily driven by the positive impact of a change in actuarial assumptions. In particular, the discount rate (based on the predicted market yield on high quality corporate bonds) applied to future defined benefit obligations increased from 2.6% to 4.8% and (perhaps surprisingly in the current climate) the future CPI inflation assumption reduced from 3.2% to 2.9%, which also reduces expectations as to future obligations.

## Capital

The table below summarises the Capital Expenditure outturn for 2022/23.

<b>Description</b>	<b>2022/23 £000's</b>	<b>2021/22 £000's</b>
General Fund	11,949	25,676
Housing Revenue Account (HRA)	15,875	21,414
<b>Total Capital Programme</b>	<b>27,824</b>	<b>47,090</b>

Expenditure on the General Fund Capital Programme decreased by £13.727 million this year. The remaining priorities presented in the Corporate Plan 2018-2023 were the focus for 2022/23, with the most notable expenditure items (in terms of size) as follows:

- Qualis Loans – £8.0 million in Capital loans were granted to Qualis during the year compared to £5.0 million granted in 2021/22. The Council makes a revenue return on the loans, thus contributing to the corporate objective “achieving financial independence with low Council Tax” (as part of the “Stronger Council” corporate ambition)
- Disabled Facilities Grants (DFGs) – £0.940 million was spent on Disabled Facilities Grants in the year, which are 100% funded through an annual allocation from the Government; and
- Investment Property – the Council once again continued with its strategy of buying back long leases granted on certain investment properties, spending £0.456 million (out of a total spend of £0.521 million) in 2022/23 from the Investment Property Acquisition Fund buying back a lease on a Council owned property in Brooker Road, Waltham Abbey.

The Council also acquired the lease on the former Princess of Wales public house in Loughton at a cost of £0.695 million (inc. legal fees) through the General Fund Capital Programme. However, the asset was subsequently transferred to the HRA for the purposes of Housing Development. The capital cost was matched by a debt re-allocation between the General Fund and the HRA (where the budget was held), based on the agreed market value of £900,000.



There was a net decrease of £5.539 million in expenditure on the HRA Capital Programme in the year compared to 2021/22, as the Council continued to roll out the Housing Development Programme. However, total expenditure – at £15.875 million – on the overall Capital Programme was £36.624 million lower than originally planned, with three notable areas of underspending/slippage; Housing Development, Capital Works and Other Housing Schemes as follows:

- **Housing Development (underspend £23.277 million)** – the two dominant elements to note are:
  - *Housebuilding* – there was an underspend of £10.965 million (against a total budget of £15.598 million). Several schemes encountered planning issues and delays, including two schemes (“Pentlow” and “Woollard”), which were originally expected to be completed in Spring and Summer 2022, but completion is now anticipated in 2023/24; and
  - *Qualis Acquisitions* – the budget allocation for this scheme was £10.461 million, with no spending taking place during the year resulting in an underspend of the full budget. Qualis experienced initial delays in planning consents which initially halted works; then sharp increases in industry-wide costs challenged the viability of some of the schemes. Although permissions have now been granted, there are still some viability concerns, so works are now not anticipated to commence until 2023/24 at the earliest.
- **Capital Works (underspend £7.516 million)** – the single largest item of underspending in this category was Kitchens and Bathrooms (underspend £1.990 million) due to delays in contract mobilisation by Qualis due to necessary Survey Works, affecting the commencement of the programmed works. Planned Kitchens and Bathrooms not completed during the year have been rolled forward and added to the 2023/24 programme.
- **Other Housing Schemes (underspend £5.831 million)** – the single largest variance on Other Housing Schemes related to the Broadway Regeneration project (underspend £2.728 million). The budget was increased by the Cabinet to £6.0 million in March 2023 and the project is expected to complete by 2025/26.

## Group Accounts

The Council has been required to prepare Group Accounts since 2020/21 following the formation of the Council’s wholly owned arms-length company “Qualis” in October 2019; the Qualis group comprises four companies focusing on development, investment and service delivery.

The Group Accounts – which can be found on pages 76 to 91 – present a full picture of the Council's financial position and its exposure to risk. Transactional volumes have continued to grow since Qualis became active in 2020/21, so likewise the Group Accounts continue to grow in their importance.

## Government Support for Covid-19, Energy & Fuel Costs

### Covid-19 Grants

Government grant funding for Covid-19 (both directly and indirectly via Essex County Council), in relation to the COVID-19 pandemic, began in 2020/21. Most of the funding was used to provide community support to residents and businesses during the pandemic as part of Government schemes, administered locally by the Council. The Council also received some grant funding from the Government to offset the continuing financial effects of the pandemic, such as the loss of income caused by successive lockdowns and social distancing (which was still a factor in the early days of the financial year).

The financial impact of the grants is has been included within successive Statements of Accounts, including this one, although specific accounting treatment depends on whether the Council was acting as “Principal” or “Agent” in its administration of each individual scheme.

The Council acted as Agent the following circumstances:

- It was acting as an intermediary between Government and the recipient; and
- It had no control of the grant conditions and had no flexibility in determining the level of grant payable.

Where the Council acted as Principal, it was able to use its discretion when allocating the grant payable.

**Phase 1 Business Grants (Support to the Community) – concluded 2020/21**

As reported in the 2020/21 Statement of Accounts, the Council received an overall allocation of £31,102,500 from the Government during the early days of the pandemic; the full allocation was spent during 2020/21:

- A total non-discretionary allocation of £29,605,000 million in “Small Business Grant Fund” (SBGF) and “Retail, Leisure and Hospitality Grant Fund” (RLHGF) was awarded to 3,102 businesses (with the Council acting as agent); and additionally
- A discretionary allocation of £1,497,500 was awarded to 184 businesses (with the Council acting as principal).

**Phase 2 Business Grants (Support to the Community) – commenced 2020/21**

The Government subsequently introduced a range of grants under the general heading of Local Restrictions Support Grants (LRS), covering August 2020 to 31st March 2021. In total, the Council received £15,282,288 in grants across nine separate allocations. Each separate tranche of LRS had its own eligibility criteria.

Most of the grant funding remained open for final payments beyond 31st March 2021, with the Council carrying forward £5,326,968 into 2021/22, which included £220,401 in relation to two LRS grants covering ‘open businesses’ containing discretionary elements, for which the Council determined eligibility, and therefore acted as principal.

The Council spent £206,005 of the rolled forward LRS funding in 2021/22, which left a remaining balance of £5,128,707 as at 31st March 2022, to be returned to the Government; this was reported in the 2021/22 Statement of Accounts. Some grant recipients have subsequently returned their grants to the Council and, as at 31st March 2023, a total of £4.171 million was still waiting to be reclaimed by the Government.

Covid-19 Business Grants: Phase 2 (Community Support) – balances rolled forward into 2022/23						
Description	Total Allocation (received 2020/21)	Remaining Balance B/Fwd. (01/04/22)		Returned from Recipient (2022/23)	Paid to Government (2022/23)	Grant Remaining (31/03/23)
		Council as Agent	Council as Principal			
	£'s	£'s	£'s	£'s	£'s	£'s
LRS (Various) Agent	8,966,978	3,041,722	0	10,499	(977,064)	2,075,157
LRS (Various) Principal	516,508	0	215,984	0	0	215,984
Closed Business Lockdown One-Off Payment	5,715,000	1,871,000	0	9,000	0	1,880,000
<b>Totals</b>	<b>15,198,486</b>	<b>4,912,722</b>	<b>215,984</b>	<b>19,499</b>	<b>(977,064)</b>	<b>4,171,141</b>

**Additional Restrictions Grant (ARG) – commenced 2020/21**

In addition to the LRS, the Government introduced a further discretionary grant scheme, the “Additional Restrictions Grant” (ARG). The Council introduced specific eligibility criteria for grant support based on knowledge of the Epping economy and the local business community. During 2020/21, two rounds of grant were received totalling £3,803,580 for which the Council acted as a principal. By 31st March 2021, £2,174,500 had been spent, with £1,629,080 being carried forward into the new financial year.

All remaining ARG funds were spent in 2021/22.

**Other Specific Grants (commenced 2020/21 & 2021/22)**

As outlined in the table below, the COVID-19 pandemic led the Government to introduce a further 13 specific grant regimes for the Council to administer in 2020/21, followed by 5 more grants in 2021/22. Each of these grants had its own terms, conditions and eligibility criteria and some had detailed reporting requirements.

In total, £1,604,711 in other specific grants were received in 2020/21. As at 31st March 2021, £684,312 had not been spent and was available for use in the following financial year.

Additional ‘top-up’ allocations of £924,680 were received in 2021/22, which helped fund total expenditure of £869,364 in the year. This left a remaining balance of £739,628.

New funding of £7,925,011 was received in 2021/22, with expenditure of £5,996,597 in year, leaving an additional remaining balance of £1,928,414.

The overall remaining balance of £2,668,042 was reported in the 2021/22 Statement of Accounts. Some grant recipients have subsequently returned their grants to the Council, further payments (on "Test & Trace") have been made, and the outstanding balance on the "Omicron (Hospitality & Leisure)" grant has been returned to the Government. There was a remaining balance of £2.368 million still waiting to be reclaimed by the Government as at 31st March 2023.

Other Specific Grants (Community Support) – balances rolled forward into 2022/23							
Description	Total Allocation	Balance B/Fwd. (01/04/22)		Returned from Recipient (2022/23)	Spend (2022/23)	Repaid to Gov (2022/23)	Grant Remaining (31/03/23)
		Council as Agent	Council as Principal				
	£'s	£'s	£'s	£'s	£'s	£'s	£'s
<i>Direct (from Central Government)</i>							
Test & Trace (Agent)	738,939	602,526	0	0	(81,000)	0	521,526
Test & Trace (Principal)	25,000	0	25,000	0	0	0	25,000
Restart	6,156,162	1,182,799	0	18,000	0	0	1,200,799
Omicron – Hospitality & Leisure Grant	972,045	206,684	0	0	0	(206,684)	0
Omicron – Additional Restrictions Grant	352,931	0	272,179	0	0	0	272,179
<i>Indirect (via Essex County Council)</i>							
Compliance & Enforcement	231,906	0	81,882	0	0	0	81,882
Essex Additional Business Support Grant	333,252	266,752	0	0	0	0	266,752
<b>Totals</b>	<b>8,810,235</b>	<b>2,258,761</b>	<b>379,061</b>	<b>18,000</b>	<b>(81,000)</b>	<b>(206,684)</b>	<b>2,368,138</b>

#### **Energy and Fuel Specific Support (commenced 2022/23)**

Similar to its pandemic response, the Government introduced three new initiatives for 2022/23 with the Council distributing funds to help provide further community support in respect of spiralling Energy and Fuel costs. The "Support for Energy Bills" Council Tax Rebate scheme provided £150 eabtes to householders in Council Tax bands A to D; the initiative also included a "Discretionary Fund". A total funding allocation of £5,172,600 was received in the year, with £5,086,655 spent, resulting in a carried forward balance of £86,220 million at year end.

In addition, the Government provided further funding in the form of the "Energy Bills Support Scheme" (providing payments of £400 to eligible households), whilst £200 per household was made available to eligible households via the "Alternative Fuel Payment". A total funding allocation of £1,043,520 was received in the year, with £95,800 spent, resulting in a carried forward balance of £947,720 million at year end.

The overall funding allocation for Energy and Fuel Support was £6,216,120 in 2022/23, with £5,182,180 spent, resulting in a carried forward balance of £1,033,940 million at year end.

Energy & Fuel Specific Grants (Community Support) - new for 2022/23					
Description	Total Allocation (2022/23)	Council as Agent	Council as Principal	Spend (2022/23)	Grant Remaining (31/03/23)
	£'s	£'s	£'s	£'s	£'s
<i>Direct (from Central Government)</i>					
Council Tax Rebate – Main Scheme (Bands A to D)	4,795,050	4,795,050	0	(4,764,750)	30,300
Council Tax Rebate – Discretionary	377,550	0	377,550	(321,630)	55,920
Energy Bills Support Scheme	859,520	859,520	0	(76,400)	783,120
Alternative Fuel Payment	184,000	184,000	0	(19,400)	164,600
<b>Totals</b>	<b>6,216,120</b>	<b>5,838,570</b>	<b>377,550</b>	<b>(5,182,180)</b>	<b>1,033,940</b>

#### 4. PRINCIPAL RISKS AND UNCERTAINTIES

A Risk Management Strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact.

Annually the Chief Internal Auditor gives their opinion on the adequacy and effectiveness of the Council's governance, risk management arrangements and control processes. For 2022/23, these were found to be adequate and effective.

The Audit and Governance Committee receive regular updates on the Corporate Risk Register and given the opportunity to comment and suggest changes.

The top risks from the Council's Corporate Risk Register as at March 2023 are listed below:

Top Risks Identified		
Risk	Impact	Mitigation
Failure to comply with social housing regulation	If the Council is unable to demonstrate compliance with statutory/regulatory requirements it could face heavy fines. There is also a need to meet Health and Safety Standards and Consumer Standards as laid out in the Social Housing (Regulation) Bill (2023). If the Council is unprepared, it will face serious reputational damage.	<ol style="list-style-type: none"> <li>1). An external consultancy has given advice on compliance to the council, including policies and procedures.</li> <li>2) Extensive work has been undertaken to provide compliance data to a dashboard for senior management to review monthly.</li> <li>3) Weekly gas meetings take place monitoring and improving gas compliance.</li> <li>4) Improvement plan for asbestos being produced for mid-March 2023.</li> <li>5) Interim Strategic Director has agreed to lead on Health and Safety for Housing (as required by the Regulator)</li> <li>6) The Director for Housing &amp; Property is lead for Consumer Standards. As required by the Regulator.</li> <li>7) Results of the mid-point of the stock condition survey were made available in March 2023. This will inform an assessment of Decent Homes Progress.</li> </ol>

**Top Risks Identified (cont.)**

Risk	Impact	Mitigation
Increase in demand for housing.	Inadequate provision provided by the Council to deal with the cost-of living pressures and responses to the Domestic Abuse Act, which have resulted in increased demand for homelessness assistance directly affecting the general fund.	1) Work undertaken to provide a private sector lettings resource to increase prevention of homelessness, reduce demand for Temporary Accommodation and instances where a full rehousing duty would otherwise be owed  2) Project to improve tenancy sustainment in the private rented sector has been included in the Service Plan for 2023/24 to prevent homelessness at an earlier stage.
Failure to maintain a Balanced Budget and Sustainable MediumTerm Financial Plan (MTFP)	Failure to maintain a Balanced Budget and Sustainable MediumTerm Financial Plan (MTFP) would breach a legal duty to maintain a balanced budget and could potentially result in the bankruptcy of the Council.	1) The active monitoring and reporting on internal and external factors affecting the MTFP, including the 2024/25 Budget through the established Financial Planning Framework  2) Regular communication of financial position and future prospects to Members (through the Cabinet and Scrutiny process) and senior management (via SLT route).
Failure to ensure continued financial viability of Qualis	Failure to ensure the continued financial viability of Qualis represents a major financial and reputational risk to the Council.	1) Quarterly monitoring and reporting on progress against Qualis Business Plan through the established Governance Framework.  2) Quarterly reporting on Council budget position (including Qualis loan margins and other transactions) through Cabinet and Scrutiny process.  3) Enhanced reporting (with effect from 2023/24 in compliance with December 2021 codes) through Audit & Governance Committee re Capital and Treasury Management strategies (especially on Qualis-related Service and Commercial Investments).
Failure to maintain and improve VFM.	A failure to maintain and improve Value for Money (VFM) in the commissioning and delivery of services would potentially jeopardise public funds and cause the Council significant reputational damage.	1) Quarterly performance monitoring and reporting through established Cabinet and Scrutiny progress.  2) Ad hoc scrutiny of Qualis service-delivery performance.
Failure to recruit/retain skilled staff	Experiencing significant workforce issues around not having the right skills, behaviours, productivity and capacity in place to deliver services to our residents and deliver the Corporate Plan 2023-27.	1) People Strategy in place that recognises the importance of attraction & retention, employee development, supports our new ways of working and engagement with employees and trade unions, and wellbeing support.  2) A successful Apprentice Scheme which maximises expenditure of the Apprenticeship Levy  3) Well established hybrid/flexible ways of working  4) Leadership development programmes  5) A dedicated L&D (Learning and Development) budget and team  6) Partnership working/shared services other authorities and public services which offers potential career, specialist and personal development.  7) Officers involved in a range of Essex wide groups discussing attraction and recruitment to wider Essex councils.

**Top Risks Identified (cont.)**

Risk	Impact	Mitigation
Risk of data/ information breach	Risk of data held by the Council ends up in inappropriate hands. System loss. Breach of the 2018 Data Protection Act (DPA) and the General Data Protection Regulations	1) The Council continues to have a designated SIRO, Data Protection Officer, and FOI Officer 2) A Strategic Information Governance Group and an Information Asset Owner Group is in place. 3) The Information Governance Group has put together a work programme and is updated quarterly. 4) GDPR & Cyber security e-learning training on Litmos was provided during 2022. 5) Training is underway with SLT, started on 30 January 2023
Lack of and/or inadequate Business Continuity Plans	Failure to ensure robust plans are in place for critical services and regularly tested could result in an event occurring having adverse impact on service delivery.	1) There is a well established MIM process for ICT issues to be managed. 2) All 'office' based employees can work from home. 3) The Council has alternative locations it could work from.
Risk of cyber security incident	Failure to ensure adequate controls and firewalls are in place, along with close monitoring and training of staff could result in a cyber security incident.	1) All data back ups now directly to the cloud. 2) Documented and tested incident management procedures in place. 3) Cyber security training completed by all users and the People Team notifies ICT of all leavers to ensure access rights are promptly disabled. 4) Access to the Council's Active Directory domain is protected by both two-factor authentication and robust password security settings. 5) Firewall appliances has been deployed to protect the Council's network.
Failure of Contractor/ Service - waste	Failure of Waste Contractor to deliver service and failure of the Council to procure a new Contractor to commence in November 2024	1) Biffa have invested resources to improve the service delivery in terms of increasing pay, training, and new vehicles. Additional external waste contractor has been deployed to help deal with the missed collections. 2) Cabinet approval for capital and permission to develop an EFDC waste depot at NWA granted in February 2023. 3) Cabinet decision to go out to procurement for the waste contract was agreed in October 2022.

**Top Risks Identified (cont.)**

<b>Risk</b>	<b>Impact</b>	<b>Mitigation</b>
Failure to achieve carbon emission targets	Failure to achieve carbon emission targets will result in not achieving our targets contained within our Corporate Plan and will result in increased costs.	Following the Climate Action Plan approved by Cabinet in April 2022. Actions from the action plan have continued to be implemented by different service areas e.g. - Further roll out of rapid electric charging points in Ongar - Energy efficiency measures in park homes and other low efficiency household as part of the Sustainable Warmth programme - Energy audit at the Waltham Abbey museum - Litter strategy adopted
Failure to achieve strong economic development	A failure to deliver projects linked to the council's UK Shared Prosperity Fund (UKSPF) bid, mean that the council will miss out on the benefits linked to £1 million worth of external funding.	Strategic Partnerships specialist/Economic Lead responsible for overseeing delivery of various business support programmes to be delivered through economic development team.  A process has been set up between the economic development team and the legal and procurement teams, to ensure all contracts for projects are reviewed before sign off.

DRAFT

## 5. EXPLANATION OF THE ACCOUNTING STATEMENTS

The Statement of Accounts shows the financial performance for 2022/23 and the financial position as at 31st March 2023. They present the income and expenditure for the year and highlight any significant changes in the Council's financial position during the year.

The document comprises Core and Supplementary Financial Statements, together with Disclosure Notes. The format and content of the financial statements is prescribed by the *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23* ("the Code"), which is underpinned by International Financial Reporting Standards (IFRSs).

The Code requires that the Statement of Accounts give a true and fair view of the financial position of the Council and are prepared on the basis that the Council is a going concern.

In line with the Code, suitable accounting policies have been applied, and where necessary, prudent judgements and estimates have been made.

The Statement of Accounts can be 'technical' and complex, but wherever possible, information is presented as simply and clearly as possible to assist the understanding of users.

### **Core Financial Statements**

#### **Comprehensive Income and Expenditure Statement (CIES)**

This statement brings together all Council functions and reports on income and expenditure in accordance with International Financial Reporting Standards (IFRS) rather than just the amount to be funded from local taxes, rents and government grants. The difference is accounted for by a series of adjustments made in accordance with regulations. The cost of services within the Comprehensive Income and Expenditure Statement (CIES) follows the reporting structure used by the Council.

#### **Movement in Reserves Statement (MIRS)**

This statement provides a summary of the movement on the different reserves held by the Council over the course of the financial year. These reserves represent the Council's net worth and are divided into 'unusable', and 'usable' (i.e. those that can currently be used to fund expenditure or support local taxation).

#### **Balance Sheet**

This is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date. The net assets (assets less liabilities) of the Council are matched by the reserves held by the Council.

#### **Cash Flow Statement**

A summary of cash inflows and outflows arising from revenue and capital transactions with third parties.

#### **Notes to the Financial Statements**

The notes provide a better understanding of the financial statements and give further detail about the items contained in the core financial statements along with details of accounting policies used by the Council.

### **Supplementary Financial Statements**

#### **Housing Revenue Account (HRA)**

This account records the Council's statutory obligation to separately account for the cost of the ring-fenced landlord function in respect of the provision of Council Housing.

#### **Collection Fund**

This summarises the collection of council tax and business rates, and the redistribution of that money to other local authorities and central Government.

#### **Group Accounts**

The Council has a material interest in Qualis. The Group Accounts show the consolidated position of the activities of the Council and Qualis.

#### **Annual Governance Statement**

This sets out the governance structures of the Council and its key internal controls.

The other notes to these statements provide more detail about accounting policies and transactions.



# Statement of responsibilities



## THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Section 151 Officer) has responsibility for the administration of those affairs
- Manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

**Councillor Peter Bolton**  
**Chairman of the Audit & Governance Committee**

XXth Month 2023

## THE SECTION 151 OFFICER'S RESPONSIBILITIES

The Section 151 Officer is responsible for the preparation of the Statement of Accounts in accordance with proper practices as set out in the *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing this Statement of Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code of Practice.

The Section 151 Officer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the accounts set out on pages 3 to 85 give a true and fair view of the financial position of the Council as at 31st March 2023 and the income and expenditure for the year then ended.

**Andrew Small CPFA**  
**Strategic Director & Section 151 Officer**

XXth Month 2023



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EPPING FOREST DISTRICT COUNCIL REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

In our opinion the financial statements of Epping Forest District Council ('the Authority'):

- give a true and fair view of the financial position of the Authority as at 31st March 2023 and of the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We have audited the financial statements which comprise:

- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Movement in Reserves Statement;
- the Cash Flow Statement;
- the Housing Revenue Account Income and Expenditure Statement;
- the Movement on the Housing Revenue Account Balance Statement;
- the Collection Fund; and
- the related notes to the financial statements including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting (2022/23).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Chief Financial Officer's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

#### **Other information**

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### **Chief Financial Officer's responsibilities**

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **REPORT ON OTHER LEGAL AND REGULATORY MATTERS**

#### **Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

##### **Conclusion**

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Epping Forest District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2023.

#### **Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

we are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020 as to whether Epping Forest District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Epping Forest District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2023.

### **Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### **CERTIFICATE OF COMPLETION OF THE AUDIT**

We certify that we have completed the audit of the accounts of Epping Forest District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### **USE OF OUR REPORT**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

**Mo Ramzan (Appointed Auditor)**  
**For and on behalf of Deloitte LLP**  
St Albans, United Kingdom  
XXth Month 2023

# Comprehensive income and expenditure statement



	Note	2022/23			2021/22		
		Gross Expenditure £000's	Income £000's	Net Expenditure £000's	Gross Expenditure £000's	Income £000's	Net Expenditure £000's
<b>Continuing Operations</b>							
Chief Executive		711	(321)	390	886	(364)	522
Community & Wellbeing Services		3,864	(1,762)	2,102	3,851	(1,449)	2,402
Contract & Technical Services		18,380	(8,138)	10,242	17,729	(9,932)	7,797
Corporate Services		10,569	(3,155)	7,414	10,471	(2,855)	7,616
Customer Services		29,641	(26,747)	2,894	29,617	(27,500)	2,117
Finance & Audit Services		2,310	(821)	1,489	2,733	(788)	1,945
Housing & Property Services		2,197	(529)	1,668	2,719	(543)	2,176
Place		472	(178)	294	886	(433)	453
Planning Development Services		5,642	(3,455)	2,187	5,698	(2,778)	2,920
Strategy, Delivery & Performance		690	(5)	685	691	-	691
Housing Revenue Account		39,644	(41,405)	(1,761)	36,534	(39,899)	(3,365)
<b>Net Cost of Services</b>		<b>114,120</b>	<b>(86,516)</b>	<b>27,604</b>	<b>111,815</b>	<b>(86,541)</b>	<b>25,274</b>
Other Operating Expenditure	9			2,116			974
Financing and Investment Income and Expenditure	10			13,053			(14,821)
Taxation and Non-Specific Grant Income	11			(21,402)			(20,982)
<b>(Surplus)/Deficit on Provision of Services</b>				<b>21,371</b>			<b>(9,555)</b>
(Surplus) on Revaluation of Property Plant and Equipment	12			(27,122)			(52,588)
Actuarial (Gains)/Losses on Pension Assets/Liabilities				(74,872)			(24,028)
<b>Total Comprehensive Income and Expenditure</b>				<b>(80,623)</b>			<b>(86,171)</b>

# Movement in reserves statement



	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
Movements in 2022/23	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance as at 1st April 2022	4,070	4,164	6,628	11,910	9,365	1,607	37,744	721,122	758,866
Surplus / (Deficit) on Provision of Services	(20,448)	(923)	-	-	-	-	(21,371)	-	(21,371)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	101,994	101,994
<b>Total Comprehensive Income and Expenditure</b>	<b>(20,448)</b>	<b>(923)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,371)</b>	<b>101,994</b>	<b>80,623</b>
Adjustment Between Accounting and Funding Basis Under Regulations	16,791	1,311	-	308	(878)	102	17,634	(17,634)	-
<b>Net Increase / (Decrease) before Transfer to Earmarked Reserves</b>	<b>(3,657)</b>	<b>388</b>	<b>0</b>	<b>308</b>	<b>(878)</b>	<b>102</b>	<b>(3,737)</b>	<b>84,360</b>	<b>80,623</b>
Transfer to Earmarked Reserves	2,806	-	(2,806)	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>(851)</b>	<b>388</b>	<b>(2,806)</b>	<b>308</b>	<b>(878)</b>	<b>102</b>	<b>(3,737)</b>	<b>84,360</b>	<b>80,623</b>
Other Adjustments	-	-	(2)	-	-	-	(2)	(38)	(40)
<b>Balance as at 31st March 2023</b>	<b>3,219</b>	<b>4,552</b>	<b>3,820</b>	<b>12,218</b>	<b>8,487</b>	<b>1,709</b>	<b>34,005</b>	<b>805,444</b>	<b>839,449</b>

	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
Movements in 2021/22	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance as at 1st April 2021	4,017	2,105	23,811	8,385	8,839	-	47,156	618,535	665,691
Surplus / (Deficit) on Provision of Services	7,978	1,577	-	-	-	-	9,555	-	9,555
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-
<b>Total Comprehensive Income and Expenditure</b>	<b>7,978</b>	<b>1,577</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,555</b>	<b>-</b>	<b>9,555</b>
Adjustment Between Accounting and Funding Basis Under Regulations	(12,127)	482	-	3,525	526	1,354	(6,240)	6,240	-
<b>Net Increase / (Decrease) before Transfer to Earmarked Reserves</b>	<b>(4,149)</b>	<b>2,059</b>	<b>-</b>	<b>3,525</b>	<b>526</b>	<b>1,354</b>	<b>3,315</b>	<b>6,240</b>	<b>9,555</b>
Transfer to Earmarked Reserves	4,202	-	(17,182)	-	-	-	(12,980)	12,980	-
<b>Increase / (Decrease) in Year</b>	<b>53</b>	<b>2,059</b>	<b>(17,182)</b>	<b>3,525</b>	<b>526</b>	<b>1,354</b>	<b>(9,665)</b>	<b>19,220</b>	<b>9,555</b>
Other Adjustments	-	-	-	-	-	253	253	83,367	83,620
<b>Balance as at 31st March 2022</b>	<b>4,070</b>	<b>4,164</b>	<b>6,629</b>	<b>11,910</b>	<b>9,365</b>	<b>1,607</b>	<b>37,744</b>	<b>721,122</b>	<b>758,866</b>

# Balance sheet



	Note	31 March 2023		31 March 2022	
		£000's	£000's	£000's	£000's
<b>Long Term Assets</b>					
Property, Plant & Equipment	12	879,302		854,568	
Heritage Assets		620		598	
Investment Properties	13	148,483		162,006	
Intangible Assets		1,450		988	
Long Term Debtors	14	68,753		59,521	
Pensions Asset		25,912			
<b>Total Long Term Assets</b>			<b>1,124,520</b>		<b>1,077,681</b>
<b>Current Assets</b>					
Inventories		96		157	
Debtors	16	14,701		22,844	
Cash & Cash Equivalents	17	12,796		18,736	
			<b>27,593</b>		<b>41,737</b>
<b>Current Liabilities</b>					
Creditors	18	(26,569)		(43,750)	
Provisions	19	(3,414)		(3,448)	
Short Term Loan		(38,175)		(55,552)	
			<b>(68,158)</b>		<b>(102,750)</b>
<b>Long Term Liabilities</b>					
Long Term Loans	15	(244,506)		(213,639)	
Pensions Liability	31	-		(44,163)	
			<b>(244,506)</b>		<b>(257,802)</b>
<b>Total Assets Less Liabilities</b>			<b>839,449</b>		<b>758,866</b>
Usable Reserves		(34,005)		(37,744)	
Unusable Reserves	20	(805,444)		(721,122)	
			<b>(839,449)</b>		<b>(758,866)</b>

# Cash flow statement



	Note	2022/23 £000's	2021/22 £000's
Net Surplus/(Deficit) on Provision of Services		(21,371)	9,555
Adjustments to net surplus or deficit on the provision of services for non-cash movements	21	25,616	37,356
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	(14,037)	(29,613)
<b>Net cash flows from Operating Activities</b>		<b>(9,792)</b>	<b>17,298</b>
Investing Activities	22	(12,641)	(15,461)
Financing Activities	23	16,493	6,425
<b>Net Increase or (Decrease) in cash and cash equivalents</b>		<b>(5,940)</b>	<b>8,262</b>
Cash and Cash Equivalents at the beginning of the reporting period		18,736	10,474
<b>Cash and Cash equivalents at the end of the reporting period</b>	17	<b>12,796</b>	<b>18,736</b>





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# 1. ACCOUNTING POLICIES

## 1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises Epping Forest District Council's transactions for the 2022/23 financial year and its position at the year-end of 31st March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices.

The Statement of Accounts has been prepared in accordance with proper accounting practices (under Section 21 of the Local Government Act 2003). These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 7 of the Accounts and Audit Regulations 2015.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on an accruals basis and are based on the concept of the Council as a going concern whereby local authorities cannot be created or dissolved without statutory prescription.

The significant accounting policies are set out in alphabetical order (1.2 to 1.18) below:

## 1.2 ACCRUALS OF INCOME AND EXPENDITURE

Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and its probable that economic benefits or service potential associated with transaction will flow to the Council.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## 1.3 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in a specified period of no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## 1.4 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are charged with the following amounts to reflect the cost of holding non-current assets during the year:

- depreciation attributable to the asset used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which losses can be written off; and
- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation, however it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance).

Depreciation, revaluation and impairment losses and amortisation are replaced by the contribution in the General Fund Balance by way of a Capital Adjustment transaction in the Movement in Reserves Statement for the difference between the two.

Under the Item 8 Credit and Item 8 Debit (General) Determination issued 24th January 2017 depreciation is charged to the Housing Revenue Accounts. From 1st April 2017 impairment charges and revaluation losses on dwelling assets continue to be reversed out of the Housing Revenue Account post the transitional period and for non-dwelling assets prospectively only from this date. Revaluation gains which reverse a previous impairment and revaluation losses are adjusted for against the Housing Revenue Account Balance.

## 1.5 COUNCIL TAX AND NON-DOMESTIC RATES

The Council as a billing authority acts as an agent, collecting Council Tax and non-domestic rates (NDR) on behalf of Essex County Council and Essex Police (i.e. the major preceptors, which also includes Essex Fire Authority and Central Government for NDR) and as principal, it collects Council Tax and NDR for itself. Billing authorities are required by statute to maintain a separate fund (the "Collection Fund") for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

### Accounting for Council Tax and NDR

The Council Tax and NDR income included in the CIES is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the year-end balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

## 1.6 EVENTS AFTER THE REPORTING PERIOD

Events after the Balance Sheet date, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue are of two types:

- Those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## 1.7 FINANCIAL INSTRUMENTS

Financial assets and liabilities are carried at amortised cost. Credits are made to the CIES for Interest Receivable and are based on the carrying amount multiplied by the effective rate of interest. The amount appearing in the Balance Sheet relates to the principal outstanding plus accrued interest.

## 1.8 GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, Government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied.

Where there are no conditions attached to a grant it should be recognised immediately as income in the CIES. This applies to both revenue and capital grants.

As capital grants and contributions credited to the CIES are not proper income charges to either the General Fund or HRA they must be reversed out through the MIRS to ultimately end up in the Capital Adjustment Account. If there are no conditions attached and the expenditure to which the grant relates has been incurred, then the reversal can be made directly to the Capital Adjustment Account. However, if there are conditions attached then the grant will be recognised in the Capital Grants Receipts in Advance Account until the conditions are met.

Further to this, if the conditions of a capital grant have been met, but the expenditure to be financed from the grant has not been incurred at the Balance Sheet date, then the grant should be reversed out of the CIES through the MIRS to the Capital Grants Unapplied Account. By doing this there is a recognition that the capital grant is not proper income to the General Fund nor HRA and that the capital resources have yet to be applied.

## 1.9 INVESTMENT PROPERTY

Investment properties are those which are held solely to earn rentals or for capital appreciation purposes. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated but are re-valued annually according to market conditions to ensure that they are held at the highest and best use value on the Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal. Under statute, revaluation and disposal gains and losses are not permitted to impact on the General Fund balance and therefore such gains and losses are reversed out of the General Fund balance in the Movement in Reserves Statement to the Capital Adjustment Account; sale proceeds greater than £10,000 are posted to the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund balance.

## 1.10 LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## **The Council as Lessee:**

### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A financing charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution (minimum revenue provision - MRP) is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by the MRP in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Operating Leases**

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

## **The Council as Lessor:**

### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain and loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a long-term lease debtor in the Balance Sheet.

**Lease rentals receivable are apportioned between:**

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, it is posted out of the General Fund Balance to the Capital Receipt Reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## 1.11 OVERHEADS AND SUPPORT SERVICES

The cost of overheads and support services are not recharged to General Fund service segments. This maintains clearer financial accountability and performance and – especially – ensures consistency with the Council's management accounts, which are reported to councillors throughout the financial year.

However, the cost of overheads and support services are recharged to the Housing Revenue Account, which ensures that a ring-fenced account is maintained, as required by statute.

## 1.12 PRIOR YEAR ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Prior period adjustments may arise because of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to prior period adjustment.

Changes in accounting policies are made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 1.13 PROPERTY PLANT AND EQUIPMENT

Assets that have a physical substance and are held for use in the production or supply of goods or services (for rental to others or for administrative purposes) and that are expected to be used during more than one financial year are classified as property, plant and equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of property plant and equipment is capitalised on an accruals basis, provided that it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the costs of dismantling and removing the item and restoring the location site.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historic cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Investment properties and surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; and
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- Where there is no balance in the Revaluation Reserve or an insufficient balance the carrying amount of the asset is written down against the relevant service line in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated in the Capital Adjustment Account.

### **Impairment**

Assets are reviewed at each year-end for evidence of reductions in value i.e. impairment. Where impairment is identified, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

When impairment losses are identified, they are accounted for as follows:

- Where there is a balance in the revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains; or
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives on a straight-line basis. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Subsequent expenditure on a fixed asset that maintains or enhances the previously assessed standard of performance of the asset does not negate the need to charge depreciation.

Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charge on assets and the depreciation that would have been charged based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Disposal and Non-Current Assets held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. These should be:

- Immediately available for sale
- Sale is highly probable
- Actively marketed; and
- Expected to be sold within 12 months.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Any loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

If an asset no longer meets the criteria to be classified as an asset held for sale it is reclassified again as a non-current asset and valued at the lower of:

- Its carrying amount before it was classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had it not been classified as held for sale; and
- Its recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or asset held for sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from the disposal (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal above £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to central government. The balance of receipts remains within the Capital Receipts' Reserve and then can be used for new capital investment (or set aside to reduce the Council's underlying need to borrow). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against Council Tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **1. 14 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking account of relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that the reimbursement will be received if the Council settles the obligation.



### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation the existence of which will be confirmed by the occurrence or otherwise of uncertain future events which are not wholly within the control of the Council. Contingent liabilities may arise in circumstances also where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the Balance Sheet but disclosed by way of a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset the existence of which will be confirmed by the occurrence or otherwise of uncertain future events which are not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed by way of a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **1.15 RESERVES**

The Council has set aside certain revenue and capital amounts as earmarked reserves for future policy purposes or to cover contingencies. All other fund balances represent working balances for the purpose of the specific fund and are made up of accumulated surpluses and deficits derived over time. All earmarked fund balances and reserves are reviewed periodically as to their size and appropriateness.

Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are unusable and are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits are explained in the relevant policies.

## **1.16 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Expenditure incurred during the year that may be capitalised under statutory provisions, but which does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves' Statement from the General Fund Balance to the Capital Adjustment Account ensures the accounting principle does not impact on the General Fund Balance.

## **1.17 VALUE ADDED TAX (VAT)**

VAT is included in the accounts only to the extent that it is irrecoverable from HM Revenue and Customs. VAT can only be recovered on partially exempt activities where all such activities account for less than 5% of total VAT on all the Council's activities. VAT receivable is excluded from income.

## **1.18 FAIR VALUE MEASUREMENT**

The Council measures some of its financial and non-financial assets, such as surplus assets and investment properties and some of its financial instruments, at fair value at the end of each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, (assuming market participants act in their economic best interest).

When measuring fair value of a non-financial asset the Council takes account of a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## **2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

The Council is required to disclose known or reasonably estimated information relevant to assessing the possible impact on the financial statements of an accounting change that will be required by the application of a new standard that has been issued but not yet adopted in the period of application.

The most significant standard which applies for this Council is IFRS 16 ("Leases"). IFRS16 was issued in January 2016 and became effective for the private sector on 1st January 2019. It removes the existing classifications of operating and finance leases for lessees, requiring a lessee to recognise assets and liabilities for all leases with a term of more than 12 months (unless the underlying asset is of low value) on their Balance Sheet.

All material operating leases were required to be recorded on the Balance Sheet from 1st April 2019 in the private sector. However, in the light of Covid-19 pressures, HM Treasury and the Financial Reporting Advisory Board (FRAB) initially decided that the original IFRS 16 implementation deadline of 1st April 2020 for the public sector would be deferred for a further year, to accounting periods beginning 1st April 2021.

However, in December 2021, the Department of Levelling-up Housing and Communities (DLUHC) asked CIPFA/LASAAC to deliberate how time-limited changes to the Code may help ease delays to the publication of audited financial statements (just 9% of local authorities in England met the 30th of September 2021 audit publication deadline). The subsequent consultation issued in February 2022 included the further deferral of the implementation of IFRS 16 as an option, which was duly recommended by CIPFA/LASAAC in March 2022 and subsequently approved by FRAB. The implementation of IFRS 16 has now been deferred until 1st April 2024 (the 2024/25 Code), although early adoption – in 2022/23 or 2023/24 – is permitted.

The Council's current leasing activity (as a lessee) is relatively limited. Nevertheless, a review of the updated leasing position will be undertaken to ensure timely implementation, including consideration of early adoption in 2023/24. At this stage, it is not possible to provide a reasonable estimate of the financial impact that adopting IFRS16 will have.

## **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions in the current economic climate of the high degree of uncertainty about future levels of funding for local government. The Council has determined, however, that this uncertainty is not yet sufficient to provide an indication that its assets might be impaired due to a need to close facilities and reduce levels of service provision.

#### 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Accounts contain numerous figures that are estimated based on historical experience, current trends or other factors that are relevant. As these figures cannot be ascertained with certainty it is possible that actual results could be materially different from those estimated. The items in the Balance Sheet where there is a risk of material adjustment are as follows:

##### **Pensions Liability**

Estimation of the net liability to pay pensions depends on a range of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, life expectancy rates and expected returns on pension fund assets. Consultant actuaries are engaged to provide advice about assumptions to be applied. The actuary has provided a sensitivity analysis on the assumptions, which is contained within the Pensions Note 31. The value of the Pensions Asset is (£25.912 million).

##### **Fair Value Measurement**

The use of the discounted cash flow model to measure the fair value of some of the Council's investment properties and financial instruments are dependent upon significant assumptions for rent growth, void properties and discount rates adjusted for regional factors. Significant changes in any of the inputs would result in a significantly different fair value measurement. The Council's fund manager has provided a sensitivity analysis around a 1% increase in the discount rate used for measuring the fair value of the Council's financial assets and liabilities which is disclosed within the Financial Instruments Note 15.

There have been three major events – “Brexit”, “Coronavirus” and the “War in Ukraine” – in recent years that have been reported as having the potential to have a significant financial impact on the assumptions and estimates made in the Statement of Accounts. Whilst concerning at the time, the subsequent effects of Brexit and Coronavirus were either not as seismic as initially feared (Brexit) or have settled to the extent that they are no longer a major cause for concern (Coronavirus), although there are some legacy issues that continue to prove challenging for this Council, and local authorities in general, caused by long-lasting/permanent behavioural changes in society following the pandemic (e.g. changes in working habits have reduced the level of commuter-driven income received from Car Parking fees).

##### **The War in Ukraine (including the worldwide “cost of living crisis”)**

At the time of publishing these Statement of Accounts, the War in Ukraine continues and has been widely attributed as the primary cause of major worldwide inflationary pressure (initially triggered by a spike in fuel and energy prices) and sharply rising interest rates. Nevertheless there are some early signs of stability emerging with inflation beginning to settle down (CPI peaked at 11.1% in October 2022), with notable reductions in fuel and energy prices in recent months. Interest rates though continue to rise as the Government strives to further dampen inflation. This is having a direct impact on both the Council and Qualis, threatening the viability of a range of capital schemes.

The economic situation is also proving challenging for the local community and is increasing the demand for Council services in some areas (e.g. Housing Benefits) as well exerting pressure on core income sources Council funding streams such as Council Tax and Business Rates.

With regard to this Statement of Accounts, there is some uncertainty as to the future values of the Council's – relatively large – Commercial Property portfolio. As explained in the Financial Review (on Page 9), the Balance Sheet value of the portfolio reduced by £13.523 million during 2022/23, with industrial units being the hardest hit. Whilst retail units fared better (although still losing value), the future of retail generally seems uncertain in the long term, although the Council is fortunate in having very limited exposure to ‘high street retail’ (with the retail portfolio mainly focussed on retail parks, supermarkets and neighbourhood shops).

#### 5. EVENTS AFTER THE BALANCE SHEET DATE

The draft 2022/23 Statement of Accounts were authorised (**uncertified**) for issue on 2nd June 2023 by Andrew Small (Executive Director & Section 151 Officer).

Where events taking place before this date provided information about conditions existing at 31st March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information (e.g. the anticipated collectability of outstanding debt at 31st March 2023 is reflected in a further increase to the provision for bad debts).

## 6. EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and Rent Payers how the funding available to the Council (i.e., Government Grants, Rents, Council Tax and Business Rates) for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision-making purposes between the Council's service directorates. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

Net Expenditure Chargeable to General Fund & HRA Balances	2021/22			2022/23		
	Adjustments between the funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement		Adjustments between the funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement	
£000s	£000's	£000's		£000's	£000's	
417	(105)	522	Chief Executive	339	(51)	390
1,719	(683)	2,402	Community & Wellbeing Services	1,728	(374)	2,102
6,038	(1,759)	7,797	Contract & Technical Services	7,898	(2,344)	10,242
6,327	(1,289)	7,616	Corporate Services	6,362	(1,052)	7,414
1,422	(695)	2,117	Customer Services	2,401	(493)	2,894
2,550	605	1,945	Finance & Audit Services	2,316	827	1,489
1,640	(536)	2,176	Housing & Property Services	1,231	(437)	1,668
349	(104)	453	Place	241	(53)	294
2,242	(678)	2,920	Planning Development Services	1,636	(551)	2,187
612	(79)	691	Strategy, Delivery & Performance	600	(85)	685
(3,659)	(294)	(3,365)	Housing Revenue Account	(15,863)	(14,102)	(1,761)
				-		-
<b>19,657</b>	<b>(5,617)</b>	<b>25,274</b>	<b>Net Cost of Service</b>	<b>8,889</b>	<b>(18,715)</b>	<b>27,604</b>
(17,567)	17,262	(34,829)	Other Income and Expenditure	(5,623)	610	(6,233)
<b>2,090</b>	<b>11,645</b>	<b>(9,555)</b>	<b>(Surplus) / Deficit</b>	<b>3,266</b>	<b>(18,105)</b>	<b>21,371</b>
(29,932)			Opening General Fund and HRA Balance	(14,861)		
12,981			Other Transfers from Capital Funds	-		
<b>(14,861)</b>			<b>Closing General Fund &amp; HRA Balance at 31st March 2023 (For a split of this balance between the General Fund, HRA and Earmarked Reserves - see the Movement in Reserves Statement)</b>	<b>(11,595)</b>		

## Adjustments between Funding & Accounting Basis

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total
<b>2022/23</b>	£000's	£000's	£000's	£000's
Chief Executive	-	(90)	38	(52)
Community & Wellbeing Services	(87)	(349)	62	(374)
Contract & Technical Services	(1,441)	(972)	70	(2,343)
Corporate Services	(414)	(797)	159	(1,052)
Customer Services	4	(518)	21	(493)
Finance & Audit Services	-	704	123	827
Housing & Property Services	(330)	(162)	55	(437)
Place	-	(64)	11	(53)
Planning Development Services	-	(613)	62	(551)
Strategy, Delivery & Performance	-	(94)	9	(85)
Housing Revenue Account	(13,628)	(725)	251	(14,102)
<b>Net Cost of Service</b>	<b>(15,896)</b>	<b>(3,680)</b>	<b>861</b>	<b>(18,715)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(862)	(1,117)	2,589	610
<b>Difference between General Fund (Surplus) / Deficit and Comprehensive Income and Expenditure</b>	<b>(16,758)</b>	<b>(4,797)</b>	<b>3,450</b>	<b>(18,105)</b>

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total
<b>2021/22</b>	£000's	£000's	£000's	£000's
Chief Executive	-	(75)	(30)	(105)
Community & Wellbeing Services	(312)	(329)	(42)	(683)
Contract & Technical Services	(652)	(1,100)	30	(1,722)
Corporate Services	(299)	(912)	(78)	(1,289)
Customer Services	-	(737)	42	(695)
Finance & Audit Services	(38)	636	7	605
Housing & Property Services	(311)	(188)	(37)	(536)
Place	-	(99)	(5)	(104)
Planning Development Services	-	(678)	-	(678)
Qualis Group	-	(32)	720	688
Strategy, Delivery & Performance	-	(65)	(14)	(79)
Housing Revenue Account	789	(912)	(171)	(294)
<b>Net Cost of Service</b>	<b>(823)</b>	<b>(4,491)</b>	<b>422</b>	<b>(4,892)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	13,880	(1,342)	3,999	16,537
<b>Difference between General Fund (Surplus) / Deficit and Comprehensive Income and Expenditure</b>	<b>13,057</b>	<b>(5,833)</b>	<b>4,421</b>	<b>11,645</b>

## Income & Expenditure Analysed by Nature

	Chief Executive	Community & Wellbeing Services	Contract & Technical Services	Corporate Services	Customer Services	Finance & Audit Services	Housing & Property Services	Place	Planning Development Services	Strategy, Delivery & Performance	Housing Revenue Account	Total
2022/23	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, Charges & Other Service Income	(321)	(1,027)	(8,124)	(3,091)	(5)	(799)	(529)	(95)	(2,455)	(5)	(41,386)	(57,837)
Government Grants	-	(735)	(14)	(64)	(26,742)	(22)	-	(83)	(1,000)	-	(19)	(28,679)
<b>Total Income</b>	<b>(321)</b>	<b>(1,762)</b>	<b>(8,138)</b>	<b>(3,155)</b>	<b>(26,747)</b>	<b>(821)</b>	<b>(529)</b>	<b>(178)</b>	<b>(3,455)</b>	<b>(5)</b>	<b>(41,405)</b>	<b>(86,516)</b>
Employee Expenses	639	2,267	5,861	5,774	4,440	1,571	950	365	4,265	688	5,360	32,180
Other Service Expenses	72	1,509	10,378	4,381	3,618	740	918	106	1,377	2	20,558	43,659
Asset Charges	-	87	2,141	414	-	-	330	-	-	-	13,726	16,698
Benefit Payments	-	-	-	-	21,583	-	-	-	-	-	-	21,583
<b>Total Expenditure</b>	<b>711</b>	<b>3,863</b>	<b>18,380</b>	<b>10,569</b>	<b>29,641</b>	<b>2,311</b>	<b>2,198</b>	<b>471</b>	<b>5,642</b>	<b>690</b>	<b>39,644</b>	<b>114,120</b>
<b>Net Cost of Service</b>	<b>390</b>	<b>2,101</b>	<b>10,242</b>	<b>7,414</b>	<b>2,894</b>	<b>1,490</b>	<b>1,669</b>	<b>293</b>	<b>2,187</b>	<b>685</b>	<b>(1,761)</b>	<b>27,604</b>

	Chief Executive	Community & Wellbeing Services	Contract & Technical Services	Corporate Services	Customer Services	Finance & Audit Services	Housing & Property Services	Place	Planning Development Services	Strategy, Delivery & Performance	Housing Revenue Account	Total
2021/22	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, Charges & Other Service Income	(364)	(857)	(8,676)	(2,829)	(1,543)	(788)	(543)	(152)	(2,364)	-	(39,899)	(58,015)
Government Grants	-	(592)	(1,256)	(26)	(25,957)	-	-	(281)	(414)	-	-	(28,526)
<b>Total Income</b>	<b>(364)</b>	<b>(1,449)</b>	<b>(9,932)</b>	<b>(2,855)</b>	<b>(27,500)</b>	<b>(788)</b>	<b>(543)</b>	<b>(433)</b>	<b>(2,778)</b>	<b>-</b>	<b>(39,899)</b>	<b>(86,541)</b>
Employee Expenses	765	1,796	6,507	6,156	4,200	1,655	1,088	552	4,200	650	5,829	33,398
Other Service Expenses	121	1,743	8,669	4,016	2,669	1,078	1,320	334	1,498	41	17,433	38,922
Asset Charges	-	312	2,553	299	-	-	311	-	-	-	13,272	16,747
Benefit Payments	-	-	-	-	22,748	-	-	-	-	-	-	22,748
<b>Total Expenditure</b>	<b>886</b>	<b>3,851</b>	<b>17,729</b>	<b>10,471</b>	<b>29,617</b>	<b>2,733</b>	<b>2,719</b>	<b>886</b>	<b>5,698</b>	<b>691</b>	<b>36,534</b>	<b>111,815</b>
<b>Net Cost of Service</b>	<b>522</b>	<b>2,402</b>	<b>7,797</b>	<b>7,616</b>	<b>2,117</b>	<b>1,945</b>	<b>2,176</b>	<b>453</b>	<b>2,920</b>	<b>691</b>	<b>(3,365)</b>	<b>25,274</b>

## 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future revenue and capital expenditure.

2022/23	Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Adjustments Involving the Capital Adjustment Account: Exclusions</b>						
Charges for depreciation and impairment of non-current assets	1,951	10,422	-	-	-	(12,373)
Upward/(Downward) revaluation of non-current assets	152	3,323	-	-	-	(3,475)
Movements in the fair value of Investment Properties	14,654	5	-	-	-	(14,659)
Amortisation of intangible assets	166	69	-	-	-	(235)
Capital Grants and contributions applied	(940)	(437)	-	-	-	1,377
Revenue expenditure funded from Capital under statute	949	(88)	-	-	-	(861)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	347	2,225	-	-	-	(2,572)
Capital expenditure charged against the General Fund and HRA	-	-	-	-	-	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	1,128	-	-	-	-	(1,128)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,125)	-	-	-	-	1,125
<b>Adjustments Primarily Involving the Capital Grants Unapplied</b>						
Transferred from capital Grants Unapplied	(102)	-	-	-	102	-
<b>Adjustments Involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES and other contributions	(71)	(4,336)	4,407	-	-	-
Transfer from Deferred Capital receipts on receipt of cash	-	-	1,002	-	-	(1,002)
Used to finance new Capital Expenditure	-	-	(5,080)	-	-	5,080
Contribution towards administrative costs of non-current asset	-	21	(21)	-	-	-
Contribution to finance the payments to the Government capital receipts pool	-	-	-	-	-	-
<b>Adjustments Involving the Deferred Capital Receipts Reserve</b>						
Transfer of deferred sale proceeds credited/debited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(114)	(97)	-	-	-	211
<b>Adjustments relating to the Major repairs Reserve</b>						
Depreciation transferred from HRA	-	(10,422)	-	10,422	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(11,300)	-	11,300
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited/credited to	3,920	877	-	-	-	(4,797)
<b>Adjustments involving the Collection Fund Adjustment Account</b>						
Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements.	(3,650)	-	-	-	-	3,650
<b>Adjustments Involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(474)	(251)	-	-	-	725
<b>Total Adjustments</b>	<b>16,791</b>	<b>1,311</b>	<b>308</b>	<b>(878)</b>	<b>102</b>	<b>(17,634)</b>

	Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
2021/22	£000's	£000's	£000's	£000's	£000's	£000's
<b>Adjustments Involving the Capital Adjustment Account:</b>						
<b>Exclusions</b>						
Charges for depreciation and impairment of non-current assets	2,397	9,705	-	-	-	(12,102)
Upward/(Downward) revaluation of non-current assets	186	3,565	-	-	-	(3,751)
Movements in the fair value of Investment Properties	(13,260)	(5)	-	-	-	13,265
Amortisation of intangible assets	95	3	-	-	-	(98)
Capital Grants and contributions applied	(794)	(906)	-	-	-	1,700
Revenue expenditure funded from Capital under statute	796	-	-	-	-	(796)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	14,456	3,482	-	-	-	(17,938)
Capital expenditure charged against the General Fund and HRA balances	-	-	-	-	-	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(725)	-	-	-	-	725
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(883)	-	-	-	-	883
<b>Adjustments Primarily Involving the Capital Grants Unapplied Account</b>						
Transferred from capital Grants Receipt in Advance	(1,353)	-	-	-	1,354	(1)
<b>Adjustments Involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES and other contributions	(76)	(6,854)	6,930	-	-	-
Transfer from Deferred Capital receipts on receipt of cash	-	-	585	-	-	(585)
Used to finance new Capital Expenditure	-	-	(3,111)	-	-	3,111
Contribution towards administrative costs of non-current asset disposals	-	39	(39)	-	-	-
Contribution to finance the payments to the Government capital receipts pool	840	-	(840)	-	-	-
<b>Adjustments Involving the Deferred Capital Receipts Reserve</b>						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	(14,672)	(113)	-	-	-	14,785
<b>Adjustments relating to the Major repairs Reserve</b>						
Depreciation transferred from HRA	-	(9,705)	-	9,705	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(9,179)	-	9,179
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited/credited to the CIES.	4,733	1,100	-	-	-	(5,833)
<b>Adjustments involving the Collection Fund Adjustment Account</b>						
Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements.	(3,999)	-	-	-	-	3,999
<b>Adjustments involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	132	171	-	-	-	(303)
<b>Total Adjustments</b>	<b>(12,127)</b>	<b>482</b>	<b>3,525</b>	<b>526</b>	<b>1,354</b>	<b>6,240</b>



## 8. MOVEMENTS IN EARMARKED RESERVES

A summary of balances on Earmarked Reserves is set out below.

	Balance 31st March 2021	Transfers Out	Transfers In	Balance 31st March 2022	Transfers Out	Transfers In	Balance 31st March 2023
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>General Fund</b>							
All Weather Pitch	104	-	15	119	-	18	137
Building Control	73	-	122	195	(115)	-	80
Collection Fund Deficit Reserve	6,650	(3,940)	-	2,710	(2,710)	-	-
Community Projects	711	(642)	528	597	(515)	353	435
Deferred Revenue Income	665	(81)	21	605	-	3	608
Digital Innovation Zone	-	-	-	-	(77)	204	127
District Development Fund	1,149	(928)	391	612	(396)	8	224
Garden Town	246	(164)	-	82	(265)	593	410
Homelessness	-	-	-	-	(167)	423	256
Insurance Reserve	150	-	-	150	-	-	150
Invest to Save Reserve	292	(89)	-	203	(89)	-	114
Local Plan	374	(374)	-	-	-	-	-
Museum Fund	133	(23)	-	110	-	-	110
New Burdens	-	-	-	-	-	122	122
North Weald Inland Port	-	(40)	700	660	(193)	150	617
Staff Benefits	39	(13)	13	39	(21)	13	31
Planning Appeals	42	(42)	-	-	-	-	-
Prosperity Fund	-	-	-	-	(50)	83	33
Rental Loans	378	-	-	378	(378)	-	-
S106 Revenue Contributions	85	(32)	-	53	(13)	-	40
Other Ongoing Projects	-	-	116	116	(67)	281	330
<b>Housing Revenue Account</b>							
Self Financing Reserve	12,720	(12,720)	-	-	-	-	-
<b>Total Earmarked Reserves</b>	<b>23,811</b>	<b>(19,088)</b>	<b>1,906</b>	<b>6,629</b>	<b>(5,056)</b>	<b>2,251</b>	<b>3,824</b>

## 9. OTHER OPERATING EXPENDITURE

	31 March 2023 £000's	31 March 2022 £000's
Parish Council Precepts	3,887	3,764
Payments to the Government Housing Pool	-	840
(Gains) / losses on the disposal of non-current assets	(1,771)	(3,630)
<b>Total</b>	<b>2,116</b>	<b>974</b>

**10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

	31 March 2023 £000's	31 March 2022 £000's
Total Net Surplus from Investment Property	(8,774)	(7,490)
Interest payable and similar charges	9,258	6,744
Pensions interest cost	1,087	1,342
Interest receivable and similar income	(3,178)	(2,152)
Changes in Fair Value of Investment Properties	14,659	(13,265)
Changes in Value of Deferred Capital Receipts	-	-
<b>Total</b>	<b>13,053</b>	<b>(14,821)</b>

**11. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE**

	31 March 2023 £000's	31 March 2022 £000's
Council Tax Income	(12,915)	(13,189)
Non Domestic Rate Income	(18,392)	(16,787)
Non Domestic Rate Tariff Payment and Levy	11,783	11,458
Non-ring fenced Government Grants	(1,328)	(1,711)
Capital Grants and Other Contributions	(550)	(753)
<b>Total</b>	<b>(21,402)</b>	<b>(20,982)</b>

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## 12. PROPERTY, PLANT AND EQUIPMENT

In accordance with the Temporary Relief offered by the update to the Code on Infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for Infrastructure Assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as the gross cost and accumulated depreciation are not measured accurately and would not provide a sound basis for the users of the financial statements to take economic or other decisions relating to Infrastructure Assets.

### 2022/23

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Gross Book Value 1st April 2022</b>	<b>774,586</b>	<b>56,990</b>	<b>13,710</b>	<b>1,143</b>	<b>527</b>	<b>13,104</b>	<b>860,060</b>
Additions	9,188	50	805	0	0	5,290	15,333
Disposals / Impairments	(2,022)	0	(2,858)	0	0	(184)	(5,064)
Reclassified in Year	8,984	(456)	0	0	0	(7,886)	642
Revaluation Applied to the CIES	(3,323)	(152)	0	0	0	0	(3,475)
Revaluation Credited to the Revaluation Reserve	29,591	(2,039)	0	0	0	(451)	27,101
Accumulated Depreciation & Impairment Written Off on Revaluation	(10,112)	(3,202)	0	0	0	0	(13,314)
<b>Gross Book Value 31st March 2023</b>	<b>806,892</b>	<b>51,191</b>	<b>11,657</b>	<b>1,143</b>	<b>527</b>	<b>9,873</b>	<b>881,283</b>
Depreciation 1st April 2022	0	(2,471)	(8,260)	0	(1)	0	(10,732)
Reclassified	(11)	29	0	0	0	0	18
Depreciation in Year	(10,127)	(1,109)	(993)	0	0	0	(12,229)
Depreciation on Disposed Assets	26	0	2,795	0	0	0	2,821
Accumulated Depreciation & Impairment Written Off on Revaluation	10,112	3,202	0	0	0	0	13,314
<b>Depreciation 31st March 2023</b>	<b>0</b>	<b>(349)</b>	<b>(6,458)</b>	<b>0</b>	<b>(1)</b>	<b>0</b>	<b>(6,808)</b>
<b>Net Book Value 31st March 2023</b>	<b>806,892</b>	<b>50,842</b>	<b>5,199</b>	<b>1,143</b>	<b>526</b>	<b>9,873</b>	<b>874,475</b>

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Gross Book Value 1st April 2021</b>	<b>717,368</b>	<b>66,148</b>	<b>16,957</b>	<b>1,143</b>	<b>7,640</b>	<b>10,365</b>	<b>819,621</b>
Additions	11,644	284	1,396	0	31	10,451	23,806
Disposals / Impairments	(3,526)	(6,925)	(4,643)	0	(7,590)	0	(22,684)
Reclassified in Year	7,690	(2,840)	0	0	2,840	(7,690)	0
Reclassified to Investment Property	0	0	0	0	0	0	0
Revaluation Applied to the CIES	(3,565)	38	0	0	0	0	(3,527)
Revaluation Credited to the Revaluation Reserve	54,342	381	0	0	(2,394)	(22)	52,307
Accumulated Depreciation & Impairment Written Off on Revaluation	(9,367)	(96)	0	0	0	0	(9,463)
<b>Gross Book Value 31st March 2022</b>	<b>774,586</b>	<b>56,990</b>	<b>13,710</b>	<b>1,143</b>	<b>527</b>	<b>13,104</b>	<b>860,060</b>
Depreciation 1st April 2021	0	(1,529)	(11,455)	0	(1)	0	(12,985)
Reclassified	0	0	0	0	0	0	0
Depreciation in Year	(9,412)	(1,114)	(1,434)	0	0	0	(11,960)
Depreciation on Disposed Assets	45	76	4,629	0	0	0	4,750
Accumulated Depreciation & Impairment Written Off on Revaluation	9,367	96	0	0	0	0	9,463
<b>Depreciation 31st March 2022</b>	<b>0</b>	<b>(2,471)</b>	<b>(8,260)</b>	<b>0</b>	<b>(1)</b>	<b>0</b>	<b>(10,732)</b>
<b>Net Book Value 31st March 2022</b>	<b>774,586</b>	<b>54,519</b>	<b>5,450</b>	<b>1,143</b>	<b>526</b>	<b>13,104</b>	<b>849,328</b>

### Infrastructure Assets

	31 March 2023 £000's	31 March 2022 £000's
<b>Net Book Value at 01 April</b>	<b>5,240</b>	<b>4,938</b>
Additions	110	443
De-Recognition/Disposals	(812)	0
Depreciation	(144)	(141)
Depreciation on disposed assets	433	0
<b>Net Book Value at 31 March</b>	<b>4,827</b>	<b>5,240</b>

The Council has determined in accordance with Regulation 30M of the Local Authorities Capital Finance and Accounting (England) Amendment Regulations 2022 that the carrying amounts to be derecognised for Infrastructure Assets when there is replacement expenditure is nil.

### Reconciliation of Infrastructure and Other Assets Net Book Value at 31st March 2023

	31 March 2023 £000's	31 March 2022 £000's
Infrastructure assets	4,827	5,240
Other Property Plant and Equipment assets	874,475	849,328
<b>Total Property, Plant and Equipment Assets</b>	<b>879,302</b>	<b>854,568</b>

## Depreciation

The following asset lives have been used in the calculation of depreciation:

Asset Type	Valuation Method
Council Dwellings and Garages	Up to 60 years
Other Land and Buildings (buildings element only)	Up to 50 years
Infrastructure Assets	Up to 40 years
Vehicles, Plant, Furniture and Equipment	between 5 and 20 years

## Revaluations

The Council undertakes a rolling programme of valuations that ensures that all Property, Plant and Equipment required to be measured at Fair Value is revalued at least every five years. Carter Jonas LLP undertook valuations on behalf of the Council in 2022/23 for Operational and Investment property. HRA stock was valued at 31st March 2023 by the Valuation Office Agency (VOA).

All valuations of Land and Buildings were carried out in accordance with methodologies and basis for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS).

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Carried Historical Cost</b>	0	11,657	8,082	1,143	0	9,873	<b>30,755</b>
<b>Valued at Current Value as from:</b>							
31st March 2023	44,524	0	0	0	0	0	<b>851,416</b>
31st March 2022	2,871	0	0	0	527	0	<b>3,398</b>
31st March 2021	806	0	0	0	0	0	<b>806</b>
31st March 2020	1,810	0	0	0	0	0	<b>1,810</b>
31st March 2019	1,180	0	0	0	0	0	<b>1,180</b>
<b>Total Cost or Valuation</b>	<b>51,191</b>	<b>11,657</b>	<b>8,082</b>	<b>1,143</b>	<b>527</b>	<b>9,873</b>	<b>889,365</b>

### 13. INVESTMENT PROPERTY

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Account.

	31 March 2023 £000's	31 March 2022 £000's
Rental Income from Investment Property	10,473	9,240
Direct Operating Expenses Arising from Investment Property	(1,699)	(1,750)
<b>Net Gain / (Loss)</b>	<b>8,774</b>	<b>7,490</b>

The following table summarises the movement in fair value of investment properties over the year. The commercial property sector has been operating within the context of economic uncertainty, a rapid rise in the cost of debt, high inflation, and corporate demand uncertainty, together with the ongoing long-term structural shifts in demand accelerated by the pandemic, which has resulted in an overall decrease in fair value of the portfolio of £14.659 million or almost 8%. The Council's retail occupier portfolio has experienced a reduction of 6%, however the industrial unit sector has seen a sharper correction in values than the commercial market as a whole which has resulted in a reduction in portfolio value of over 14%. All investment properties have been valued based on Level 3 unobservable inputs using an income approach and the assumption that their current use is their highest and best use. The valuations were carried out as at 31st March 2023 by Jason Sharman MRICS, RICS Registered Valuer and Partner of Carter Jonas LLP.

<b>Properties Categorised within Level 3</b>	31 March 2023 £000's	31 March 2022 £000's
Balance as at 31 March	162,006	147,305
<b>Balance as at 01 April</b>	<b>162,006</b>	<b>147,305</b>
Reclassified in year	(661)	-
Acquisition	-	-
Repurchased leases	1,217	1,035
Enhancements to existing properties	580	401
Net Gains / (Losses) from fair value adjustments	(14,659)	13,265
<b>Balance at end of the year</b>	<b>148,483</b>	<b>162,006</b>

### 14. LONG TERM DEBTORS

	31 March 2023 £000's	31 March 2022 £000's
Capital Advances (B3 Living)	362	279
Rents to Mortgages	1,578	1,481
Home Assist Loans	224	240
Place Loan	100	100
Qualis Loans	66,489	57,421
<b>Net Carrying Amount at end of the year</b>	<b>68,753</b>	<b>59,521</b>

## 15. FINANCIAL INSTRUMENTS

Financial assets and liabilities held during the year are measured at amortised cost. Qualis loans are shown gross. A loss allowance reflecting the statistical likelihood that the debtor will be unable to meet their contractual commitments to the Council is shown in Note 19 (Provisions).

### Categories of Financial Instruments

The following categories of Financial Instruments are carried in the Balance Sheet.

	Long-term		Short-term	
	31 March 2023 £000's	31 March 2022 £000's	31 March 2023 £000's	31 March 2022 £000's
<b>Financial liabilities</b>				
Borrowing	(244,506)	(213,639)	(38,175)	(55,552)
<b>Total financial liabilities</b>	<b>(244,506)</b>	<b>(213,639)</b>	<b>(38,175)</b>	<b>(55,552)</b>
<b>Financial assets</b>				
Debtors	2,264	2,100	3,605	5,733
Cash	-	-	(204)	1,736
Cash equivalents MMF	-	-	10,000	17,000
Cash equivalents	-	-	3,000	-
Qualis loans	66,489	57,421	2,181	2,460
<b>Total financial assets</b>	<b>68,753</b>	<b>59,521</b>	<b>18,582</b>	<b>26,929</b>

Short-term Borrowing includes £1.042 million in principal repayments and accrued interest due within 12 months on Long-term Borrowing (£0.235 million in 2021/22). Short-term Qualis Loans includes £0.199 million principal repayments and accrued interest due within 12 months on Long-term Loans (£0.403 million in 2021/22).

### Income and Expense Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments comprise the following.

	Financial Liabilities		Financial Assets	
	31 March 2023 £000's	31 March 2022 £000's	31 March 2023 £000's	31 March 2022 £000's
Interest expense	9,258	6,744	-	-
Fee expense	-	16	-	-
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>9,258</b>	<b>6,760</b>	<b>-</b>	<b>-</b>
Interest Income	-	-	(3,178)	(2,152)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>-</b>	<b>(3,178)</b>	<b>(2,152)</b>
<b>Net (Gain) / Loss for the year</b>	<b>9,258</b>	<b>6,760</b>	<b>(3,178)</b>	<b>(2,152)</b>

### Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the Balance Sheet.

	31 March 2023			31 March 2022		
	Gross Assets (Liabilities) £000's	(Liabilities) assets set off £000's	Net position on balance sheet £000's	Gross Assets (liabilities) £000's	(Liabilities) assets set off £000's	Net position on balance sheet £000's
Bank Overdrafts	(2,500)	-		(1,726)	-	
Bank Accounts in Credit	-	2,291		-	3,458	
<b>Total Financial Assets</b>	<b>(2,500)</b>	<b>2,291</b>	<b>(208)</b>	<b>(1,726)</b>	<b>3,458</b>	<b>1,732</b>

### Fair values of Assets and Liabilities

Fair value is the amount for which an asset can be exchanged, or a liability settled. Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost i.e. the aggregate of principal and accrued interest.

The Council's outstanding debt at 31st March 2023 consists of loans from the Public Works Loan Board (PWLB) and short-term loans from the local government authorities. Fair values are estimated as the price the lender would receive to sell the loans to another market participant on 31st March, based on observed market rates for similar transactions. The fair value of short-term financial liabilities held at amortised cost, including trade payables is assumed to approximate to the carrying amount.

The fair value for financial assets can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions: a) where an instrument will mature in the next 12 months, carrying amount is assumed to approximate fair value; b) the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- *Level 1* – fair value is only derived from quoted prices in active markets for identical assets or liabilities e.g. bond prices; and
- *Level 2* – fair value is calculated from inputs that are observable for the asset or liability, other than quoted prices, e.g. interest rates or yields for similar instruments.

	31 March 2023		31 March 2022	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
<b>Financial Liabilities held at Amortised Cost</b>				
Long-Term Borrowing	(244,506)	(202,495)	(213,639)	(223,783)
Short-Term Borrowing	(38,175)	(38,175)	(55,552)	(55,317)
<b>Total Financial Liabilities</b>	<b>(282,681)</b>	<b>(240,670)</b>	<b>(269,191)</b>	<b>(279,100)</b>
<b>Financial Assets</b>				
Qualis Loans	68,670	58,193	59,881	63,045
Cash and Cash equivalents MMF	10,000	10,000	17,000	17,000
Cash and Cash equivalents DMADF	3,000	3,000	-	-
Cash and Cash equivalents Bank and Cash	(204)	(204)	1,736	1,736
Long-Term Debtors	2,264	2,760	2,100	4,100
Short-Term Debtors	3,605	3,605	5,733	5,733
<b>Total Financial Assets</b>	<b>87,335</b>	<b>77,354</b>	<b>86,450</b>	<b>91,614</b>

The fair value of borrowing is lower than the carrying amount on the Balance Sheet because the Council's portfolio of loans includes several fixed rate loans where the interest rate payable is lower than the current rates available for similar loans at the Balance Sheet date.

The fair value of the Qualis loans held at amortised cost is lower than the carrying amount on the Balance Sheet because market interest rates have risen since these loans were made or agreed. A hypothetical buyer of the loans would thus expect a discount for receiving interest that is below current market rates. because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

The table below shows the effect of a 1% increase in the discount rate used to measure the fair values of the Council's financial assets and liabilities.

### Fair Value Sensitivities

Impact of 1% increase on Discount Rate for Fair Values	Effect on		Effect on	
	Effect on Fair Values 31 March 2023 £000's	Income & Expenditure 31 March 2023 £000's	Effect on Fair Values 31 March 2022 £000's	Income & Expenditure 31 March 2022 £000's
PWLB	(19,446)	199	(25,799)	9
Qualis Loans	(3,541)	-	(4,569)	-
<b>Total</b>	<b>(22,986)</b>	<b>199</b>	<b>(30,368)</b>	<b>9</b>



## 16. DEBTORS AND PREPAYMENTS

	31 March 2023 £000's	31 March 2022 £000's
Government Departments and Other Local Authorities	3,408	9,601
Council Tax Arrears	2,239	1,789
NDR Arrears	1,626	1,592
Housing Rent Arrears	954	860
Sundry Debtors	10,511	11,892
Prepayments & Deposits	1,341	847
Qualis Loan	2,181	2,459
Bad Debt Provision	(7,559)	(6,195)
<b>Total</b>	<b>14,702</b>	<b>22,844</b>

Council Tax and Business Rates arrears shown above, and the related Bad Debt Provisions represent the Council's share of the total debt. The remainder is shown as part of an amount due from major preceptors on the basis that the Council has paid over more in precepts than it has received and is net of prepayments.

## 17. CASH AND CASH EQUIVALENTS

	31 March 2023 £000's	31 March 2022 £000's
Petty Cash	4	4
Bank Current Accounts	(208)	1,732
Investment MMF	10,000	-
Investment DMADF	3,000	17,000
<b>Total Cash and Cash Equivalents</b>	<b>12,796</b>	<b>18,736</b>

## 18. CREDITORS

	31 March 2023 £000's	31 March 2022 £000's
Government Departments and Other Local Authorities	(6,385)	(21,402)
Council Tax	(316)	(12)
Non Domestic Rates	(603)	(709)
Housing Rents	(521)	(555)
Sundry Creditors	(6,692)	(7,150)
Accruals and Deferred Income	(5,196)	(6,693)
Covid Grants	(6,856)	(7,229)
<b>Total Creditors</b>	<b>(26,569)</b>	<b>(43,749)</b>

Council Tax and Business Rates prepayments shown above relate only to the Council's proportion of the total debt. The remainder is shown as being due to Government Departments and Other Local Authorities. This is shown net of arrears, Collection Fund balance and, in the case of Business Rates, the Provision for Appeals.

## 19. PROVISIONS

A provision for Business Rates Appeals is retained. This reflects the Council's share (40%) of the potential liability for successful appeals lodged by local businesses against the Rateable Value of the premises that they occupy, and therefore the potential need for the Council to refund Business Rates paid in 2022/23 and prior years.

The overall liability is shared with Central Government (50%), Essex County Council (9%) and Essex Fire Service (1%), and the movements in the year are presented in the table below.

In addition, the Council is required by accounting standards to make a provision for potential losses in respect of Qualis loans. A total provision of £2.308 million was required for 2021/22 (£1.067 million in 2021/22); this comprises £2.235 million in respect of capital loans and £0.073 million in respect of revenue loans. Provisions in respect of capital loans are reversed under statute out in the Movement in Reserves Statement.

	31 March 2023 £000's	31 March 2022 £000's
<b><u>Business Rates Appeals</u></b>		
Opening Balance 1st April	2,381	2,244
Amounts Used in Year	(3,188)	(522)
Additional Provision Provided	1,913	659
	<b>1,106</b>	<b>2,381</b>
<b><u>Qualis Loans</u></b>		
Provision for Credit Losses	2,308	1,067
<b>Closing Balance</b>	<b>3,414</b>	<b>3,448</b>

## 20. UNUSABLE RESERVES

	31 March 2023 £000's	31 March 2022 £000's
Revaluation Reserve	293,620	270,762
Capital Adjustment Account	420,978	441,135
Pension Reserve	25,912	(44,163)
Deferred Capital Receipts Reserve	64,341	57,172
Collection Fund Adjustment Account	880	(2,770)
Accumulated Absences Account	(287)	(1,012)
<b>Total Unusable Reserves</b>	<b>805,444</b>	<b>721,124</b>

### Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	31 March 2023 £000's	31 March 2022 £000's
<b>Balance as at 1st April</b>	<b>270,762</b>	<b>225,718</b>
Opening Balance Adjustment		
Upward Revaluation of Assets	32,595	56,047
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services.	(5,473)	(3,458)
<b>Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services</b>	<b>27,122</b>	<b>52,589</b>
Difference between fair value depreciation and historical cost depreciation	(3,474)	(2,804)
Accumulated Gains on assets sold or scrapped	(790)	(4,741)
<b>Amount written off to the capital adjustment account</b>	<b>(4,264)</b>	<b>(7,545)</b>
<b>Balance as at 31st March</b>	<b>293,620</b>	<b>270,762</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31 March 2023 £000's	31 March 2022 £000's
<b>Balance as at 01 April</b>	<b>2,770</b>	<b>6,769</b>
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(3,649)	(3,999)
<b>Balance as at 31 March</b>	<b>(879)</b>	<b>2,770</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

	31 March 2023 £000's	31 March 2022 £000's
<b>Balance as at 1st April</b>	<b>1,012</b>	<b>709</b>
Settlement or cancellation of accrual made at the end of the preceding year	(1,012)	(709)
Amounts accrued at the end of the current year	287	1,012
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(725)	303
<b>Balance as at 31st March</b>	<b>287</b>	<b>1,012</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provision. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

note 7 details the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts.

	31 March 2023 £000's	31 March 2022 £000's
<b>Balance as at 01 April</b>	<b>441,135</b>	<b>431,212</b>
<i>Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement</i>		
Charges for depreciation and impairment of PPE	(12,373)	(12,102)
Revaluation Gains / (Losses) on Property, Plant and Equipment	(3,475)	(3,751)
Revenue Expenditure Funded from Capital under Statute	(862)	(796)
Amounts for non-current assets written off on disposal or sale as part of gain / loss on disposal to the CIES	(2,573)	(17,938)
Amortisation of Intangible Assets	(234)	(98)
	(19,517)	(34,685)
Adjusting Amounts Written Out of the Revaluation Reserve	4,264	7,545
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>425,882</b>	<b>404,072</b>
<i>Capital Financing Applied in the Year</i>		
Use of the Capital Receipts Reserve to Finance New Capital Expenditure HRA	3,238	2,553
Use of the Capital Receipts Reserve to Finance New Capital Expenditure General Fund	1,376	358
Use of the Major Repairs Reserve to Finance New Capital Expenditure	11,300	9,180
Capital Grants Credited to the CIES that have been applied to Capital Financing	1,377	1,265
Statutory Provision for the Financing of Capital Investments Charged against the General Fund and HRA Balances	(9,128)	(4,056)
Capital Expenditure Charged against the General Fund and HRA Balances	-	13,415
	8,163	22,715
Movement in the Market Value of Investment Properties debited or credited to the CIES	(14,659)	13,265
Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances	1,125	883
Repayment of Capital Loan	467	200
<b>Balance as at 31st March</b>	<b>420,978</b>	<b>441,135</b>

## Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance of the Pension Reserve therefore shows a substantial shortfall in the benefits earned by the past and current employees and the resources the Council have set aside to meet them. The statutory arrangements ensure the funding will have been set aside by the time the benefits come to be paid.

	31 March 2023 £000's	31 March 2022 £000's
<b>Balance as at 01 April</b>	<b>(44,163)</b>	<b>(69,108)</b>
Remeasurements of the net defined liability / (asset)	74,673	30,200
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(9,684)	(10,021)
Employers pensions contributions and direct payments to pensioners payable in the year	5,086	4,766
<b>Balance as at 31 March</b>	<b>25,912</b>	<b>(44,163)</b>

### Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as useable for financing new capital expenditure until they are backed by cash receipts. When the cash is eventually received, amounts are transferred to the Capital Receipts Reserve.

	31 March 2023 £000's	31 March 2022 £000's
<b>Balance as at 01 April</b>	<b>57,172</b>	<b>38,191</b>
Statutory Provision for the Financing of Capital Investments and Loans Charged against the General Fund and HRA Balances	8,000	19,790
Impairment Charges in Relation to advances charged to the CIES	171	(224)
Transfer to Capital Receipts Reserve upon receipt of cash	(1,002)	(585)
<b>Balance as at 31 March</b>	<b>64,341</b>	<b>57,172</b>

## 21. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items.

	31 March 2023 £000's	31 March 2022 £000's
Interest Received	379	(185)
Interest Charge for the Year	(6,457)	(6,744)
<b>Total</b>	<b>(6,078)</b>	<b>(6,929)</b>

The surplus or deficit on the provision of services has been adjusted for the following non-cash items.

	31 March 2023 £000's	31 March 2022 £000's
Depreciation	12,373	12,102
Amortisation	234	98
Impairment and upward/downward revaluations	3,475	3,751
Increase / (decrease) in creditors	(7,035)	9,654
(Increase) / decrease in debtors	(5,482)	2,345
(Increase) / decrease in inventories	61	(101)
Pension Liability	4,797	5,833
Carrying amount of Non-Current Assets sold	2,573	17,938
Other Non-Cash Items Charged to the Net Surplus or deficit on the Provision of Services	14,620	(14,264)
<b>Total</b>	<b>25,616</b>	<b>37,356</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities.

	31 March 2023 £000's	31 March 2022 £000's
Any other items for which the cash effects are investing or financing cash flows	(1,521)	(3,232)
Proceeds from the sale of property and equipment, investment	(12,516)	(26,381)
<b>Total</b>	<b>(14,037)</b>	<b>(29,613)</b>

## 22. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	31 March 2023 £000's	31 March 2022 £000's
Purchase of Property, Plant and Equipment, Investment Property	(19,298)	(26,327)
Purchase of Short-term and Long-term Investments	-	-
Other Payments for Investing Activities	(2,058)	(50)
Proceeds from Sale of Property, Plant and Equipment, and Investment	5,347	7,400
Proceeds from Short-term and Long-term Investments	-	-
Other Receipts from Investing Activities	3,368	3,516
<b>Total</b>	<b>(12,641)</b>	<b>(15,461)</b>

## 23. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31 March 2023 £000's	31 March 2022 £000's
Cash receipts fo short and long term borrowing	87,133	146,000
Repayments of short and long-term borrowing	(74,450)	(138,750)
Other payments for financing activities	3,810	(825)
<b>Total</b>	<b>16,493</b>	<b>6,425</b>

## 24. MEMBER ALLOWANCES

	31 March 2023 £000's	31 March 2022 £000's
Allowances	355	351
Expenses	1	1
<b>Total Member Allowances</b>	<b>356</b>	<b>352</b>

## 25. OFFICER REMUNERATION

	Salary (including fees £'s)	Benefits in Kind £'s	2022/23 Pension Contributions £'s	Redundancy £'s	Total Remuneration £'s
Chief Executive - Georgina Blakemore	137,436	1,447	29,079	-	167,962
Chief Operating Officer	111,924	-	-	-	111,924
Strategic Director & Section 151 Officer	119,060	-	25,241	-	144,301
Strategic Director	100,205	-	21,136	-	121,341
Service Director - Planning & Development	82,818	-	17,557	-	100,375
Service Director - Contract & Technical Services	-	-	-	-	-
Service Director - Customer Services	82,818	-	17,557	-	100,375
Service Director - Corporate Services	82,818	-	-	-	82,818
Project Director - Housing Revenue Account	52,526	-	10,889	-	63,415
Project Director - Community & Wellbeing	-	-	-	-	-
Harlow & Gilston Garden Town Director	102,277	-	21,624	-	123,901
<b>Total</b>	<b>871,882</b>	<b>1,447</b>	<b>143,083</b>	<b>-</b>	<b>1,016,412</b>

	2021/22				Total Remuneration including Pension Contributions £'s
	Salary (including fees and allowances)	Benefits in Kind	Pension Contributions	Redundancy	
	£'s	£'s	£'s	£'s	
Chief Executive - Georgina Blakemore	135,014	1,321	26,755	-	163,090
Chief Operating Officer	140,070	-	-	-	140,070
Strategic Director & Section 151 Officer	116,725	-	24,746	-	141,471
Service Director - Planning & Development	81,048	155	17,149	-	98,352
Service Director - Contract & Technical Services	12,488	27	1,494	-	14,009
Service Director - Customer Services	81,048	155	17,149	-	98,352
Service Director - Corporate Services	81,048	155	-	-	81,203
Project Director - HRA	81,085	-	17,149	-	98,234
Project Director - Community & Wellbeing	81,016	-	17,149	-	98,165
Harlow & Gilston Garden Town Director	97,348	-	20,638	-	117,986
Service Director - Strategy, Delivery & Performance (Interim)	80,528	-	17,072	-	97,600
<b>Total</b>	<b>987,418</b>	<b>1,813</b>	<b>159,301</b>	<b>-</b>	<b>1,148,532</b>

There were no payments relating to bonuses in the year. The emoluments above include all taxable employee payments. Pension contributions relate to Employer's contributions of 21.2% (21.2% in 2021/22).

The number of employees whose remuneration, including benefits in kind, but excluding employer's pension contributions, was £50,000 or more, is summarised in bands of £5,000 in the table below. The bandings have remained unchanged for several years, which means that (ignoring all other factors), general pay inflation will result in a gradual increase in the number of employees captured over time. This year there has been a significant increase in the number of employees in the lower bandings that have been captured by the disclosure requirement for the first time, partly as a consequence of the national (and local) fixed pay award for 2022/23 (of £1,925), which was the highest for a number of years.

	31 March 2023 No of Employees	31 March 2022 No of Employees
<b>Remuneration Band</b>		
£50,000 - £54,999	39	14
£55,000 - £59,999	18	13
£60,000 - £64,999	7	9
£65,000 - £69,999	5	4
£70,000 - £74,999	2	4
£75,000 - £79,999	5	1
£80,000 - £84,999	3	6
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	1
£100,000 - £104,999	2	-
£105,000 - £109,999	-	-
£110,000 - £114,999	1	-
£115,000 - £119,999	1	1
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	1
£135,000 - £139,999	1	1
£140,000 - £144,999	-	1
£145,000 - £149,999	-	-
£150,000 - £154,999	-	-
£155,000 - £159,999	-	-
£160,000 - £164,999	-	-
£165,000 - £169,999	-	-
£170,000 - £174,999	-	-
£175,000 - £179,999	-	-
£180,000 - £184,999	-	-
£185,000 - £189,999	-	-
£190,000 - £194,999	-	-
£195,000 - £199,999	-	-
<b>Total</b>	<b>84</b>	<b>56</b>

Employee contracts terminated in 2022/23, are summarised in the table below.

Termination Benefits	2022/23			
	No of Compulsory Redundancies	No of Other Departures	Total No of Exit Packages	Total Cost of Exit Packages in Each Band £'s
<b>Exit Package Cost Band (including special payments)</b>				
£0 - £20,000	14	5	19	159,202
£20,001 - £40,000	2	3	5	156,720
£40,001 - £60,000	1	-	1	57,120
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
above £100,000	-	-	-	-
<b>Total Cost Included in Bandings and in the CIES</b>	<b>17</b>	<b>8</b>	<b>25</b>	<b>373,042</b>

Termination Benefits	2021/22			
	No of Compulsory Redundancies	No of Other Departures	Total No of Exit Packages	Total Cost of Exit Packages in Each Band £'s
<b>Exit Package Cost Band (including special payments)</b>				
£0 - £20,000	5	-	5	27,765
£20,001 - £40,000	1	2	3	91,773
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
above £100,000	-	-	-	-
<b>Total Cost Included in Bandings and in the CIES</b>	<b>6</b>	<b>2</b>	<b>8</b>	<b>119,538</b>

## 26. EXTERNAL AUDIT FEES

The following fees have been paid for services carried out by public sector appointed auditors for 2022/23.

	31 March 2023 £000's	31 March 2022 £000's
External Audit Services (Deloitte)	120	160
Certification of Grant Claims & Returns (BDO)	28	20
Other Services	6	-
<b>Total External Audit Fees</b>	<b>154</b>	<b>180</b>

## 27. GRANTS AND CONTRIBUTIONS

	31 March 2023 £000's	31 March 2022 £000's
<b>Credited to Taxation and Non-Specific Grant Income</b>		
New Homes Bonus	775	477
Other	553	1,234
<b>Total non-ring fenced Government Grants</b>	<b>1,328</b>	<b>1,711</b>



	31 March 2023 £000's	31 March 2022 £000's
<b>Credited to Services</b>		
Department for Work and Pensions	22,364	23,415
Department for Levelling Up Housing & Communities	2,959	797
Homes England (MHCLG)	105	244
Essex County Council	794	2,129
Arts Council	50	20
Essex Police, Fire & Crime Commissioner	64	21
Town and Parish Councils	158	255
Broxbourne Borough Council	10	10
National Heritage	11	30
Harlow Borough Council	153	92
East Herts District Council	147	112
Uttlesford District Council	10	10
West Essex CCG	121	193
Other	7	(31)
Sports Council	0	18
Royal Opera House	0	1
CGI UK Ltd	5	-
DCLG	357	-
Department for Business, Energy and Industrial Strategy	1,136	-
Department for Education	5	-
Epping Forest North Pc Network	41	-
Geoplace	3	-
Hertfordshire County Council	157	-
HMLR	30	-
HMRC	100	-
Norfolk County Council	7	-
Sainsbury Plc	30	-
Uttlesford Community Action Network	5	-
<b>Total Grants and Contributions</b>	<b>28,829</b>	<b>27,316</b>

## 28. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council, or to be controlled or influenced by the Council.

Epping Forest District Council Holds a Register of Interests in which all members are required to declare any interests in accordance with the Code of Conduct which is open to public viewing.

### **Entities Controlled or Significantly Influenced by the Council**

The Council has a 100% shareholding in four companies:

- Qualis Group Limited
- Qualis Commercial Limited
- Qualis Management Limited; and
- Qualis Living Limited.

The companies were incorporated in October 2019. The Council has issued eight loans to the Qualis Group in 2022-23 with a combined value of £10.550 million, bringing the overall total of loans issued to the Group to £69.753 million up to, and including, 31st March 2023. The loans were issued at commercial rates of interest with a fixed repayment schedule. A total of £3.831 million (excluding interest) had been repaid by 31st March 2023, of which £1.558 million was repaid in 2022/23.

Qualis Management Limited has provided the Housing Repairs service to the Council since October 2020; the Council paid £9.686 million for this service in 2022/23 (£8.723 million Revenue, plus £0.963 million Capital (£6.916 million 2021/22 comprising £6.113 million Revenue, plus £0.803 million Capital). The Council is also paid by Qualis for the provision of seconded staff, accommodation and support services.

Group Accounts for the Council, including the Qualis companies, are shown later in this Statement of Accounts (pages 76 to 80).

### Central Government

The Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework, within which the Council operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, Housing Benefits).

The 2020/21 and 2021/22 financial years saw an extremely high number of (pandemic-related) financial transactions with Central Government (reported in the relevant Statement of Accounts). In 2022/23, the number of transactions was far closer to normal levels, although £1,043,520 in funding in respect of Energy and Fuel grants was received from Government, for which the Council is acting as agent in distributing individual grants to eligible households. The Financial Review (pages 7 to 14) sets out further details.

## 29. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

	31 March 2023 £000's	31 March 2022 £000's
<b>Opening Capital Financing Requirement</b>	<b>305,522</b>	<b>301,040</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	15,433	24,249
Investment Properties	1,797	1,436
Revenue Expenditure Funded from Capital Under Statute	949	796
Private Sector Housing Loans	-	37
Intangible Assets	735	819
Qualis Loans	8,000	5,000
<b>Sources of Finance</b>		
Capital Receipts	(4,614)	(2,911)
Government Grants and Other Contributions	(1,377)	(1,700)
Major Repairs Reserve	(11,300)	(9,180)
Direct Revenue Contributions	-	(12,981)
Minimum Revenue Provision	(1,125)	(883)
Repayment Capital Loans	(467)	(200)
<b>Closing Capital Financing Requirement</b>	<b>313,553</b>	<b>305,522</b>

## 30. LEASES

The Council has leases with third parties under operating leases with rental income from the lease being credited to trading operations.

The total of future minimum lease payments due within 1 year are as follows.

	31 March 2023 £000's	31 March 2022 £000's
<b>Assets Leased to Third Parties</b>		
<b>Land and Buildings</b>		
Shops (including shopping park)	5,383	5,456
Industrial Units	1,362	1,469
Other	1,369	1,834
<b>Total Rental Receivable</b>	<b>8,113</b>	<b>8,759</b>

The total of future minimum lease payments due after 1 year are as follows.

	31 March 2023		31 March 2022	
	Receipts Due between 2 and 5 Years £000's	Total Receipts Due Thereafter £000's	Receipts Due between 2 and 5 Years £000's	Total Receipts Due Thereafter £000's
<b>Land and Buildings</b>				
Shops (including shopping park)	16,820	11,157	17,469	13,553
Industrial Units	4,211	44,263	5,067	48,273
Other	4,028	31,564	4,545	30,410
<b>Total</b>	<b>25,059</b>	<b>86,984</b>	<b>27,081</b>	<b>92,236</b>

The gross amount of assets held for use in Operating Leases are as follows.

Gross Amount of Assets Held for Use in Operating Leases	31 March 2023 £000's	31 March 2022 £000's
<b>Land and Buildings</b>		
Shops	93,479	99,142
Industrial Units	38,114	43,703
Other	16,890	19,161
<b>Total Assets</b>	<b>148,483</b>	<b>162,006</b>

There are no accumulated depreciation charges on the assets held for use in operating leases.

## 31. PENSIONS

Employees of Epping Forest District Council are admitted to the Essex County Council Pension Fund ("the Fund"), which is administered by Essex County Council under the Regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. It is a 'funded scheme' meaning that the Council and its employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with investment assets.

As part of the terms and conditions of employment of the officers, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time employees earn their future entitlement.

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when benefits are paid as pensions. However, the charge made against Council Tax is based on contributions payable to the fund in respect of 2022/23, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure.

The transactions below have been made in the CIES during the year.

Comprehensive Income and Expenditure Statement	31 March 2023 £000's	31 March 2022 £000's
Service Cost	8,477	-
Net Interest Charged	1,087	1,342
Administration Expenses	120	92
<b>Net Charge made to the CIES</b>	<b>9,684</b>	<b>1,434</b>
<b>Re-Measurements in Other Comprehensive Income</b>		
Return on Fund Assets in Excess of Interest	(4,687)	14,197
Other Actuarial Gains / (Losses)	-	1,826
Changes in Financial Assumptions	100,341	9,887
Change in Demographic Assumptions	-	6,085
Experience Gain / (Loss) on Defined Benefit Obligation	(20,981)	(1,795)
<b>Re-Measurement of the Net Assets/(Defined Liability)</b>	<b>74,673</b>	<b>30,200</b>
<b>Pension Assets and Liabilities Recognised in the Balance Sheet</b>		
Present Value of the Funded Obligation	180,747	251,031
Present Value of the Unfunded Obligation	1,992	2,358
Fair Value of Scheme Assets	(208,651)	(209,226)
<b>Net Liability in the Balance Sheet</b>	<b>(25,912)</b>	<b>44,163</b>

Reconciliation of the Fair Value of the Scheme Liabilities	Unfunded Liabilities		All Funded/Unfunded Liabilities Local Government	
	31 March 2023 £000's	31 March 2022 £000's	31 March 2023 £000's	31 March 2022 £000's
	Net Pensions Liability at 1st April	(2,358)	(2,583)	(253,389)
Current Service Cost	0	0	(7,883)	(8,058)
Interest Cost	(58)	(49)	(6,511)	(5,139)
Change in Financial Assumptions	377	33	100,341	9,887
Change in Demographic Assumptions	0	84	-	6,085
Experience Gain	(203)	(89)	(20,981)	(1,795)
Liabilities Assumed / (Extinguished) on Settlements	0	0	-	-
Estimated Benefits Paid	0	0	7,358	6,474
Past Service Cost Including Curtailments	0	0	(594)	(529)
Contributions by Scheme Participants	0	0	(1,330)	(1,242)
Unfunded Pension Payments	250	246	250	246
<b>Net Pension Liability at 31 March</b>	<b>(1,992)</b>	<b>(2,358)</b>	<b>(182,739)</b>	<b>(253,389)</b>

Reconciliation of the Fair Value of the Scheme Assets	31 March 2023	31 March 2022
Fair Value of the Plan Assets at 1 April	209,226	190,210
Interest on Assets	5,424	3,797
Return on Assets less Interest	(4,687)	14,197
Other Actuarial Gains / (Losses)	-	1,826
Administration Expenses	(120)	(92)
Employer Contributions including Unfunded	5,086	4,766
Contributions by Scheme Participants	1,330	1,242
Benefits Paid	(7,608)	(6,720)
Settlement Prices Received / (Paid)	-	-
<b>Fair Value of the Plan Assets at 31 March</b>	<b>208,651</b>	<b>209,226</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual loss on assets less interest in the year was £4.7 million (gain on assets less interest £14.2 million in 2021/22).

Scheme History					
	2022/23 £000's	2021/22 £000's	2020/21 £000's	2019/20 £000's	2018/19 £000's
Present Value of Liabilities	(180,747)	(251,031)	(256,735)	(214,582)	(229,281)
Fair Value of Assets	208,651	209,226	190,210	153,616	162,440
Present Value of Unfunded Obligation	(1,992)	(2,358)	(2,583)	(2,671)	(3,007)
<b>Surplus / (Deficit) in the Scheme</b>	<b>25,912</b>	<b>(44,163)</b>	<b>(69,108)</b>	<b>(63,637)</b>	<b>(69,848)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total net liability on the Councils Balance sheet in 2021/22 was £44.163 million. In 2022/23 this has been revised and the current scheme position is a net asset balance of £25.912 million.

The financial position of the Council remains healthy. Changes to the pension fund balances are eliminated through reductions/increases in the contributions made over the remaining working life of employees, as assessed by the scheme actuary.

The total employer contributions expected to be made to the scheme by the Council in the year to 31st March 2024 is £4.207 million. The Service Cost is expected to be £3.417 million for the year to 31st March 2024.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about life expectancy rates, salary levels, and inflation rates. The District Council fund liabilities have been assessed by Barnett Waddingham, a firm of actuaries who provide the service for the Essex County Council Pension Fund, being based on the full Actuarial Valuation of the scheme as at 31st March 2022.

The principal assumptions used by the actuary have been as follows.

	2022/23	2021/22
<b>Life Expectancy Assumptions</b>		
Longevity at 65 for current pensioners in years:		
Men	21	21
Women	24	24
Longevity at 65 for future pensioners in years:		
Men	22	22
Women	25	25
<b>Other Assumptions</b>		
Rate of inflation RPI	3.9%	3.5%
Rate of inflation CPI	2.9%	3.2%
Rate of increase in salaries	3.9%	4.2%
Rate of increase in pensions	2.9%	3.2%
Rate for discounting scheme liabilities	4.8%	2.6%

The Scheme assets consist of the following categories, by proportion of the total assets held.

	31st March 2023		31st March 2022	
	£000's	%	£000's	%
Equities	120,462	58%	124,193	60%
Government Bonds	3,058	1%	4,938	2%
Other Bonds	-	0%	9,058	4%
Property	17,128	8%	16,964	8%
Cash / Liquidity	6,266	3%	5,248	3%
Alternative Assets	33,098	16%	25,560	12%
Other Managed Funds	28,639	14%	20,879	10%
<b>Total</b>	<b>208,651</b>	<b>100%</b>	<b>206,840</b>	<b>100%</b>

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in the 2022 actuarial review of the Pension Fund. The anticipated shortfall in the funding of the scheme has determined the future level of pension contributions which will be due between triennial valuations.

Sensitivity Analysis as at 31 March 2023	Sensitivity 1b	Sensitivity 1a	Sensitivity 2b
	£000's	£000's	£000's
<b>Adjustment to Discount Rate</b>	+0.5%	+0.1%	-0.5%
Present Value of Total Obligation	170,148	180,100	196,943
Projected Service Cost	2,899	3,307	4,026
<b>Adjustment to Long Term Salary Increase</b>	+0.5%	+0.1%	-0.5%
Present Value of Total Obligation	183,548	182,899	181,956
Projected Service Cost	3,429	3,419	3,406
<b>Adjustment to Pension Increases and</b>	+0.5%	+0.1%	-0.5%
Present Value of Total Obligation	196,339	185,331	170,654
Projected Service Cost	4,042	3,532	2,883
<b>Adjustment to Mortality Age Rating</b>		+ 1 Year	
Present Value of Total Obligation		190,082	
Projected Service Cost		3,540	

Sensitivity Analysis as at 31 March 2022	Sensitivity 1b	Sensitivity 1a	Sensitivity 2b
	£000's	£000's	£000's
<b>Adjustment to Discount Rate</b>	+0.5%	+0.1%	-0.5%
Present Value of Total Obligation	231,366	248,731	278,829
Projected Service Cost	7,026	8,043	9,888
<b>Adjustment to Long Term Salary Increase</b>	+0.5%	0.1%	-0.5%
Present Value of Total Obligation	254,790	253,666	252,033
Projected Service Cost	8,345	8,327	8,299
<b>Adjustment to Pension Increases and</b>	+0.5%	+0.1%	-0.5%
Present Value of Total Obligation	277,138	257,874	232,743
Projected Service Cost	9,889	8,609	7,014
<b>Adjustment to Mortality Age Rating</b>		+ 1 Year	
Present Value of Total Obligation		266,157	
Projected Service Cost		8,681	

## 32. NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities (both revised in December 2021).

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risk associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the MHCLG Investment Guidance for local authorities. The guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with appropriate levels of security and liquidity.

The Council's activities expose it to a variety of financial risks, the key risks are:

- *Credit Risk* - the possibility that other parties might fail to pay amounts due to the Council
- *Liquidity Risk* - the possibility that the Council might not have funds available to meet its commitments to make payments; and
- *Market Risk* - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers.

### Investments

The risk is minimised through the annual Investment Strategy, which requires that deposits are made with the Government (Debt Management Office), other local authorities, and A- (as a minimum) credit-rated Banks, Building Societies, Registered Providers (e.g. Housing Associations) and Money Market Funds.

It should also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. A limit of £10 million is placed on the amount of money that can be invested with a single counterparty except the UK Government which is unlimited. The Council also sets a total group investment limit (£10 million) for institutions that are part of the same banking group.

The table below summaries the nominal value of the Council's investment portfolio at 31st March 2023, and confirms that all investments were made in line with the Council's approved rating criteria when investment placed.

31 March 2023							
	Credit Rating Criteria Met	Up to 1 Month £000's	1 - 3 Months £000's	4 - 6 Months £000's	7 - 12 Months £000's	Greater than 12 Months £000's	Total £000's
Banks UK	A+	(208)	-	-	-	-	(208)
Cash equivalents MMF	A-	10,000	-	-	-	-	10,000
Cash Equivalents DMADF	UKGOV	3,000	-	-	-	-	3,000
<b>Total</b>		<b>12,792</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,792</b>

31 March 2022							
	Credit Rating Criteria Met	Up to 1 Month £000's	1 - 3 Months £000's	4 - 6 Months £000's	7 - 12 Months £000's	Greater than 12 Months £000's	Total £000's
Banks UK	A+	1,732	-	-	-	-	1,732
Cash equivalents MMF	A-	17,000	-	-	-	-	17,000
Cash Equivalents DMADF	UKGOV	-	-	-	-	-	-
<b>Total</b>		<b>18,732</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,732</b>

### Credit Risk – Debtors

The following analysis summaries the Council's potential maximum exposure to credit risk, based on experience of the level of default on Trade Debtors and Housing Arrears, adjusted for market conditions.

31 March 2023			
	Amount £000's	Default Risk Judged %	Bad Debt Provision £000's
Trade Debtors	4,618	21.9%	1,013
Housing Arrears	954	95.0%	907

	31 March 2022		
	Amount £000's	Default Risk Judged %	Bad Debt Provision £000's
Trade Debtors	6,382	10.2%	649
Housing Arrears	860	98.3%	845

The credit risk in relation to counterparty investments is relatively small as the likelihood of default is also small. A risk arises with Sundry Debtors, Housing and Taxation Debtors, because they represent amounts owed to the Council and there will always be a level of default inherent in such debts. A provision for non-payment of debts is provided within the overall Debtors' figure stated in the Accounts.

### Credit Risk - Loans

In furthering the Council's strategic objectives, it provides loans to Qualis.

The amounts recognised on the Balance Sheet, and the Council's total exposure to credit risk from these instruments are presented below.

		31 March 2023		
Borrower	Exposure Type	Amount £000's	Default Risk Judged %	Expected Credit Loss £000's
Qualis Loans	Loan Commitments at Market Rate	68,670	3.4%	2,308

		31 March 2022		
Borrower	Exposure Type	Amount £000's	Default Risk Judged %	Expected Credit Loss £000's
Qualis Loans	Loan Commitments at Market Rate	59,881	1.8%	1,067

### Liquidity Risk

The Council has access to borrowing facilities via the Public Works Loan Board (PWLB), commercial banks, bond issues and other local authorities. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also manages the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates.

The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current Capital Programme or to finance future debt maturities.

The maturity analysis of the nominal value of the Council's debt at 31st March 2023 is as follows.

		31 March 2023 £000's	% of Total Debt Portfolio	Cash Flows including Interest £000's
<b>Short-Term Borrowing</b>	<b>Less than 1 Year</b>	<b>32,276</b>	<b>11%</b>	<b>41,621</b>
Long-Term Borrowing	Over 1 but not Over 2	9,276	3%	17,158
	Over 2 but not Over 5	12,829	5%	35,584
	Over 5 but not Over 10	51,381	18%	84,797
	Over 10 but not Over 15	41,321	15%	70,232
	Over 15 but not Over 20	126,906	45%	139,071
	Over 20 but not Over 25	3,250	1%	4,049
	Over 25	4,400	2%	5,017
<b>Long-Term Borrowing</b>		<b>249,363</b>	<b>89%</b>	<b>355,908</b>



The maturity analysis of the nominal value of the Council's debt at 31st March 2022 was as follows.

		31 March 2022 £000's	% of Total Debt Portfolio	Cash Flows including Interest £000's
<b>Short-Term Borrowing</b>	<b>Less than 1 Year</b>	<b>55,317</b>	<b>21%</b>	<b>62,445</b>
Long-Term Borrowing	Over 1 but not Over 2	1,317	1%	7,998
	Over 2 but not Over 5	3,950	1%	23,811
	Over 5 but not Over 10	36,583	14%	68,153
	Over 10 but not Over 15	6,583	2%	35,232
	Over 15 but not Over 20	156,906	58%	174,546
	Over 20 but not Over 25	3,250	1%	4,156
	Over 25	5,050	2%	5,807
<b>Long-Term Borrowing</b>		<b>213,639</b>	<b>79%</b>	<b>319,703</b>

### Interest Rate Risk

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 25% on external debt that can be subject to variable rates. As at 31st March 2023, 100% of the debt portfolio was held in fixed rate instruments. The one-year impact on income and expenditure of 1% interest rate rise was in relation to EIP (Equal Instalment of Principal) loans.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be as presented in the table below.

	2022-23 £000's	2021-22 £000's
Increase in Interest Payable on Variable Rate Borrowing	210	9
Increase in Interest Receivable on Variable Rate Investments	(89)	(169)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>121</b>	<b>(160)</b>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. Assumptions are based on the same methodology as used in the Fair Value disclosure note.

### Price Risk

The Council does not invest in equity holdings or in financial instruments whose capital value is subject to market fluctuations. It therefore has no exposure to losses arising through price variations.

### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## 33. CAPITAL COMMITMENTS

As at 31st March 2023, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years relating to the Council's Housing Development Programme. The remaining commitments on those contract as at 31st March 2023 totalled £10.687 million, and are expected to be met over the next two financial years as follows:

- 2023/24 - £4.571 million
- 2024/25 - £6.116 million
- **Total Commitments** - **£10.687 million**

# Housing revenue account income and expenditure statement



	Note	2022/23 £000's	2021/22 £000's
<b>Income</b>			
Dwelling Rents	3	(35,294)	(33,958)
Non Dwelling Rents		(764)	(783)
Charges for Services and Facilities		(1,484)	(2,025)
Contributions Towards Expenditure		(427)	(416)
<b>Total Income</b>		<b>(37,969)</b>	<b>(37,182)</b>
<b>Expenditure</b>			
Repairs and Maintenance		9,897	8,841
Supervision and Management		11,615	10,706
Revaluation of Fixed Assets		3,225	3,451
Rents, Rates, Taxes and Insurance		525	600
Depreciation and Amortisation	7/8	10,490	9,708
Debt Management		20	22
Provision for bad and doubtful debt		116	124
<b>Total Expenditure</b>		<b>35,888</b>	<b>33,452</b>
<b>Net Cost of Services as Included in the Comprehensive Income and Expenditure Statement</b>		<b>(2,081)</b>	<b>(3,730)</b>
HRA services share of Corporate Expenses		320	364
<b>Net Cost (Income) of HRA Services</b>		<b>(1,761)</b>	<b>(3,366)</b>
HRA Share of the Income and Expenditure included in the Comprehensive Income and Expenditure Statement		(1,761)	(3,366)
Capital Grants and Contributions		(437)	(472)
Gain on Sale of HRA Non-Current Assets		(2,090)	(3,333)
Interest Payable and similar charges		5,348	5,476
Interest and Investment Income		(294)	(65)
Changes in Fair Value of Investment Properties		5	(5)
Pensions Interest / Return on Assets		152	188
<b>(Surplus) / Deficit for the Year on HRA Services</b>		<b>923</b>	<b>(1,577)</b>

## Movement on Housing Revenue Account Statement

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the Council's actual financial performance for the year in managing its Housing Stock, measured in terms of the resources consumed and generated over the last twelve months. However:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government is treated as a loss in the Income and Expenditure Account, but is met from the Usable Capital Receipts balance rather than Council Tax; and
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits earned.

The HRA Statement compares the Council's spending against the income that it raised for the year, taking account of the use of reserves built up in the past and contributions to reserves earmarked for the future.

This reconciliation statement summarises the differences between the outturn in the HRA Income and Expenditure Statement and the HRA balance.

<b>Increase / Decrease in the Housing Revenue Account Balance</b>	<b>Note</b>	<b>2022/23 £000</b>	<b>2021/22 £000</b>
(Surplus)/ deficit for the year on the Housing Revenue Account Income and Expenditure		923	(1,577)
Adjustments between accounting basis and funding basis under statute (including to or	<b>9</b>	(1,311)	(482)
Transfers to Earmarked Reserves	<b>9</b>	0	0
<b>(Increase) / decrease in the Housing Revenue Account Balance</b>		<b>(388)</b>	<b>(2,059)</b>
Housing Revenue Account Surplus Brought Forward		(4,164)	(2,105)
<b>Housing Revenue Account Surplus Carried Forward</b>		<b>(4,552)</b>	<b>(4,164)</b>

## 1. HOUSING REVENUE ACCOUNT ASSET VALUATION

The valuation of the Council's housing stock and other HRA assets is as follows:

	31 March 2023 £000's	31 March 2022 £000's
Dwellings	806,892	774,586
Plant, vehicles & equipment	1,135	1,273
Other operational property	22,587	17,367
Investment property	149	154
<b>Total</b>	<b>830,763</b>	<b>793,380</b>

The Dwellings valuation shown in the Balance Sheet represents the value of the Housing Stock to the Council in its Existing Use as Social Housing, occupied on the basis of secure tenancies. The corresponding value of those Dwellings if sold on the open market without tenants (i.e. vacant possession) is £2,109,738,050 at 31st March 2023. The difference between the two values represents the economic cost of providing Council Housing at less than open market rent.

## 2. HOUSING STOCK

The Council was responsible for managing on average 6,442 dwellings during 2022/23 (6,436 in 2021/22). Changes in the stock are summarised below. The figures include 54 units for the homeless at Norway House, North Weald.

	31 March 2023	31 March 2022
Stock as at 1 April	6,436	6,437
Less: Sales	(16)	(30)
Stock Transfers / Conversions	1	
Other Movements	2	19
New Properties	19	10
<b>Stock as at 31 March</b>	<b>6,442</b>	<b>6,436</b>
Number of: Houses and Bungalows	3,508	3,500
Flats and Maisonettes	2,880	2,882
Other	54	54
<b>Stock as at 31 March</b>	<b>6,442</b>	<b>6,436</b>

## 3. GROSS DWELLING RENT INCOME

During 2022/23:

- 1.22% (0.8% in 2021/22) of all lettable dwellings were vacant
- Average rents were £106.63 per week including affordable rents, an increase of £4.31 or 4.2%, on the previous year
- On average 33% (35.2% in 2021/22) of Council tenants received some help through rent rebates in 2022/23
- Rent arrears increased to £953,975 (£860,317 in 2021/22), which represents 2.48% (2.36% in 2021/22) of gross income
- The provision for bad and doubtful debts on Arrears amounted to £739,609 (£717,510 in 2021/22)
- Amounts written off during the year totalled £54,092 (£38,414 in 2021/22); and
- Dwelling rents are shown after allowing for voids.

#### 4. PENSIONS

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against the HRA is based on the contributions payable to the fund in respect of 2022/23; the real cost of retirement benefits is therefore reversed out of the Housing Revenue Account in the Movement on the HRA balance.

#### 5. HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS

The Council received £4,335,694 in respect of HRA capital receipts during 2022/23 (£7,034,523 in 2021/22). The receipts came from the sale of Council Houses £3,625,661 (£6,833,275 in 2021/22), Right to Buy ("RTB") discounts repaid £42,071 (£20,768 in 2021/22), Rent to Mortgage sale £nil (£180,480 in 2021/22), and other sales £667,961 (£nil in 2021/22). The receipts have been allocated in accordance with the prescribed proportions - £1,706,946 (£1,512,333 in 2021/22) for house building projects, £20,800 (£39,000 in 2021/22) to offset the cost of administration of the sales, £nil (£839,616 in 2021/22) to be paid over to the Central Government pool, with the remainder of £2,607,947 (£4,643,574 in 2021/22) available to fund other capital projects.

#### 6. HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

The HRA incurred the following capital expenditure:

Capital Expenditure	31 March 2023 £000's	31 March 2022 £000's
Council Dwellings	8,630	15,023
House Building and Disabled Adaptations	5,533	4,629
Plant, Vehicles and Equipment	1,051	765
Environmental Works	595	555
	66	443
<b>Total Expenditure</b>	<b>15,875</b>	<b>21,414</b>
<i>Financed by:</i>		
Major Repairs Reserve	11,300	9,180
Self Financing Reserve	-	8,743
Capital Receipts	3,238	2,553
Other Contributions	437	938
Borrowing	900	-
<b>Stock as at 31 March</b>	<b>15,875</b>	<b>21,414</b>

#### 7. MAJOR REPAIRS RESERVE

The Council is required to maintain a Major Repairs Reserve. The Housing Revenue Account is charged with depreciation for the year. An amount equal to this is credited to the Major Repairs Reserve. This income can then be used to fund repairs of a capital nature or to repay debt. The movement on the reserve is as follows:

	2022/23		2021/22	
	£000	£000	£000	£000
<b>Balance as at 1st April</b>		<b>(9,365)</b>		<b>(8,840)</b>
Depreciation Transferred from the HRA	(10,422)		(9,705)	
Used to Fund Capital Expenditure on Council Dwellings	11,301		9,180	
<b>Total Expenditure</b>		<b>879</b>		<b>(525)</b>
<b>Balance as at 31st March</b>		<b>(8,486)</b>		<b>(9,365)</b>

## 8. DEPRECIATION AND IMPAIRMENTS

Depreciation is charged on Housing Revenue Account assets in accordance with IAS 16. Depreciation is charged with reference to balance sheet values and the average life remaining on the housing stock and its major components. No depreciation is chargeable on the HRA investment assets. The difference between the figure shown on the face of the HRA and Note 7 above relates to £69,000 (£3,000 in 2021/22) in amortisation of intangible assets, other non-dwellings depreciation, revenue expenditure funded from capital and impairments.

## 9. NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON HRA BALANCE

	2022/23 £000's	2020/21 £000's
<b>Amounts to be Excluded</b>		
Depreciation/ Amortisation Reversals and Impairments	(10,403)	(9,708)
Revaluation of Council Dwellings and Garages	(3,323)	(3,565)
Movements in the fair value of investment	(5)	5
Deferred receipt rents to mortgages	97	113
Gain / (loss) on disposal of HRA Fixed Assets	2,090	3,333
Accumulated Absences Accruals	251	(171)
HRA share of contributions to / (from) Pensions Reserve	(877)	(1,100)
<b>Total of Amounts to be Excluded</b>	<b>(12,170)</b>	<b>(11,093)</b>
<b>Amounts to be Included</b>		
Transfer to Major Repairs Reserve	10,422	9,705
Capital contributions applied	437	906
<b>Total of Amounts to be Included</b>	<b>10,859</b>	<b>10,611</b>
<b>Net increase/(decrease) before transfers to / from Reserve</b>	<b>(1,311)</b>	<b>(482)</b>
<b>Transfers to /from Earmarked Reserves</b>	-	-
<b>Total Transfers To Earmarked Reserves</b>	-	-
<b>Total</b>	<b>(1,311)</b>	<b>(482)</b>

# Collection fund



	Note	2022/23			2021/22		
		Council Tax	Non-Domestic Rates	Collection Fund Total	Council Tax	Non-Domestic Rates	Collection Fund Total
		£000's	£000's	£000's	£000's	£000's	£000's
<b>Income</b>							
Council Tax	1	(107,564)	-	(107,564)	(102,445)	-	(102,445)
Non-Domestic Rates	2	-	(30,120)	(30,120)	-	(28,933)	(28,933)
<b>Total Income</b>		<b>(107,564)</b>	<b>(30,120)</b>	<b>(137,684)</b>	<b>(102,445)</b>	<b>(28,933)</b>	<b>(131,378)</b>
<b>Expenditure</b>							
<b>Precepts and Demands</b>							
Central Government		-	15,771	15,771	-	17,857	17,857
Epping Forest District Council		12,526	12,617	25,143	12,000	14,286	26,286
Essex County Council		76,873	2,839	79,712	72,434	3,214	75,648
Essex Police		11,989	-	11,989	11,265	-	11,265
Essex Fire Authority		4,133	316	4,449	3,991	357	4,348
<b>Distribution of Estimated Collection Fund Surplus/(Deficit)</b>	3						
Central Government		-	(5,029)	(5,029)	-	(8,621)	(8,621)
Epping Forest District Council		165	(4,024)	(3,859)	(99)	(6,897)	(6,996)
Essex County Council		997	(905)	92	(590)	(1,552)	(2,142)
Essex Police		155	-	155	(89)	-	(89)
Essex Fire Authority		55	(101)	(46)	(33)	(172)	(205)
<b>Other</b>							
Transitional Protection (NDR)		-	178	178	-	(33)	(33)
Cost of Collection Allowance (NDR)		-	176	176	-	174	174
Provision for Appeals (NDR)		-	(3,188)	(3,188)	-	343	343
Provision for Non Payment		3,349	1,556	4,905	1,124	720	1,844
<b>Total Expenditure</b>		<b>110,242</b>	<b>20,206</b>	<b>130,448</b>	<b>100,003</b>	<b>19,676</b>	<b>119,679</b>
<b>Deficit / (Surplus) for the Year</b>		<b>2,678</b>	<b>(9,914)</b>	<b>(7,236)</b>	<b>(2,442)</b>	<b>(9,257)</b>	<b>(11,699)</b>
<b>Balance Brought Forward</b>		<b>(1,344)</b>	<b>7,328</b>	<b>5,984</b>	<b>1,098</b>	<b>16,585</b>	<b>17,683</b>
<b>Balance Carried Forward</b>		<b>1,334</b>	<b>(2,586)</b>	<b>(1,252)</b>	<b>(1,344)</b>	<b>7,328</b>	<b>5,984</b>

## 1. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council, Essex Police, Essex Fire Authority and this Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: 54,865 for 2022/23 (54,019 for 2021/22). The basic amount of Council Tax for a Band D property of £1,923.28 for 2022/23 (£1,845.47 for 2021/22) is multiplied by the proportion specified for the band to give an individual amount due.

Total income of £107,564,536 for 2022/32 was receivable from Council Taxpayers (£102,444,803 for 2021/22).

	Chargeable Dwellings	Chargeable Dwellings after Discount, Exemptions and Disabled Relief	Ratio to Band D	Band D Equivalents
Band A Disabled	-	4	5/9	2
Band A	2,013	1,557	2/3	1,038
Band B	5,111	4,199	7/9	3,266
Band C	11,768	10,459	8/9	9,297
Band D	14,122	13,031	9/9	13,031
Band E	9,999	9,269	11/9	11,329
Band F	6,996	6,582	13/9	9,507
Band G	6,164	5,850	15/9	9,750
Band H	1,203	1,136	18/9	2,272
<b>Total Band D</b>				<b>59,492</b>
Less Band D equivalents entitled to Council Tax Support				3,509
<b>Total Band D Equivalents</b>				<b>55,983</b>
Less: Adjustment for Collection Rate				1,118
<b>Council Tax Base</b>				<b>54,865</b>

## 2. NON-DOMESTIC RATES

Non-Domestic Rates are organised on a national basis. The Government specifies an amount, 49.9p (small business) and 51.2p (all others) in 2022/23 (49.9p and 51.2p in 2021/22) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

From 1st April 2013 Business Rates Retention was introduced whereby local authorities retain 50% of the Business Rates collected and pay the remainder over to Central government. The amount retained is shared between the Council (40%), Essex County Council (9%) and Essex Fire Authority (1%). In addition, the Government has set a level of Business Rates Funding deemed to be applicable to each area and every Council either receives a top up (where business rates are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding). In 2022/23 this Council paid a tariff of £10,880,558 (£10,880,558 in 2021/22).

If the Council increases its Business Rates base, and therefore its income, it's allowed to retain a proportion of the increased income whilst paying up to 50% to Central Government. This payment is known as a Levy payment.

If a reduction of Business Rates income of more than 7.5% of its funding baseline has occurred, then the Government will make up any difference between this and the actual loss in the form of a Safety Net Payment.



The Council is part of the Essex Business Rates Pool. A pool minimises the potential Levy on Business Rates growth that an individual authority might need to pay Central Government; authorities paying a Tariff to the Government, join a pool with an authority receiving a Top Up. In the case of the Essex Pool, the County Council are receiving a Top Up and the Districts are paying a Tariff, and by pooling their Business Rates can significantly reduce their Levy rates from the 50% they would face alone.

The total Non-Domestic Rateable Value at the year-end was £96,480,531 (£97,250,516 in 2021/22).

### **3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS**

The surplus or deficit on the Collection Fund arising from Council Tax and Business Rates transactions relates to this Council, other major precepting authorities and Central Government. The surplus or deficit on the fund is estimated as at 15th January every year and paid over or recovered from the Council's General Fund and major precepting authorities in the following financial year. The balance on the Fund represents the difference between the estimated surplus or deficit and the actual position.

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## Introduction

In order to present a full picture of the Council's financial position and its exposure to risk, the Group Accounts show the combined position of the Council and its subsidiary companies.

The Qualis group of companies was incorporated in October 2019. The Council has owned 100% of the shares for the whole life of all of the companies. The Qualis group comprises four companies:

- Qualis Group Ltd
- Qualis Commercial Ltd
- Qualis Living Ltd; and
- Qualis Management Ltd.

With effect from 5th October 2020, Qualis Management Ltd has provided the main part of the Repairs and Maintenance service for the Council's housing stock.

## Accounting Policies

The Qualis group of companies initially had a financial year from 1st November to 31st October, but this has now been amended to run from 1st October to 30th September. These Group Accounts have been prepared using the best estimates provided by the group of activities from 1st April 2022 to 31st March 2023 and of the financial position of the group as at 31st March 2023.

Qualis companies' policy is to classify some expenditure on preparation and planning for future contracts as "prepayments" and this expenditure is included in the Group Balance Sheet within Debtors and Prepayments.

### Investment Properties

Investment properties are those which are held solely to earn rentals or for capital appreciation purposes. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated but are re-valued annually according to market conditions to ensure that they are held at the highest and best use value on the Balance Sheet date. Gains and losses on revaluation are posted to the profit and loss. The same treatment is applied to gains and losses on disposal. These revaluations are then transferred from the profit and loss account in the balance sheet to the revaluation reserve. Rentals received in relation to investment properties are credited to the profit and loss account as other operating income.

### Basic Financial Assets

Basic financial assets, which include debtors, and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

### Pension Costs

The companies operate a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

## Group Comprehensive Income and Expenditure Statement

	2022/23			2021/22		
	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Net Cost of Continuing Operations</b>	<b>114,120</b>	<b>(86,516)</b>	<b>27,604</b>	<b>111,815</b>	<b>(86,541)</b>	<b>25,274</b>
Other Operating Expenditure			2,004			211
Financing and Investment Income and Expenditure			15,736			(13,208)
Taxation and Non-Specific Grant Income			(21,402)			(20,982)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>23,942</b>			<b>(8,705)</b>
(Surplus) on Revaluation of Property Plant and Equipment			(27,122)			(52,588)
Actuarial (Gains)/Losses on Pension Assets/Liabilities			(79,308)			(24,729)
<b>Total Comprehensive Income and Expenditure</b>			<b>(82,488)</b>			<b>(86,022)</b>

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## Group Balance Sheet

	Note	31 March 2023		31 March 2022	
		£000's	£000's	£000's	£000's
<b>Long Term Assets</b>					
Property, Plant & Equipment		879,418		869,441	
Heritage Assets		620		598	
Investment Properties		181,644		192,398	
Intangible Assets		1,450		988	
Assets held for sale		-		-	
Long Term Debtors	<b>G2</b>	2,264		42	
Pensions Asset	<b>G6</b>	27,589		-	
<b>Total Long Term Assets</b>			<b>1,092,985</b>		<b>1,063,467</b>
<b>Current Assets</b>					
Inventories	<b>G3</b>	29,365		157	
Debtors and Prepayments	<b>G4</b>	13,575		31,938	
Cash & Cash Equivalents	<b>G5</b>	15,076		24,110	
			<b>58,016</b>		<b>56,205</b>
<b>Current Liabilities</b>					
Creditors		(27,900)		(47,333)	
Provisions		(3,414)		(3,448)	
Short Term Loan		(38,175)		(55,552)	
			<b>(69,489)</b>		<b>(106,333)</b>
<b>Long Term Liabilities</b>					
Long Term Loans		(244,506)		(213,639)	
Provision for deferred tax		(1,689)		-	
Pensions Liability		-		(46,831)	
			<b>(246,195)</b>		<b>(260,470)</b>
<b>Total Assets Less Liabilities</b>			<b>835,317</b>		<b>752,869</b>
Usable Reserves		(28,196)		(34,406)	
Unusable Reserves		(807,121)		(718,463)	
			<b>(835,317)</b>		<b>(752,869)</b>

## Group Cash Flow Statement

	2022/23 £000's	2021/23 £000's
Net Surplus/(Deficit) on Provision of Services	(23,942)	8,705
Adjustments to net surplus or deficit on the provision of services for non-cash movements	15,554	48,861
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(14,037)	(29,613)
<b>Net cash flows from Operating Activities</b>	<b>(22,425)</b>	<b>27,953</b>
Investing Activities	(12,641)	(39,839)
Financing Activities	26,032	9,969
<b>Net Increase or (Decrease) in cash and cash equivalents</b>	<b>(9,034)</b>	<b>(1,917)</b>
Cash and Cash Equivalents at the beginning of the reporting period	24,110	26,027
<b>Cash and Cash equivalents at the end of the reporting period</b>	<b>15,076</b>	<b>24,110</b>

## Group Movement in Reserves Statement

	Single Entity (EFDC)									Qualis		Group		
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Total Usable Reserves	Total Unusable Reserves	Total Reserves	Qualis Usable	Qualis Un Usable	Group Total Usable reserves	Group Total Unusable Reserves	Group Total
Movements in 2022/23	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2022	4,070	4,164	6,628	11,910	9,365	1,607	37,744	721,122	758,866	(3,338)	(2,659)	34,406	718,463	752,869
Surplus / (Deficit) on Provision of Services	(20,448)	(923)	-	-	-	-	(21,371)	-	(21,371)	(2,572)	-	(23,943)	-	(23,943)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	101,994	101,994	-	-	-	101,994	101,994
<b>Total Comprehensive Income and Expenditure</b>	<b>(20,448)</b>	<b>(923)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,371)</b>	<b>101,994</b>	<b>80,623</b>	<b>(2,572)</b>	<b>-</b>	<b>(23,943)</b>	<b>101,994</b>	<b>78,051</b>
Adjustment Between Accounting and Funding Basis Under Regulations	16,791	1,311	-	308	(878)	102	17,634	(17,634)	-	-	-	17,634	(17,634)	-
<b>Net Increase / (Decrease) before Transfer to Earmarked Reserves</b>	<b>(3,657)</b>	<b>388</b>	<b>-</b>	<b>308</b>	<b>(878)</b>	<b>102</b>	<b>(3,737)</b>	<b>84,360</b>	<b>80,623</b>	<b>(2,572)</b>	<b>-</b>	<b>(6,309)</b>	<b>84,360</b>	<b>78,051</b>
Transfer to Earmarked Reserves	2,806	-	(2,806)	-	-	-	-	-	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>(851)</b>	<b>388</b>	<b>(2,806)</b>	<b>308</b>	<b>(878)</b>	<b>102</b>	<b>(3,737)</b>	<b>84,360</b>	<b>80,623</b>	<b>(2,572)</b>	<b>-</b>	<b>(6,309)</b>	<b>84,360</b>	<b>78,051</b>
Other Adjustments	-	-	(2)	-	-	-	(2)	(38)	(40)	101	4,336	99	4,298	4,397
<b>Balance as at 31 March 2023</b>	<b>3,219</b>	<b>4,552</b>	<b>3,820</b>	<b>12,218</b>	<b>8,487</b>	<b>1,709</b>	<b>34,005</b>	<b>805,444</b>	<b>839,449</b>	<b>(5,809)</b>	<b>1,677</b>	<b>28,196</b>	<b>807,121</b>	<b>835,317</b>

	Single Entity (EFDC)									Qualis		Group		
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Total Usable Reserves	Total Unusable Reserves	Total Reserves	Qualis Usable	Qualis Un Usable	Group Total Usable reserves	Group Total Unusable Reserves	Group Total
Movements in 2021/22	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2021	4,017	2,105	23,811	8,385	8,839	-	47,156	618,535	665,691	(2,488)	(3,359)	44,668	615,176	659,844
Surplus / (Deficit) on Provision of Services	7,978	1,577	-	-	-	-	9,555	-	9,555	(850)	-	8,705	-	8,705
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Comprehensive Income and Expenditure</b>	<b>7,978</b>	<b>1,577</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,555</b>	<b>-</b>	<b>9,555</b>	<b>(850)</b>	<b>-</b>	<b>8,705</b>	<b>-</b>	<b>8,705</b>
Adjustment Between Accounting and Funding Basis Under Regulations	(12,127)	482	-	3,525	526	1,354	(6,240)	6,240	-	-	-	(6,240)	6,240	-
<b>Net Increase / (Decrease) before Transfer to Earmarked Reserves</b>	<b>(4,149)</b>	<b>2,059</b>	<b>-</b>	<b>3,525</b>	<b>526</b>	<b>1,354</b>	<b>3,315</b>	<b>6,240</b>	<b>9,555</b>	<b>(850)</b>	<b>-</b>	<b>2,465</b>	<b>6,240</b>	<b>8,705</b>
Transfer to Earmarked Reserves	3,462	-	(16,442)	-	-	-	(12,980)	12,980	-	-	-	(12,980)	12,980	-
<b>Increase / (Decrease) in Year</b>	<b>(687)</b>	<b>2,059</b>	<b>(16,442)</b>	<b>3,525</b>	<b>526</b>	<b>1,354</b>	<b>(9,665)</b>	<b>19,220</b>	<b>9,555</b>	<b>(850)</b>	<b>-</b>	<b>(10,515)</b>	<b>19,220</b>	<b>8,705</b>
Other Adjustments	-	-	-	-	-	253	253	83,367	83,620	-	700	253	84,067	84,320
<b>Balance as at 31 March 2021</b>	<b>3,330</b>	<b>4,164</b>	<b>7,369</b>	<b>11,910</b>	<b>9,365</b>	<b>1,607</b>	<b>37,744</b>	<b>721,122</b>	<b>758,866</b>	<b>(3,338)</b>	<b>(2,659)</b>	<b>34,406</b>	<b>718,463</b>	<b>752,869</b>

## G1. OTHER OPERATING EXPENDITURE

Total comprehensive Income for all Qualis companies for 2022-23 was £1.865 million. Which included £4.436 million actuarial gains on Pension Assets.

## G2. LONG-TERM DEBTORS

	31 March 2023 EFDC (Single entity) Note 14 £000	31 March 2023 EFDC GROUP £000's	31 March 2022 EFDC (Single entity) Note 14 £000	31 March 2022 EFDC GROUP £000's
Capital Advances (B3 Living)	362	362	279	279
Rents to Mortgages	1,578	1,578	1,481	1,481
Home Assist Loans	224	224	240	240
Place Loan	100	100	100	100
Qualis Loans	66,489	-	57,421	-
<b>Net Carrying Amount at end of the year</b>	<b>68,753</b>	<b>2,264</b>	<b>59,521</b>	<b>2,100</b>

## G3. INVENTORIES

Five buildings for the total value of £11.312 million were reclassified from fixed assets to work in progress (WIP)/inventories as they were ready for sale.

## G4. DEBTORS AND PREPAYMENTS

	31 March 2023 EFDC (Single entity) Note 16 £000	31 March 2023 EFDC GROUP £000's	31 March 2022 EFDC (Single entity) Note 16 £000	31 March 2022 EFDC GROUP £000's
Government Departments and Other Local Authorities	3,408	3,408	9,601	9,601
Council Tax Arrears	2,239	2,239	1,789	1,789
NDR Arrears	1,626	1,626	1,592	1,592
Housing Rent Arrears	954	954	860	860
Sundry Debtors	10,511	11,566	11,892	22,905
Prepayments & Deposits	1,341	1,341	847	847
Qualis Loan	2,181	-	2,459	-
Bad Debt provision	(7,559)	(7,559)	(6,195)	(6,195)
<b>Total</b>	<b>14,702</b>	<b>13,575</b>	<b>22,844</b>	<b>31,398</b>

## G5. CASH AND CASH EQUIVALENTS

	31 March 2023 EFDC (Single entity) Note 17 £000	31 March 2023 EFDC GROUP £000's	31 March 2022 EFDC (Single entity) Note 17 £000	31 March 2022 EFDC GROUP £000's
Cash	4	4	4	4
Bank Current Accounts	(208)	2,072	1,732	7,106
Investment MMF	10,000	10,000	-	-
Investment DMADF	3,000	3,000	17,000	17,000
<b>Total Cash and Cash Equivalents</b>	<b>12,796</b>	<b>15,076</b>	<b>18,736</b>	<b>24,110</b>

## G6. PENSIONS

Net pension liability in Qualis subsidiaries was calculated in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to employees of Qualis Management (the Employer) as at 31st March 2023.

Further information about the LGPS can be found in Note 31 of the EFDC Single Entity Accounts.

	31 March 2023 EFDC (Single entity) Note 31 £000	31 March 2022 EFDC (Single entity) Note 31 £000
Present Value of Liabilities	(180,747)	(251,031)
Present Value of the Unfunded Obligation	208,651	209,226
Fair Value of Scheme Assets	(1,992)	(2,358)
<b>EFDC Net Asset /(Liability) in the Balance Sheet</b>	<b>25,912</b>	<b>(44,163)</b>
Group - Net Liability in Qualis subsidiaries	1,677	(2,658)
<b>EFDC GROUP Net Liability in the Balance Sheet</b>	<b>27,589</b>	<b>(46,821)</b>





## Annual Governance Statement 2022/23

### 1. Scope of Responsibility

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

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

The Council has approved and adopted a Local Code of Governance (last reviewed November 2022), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Councils Constitution. A copy of the Code is on our website at [www.eppingforestdc.gov.uk](http://www.eppingforestdc.gov.uk). The code is aligned to the 2016 edition of the CIPFA/SOLACE framework.

This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 6(1) of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement (AGS).

### 2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. It is also responsible for evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Council's Code of Governance recognises that effective governance is achieved through the following seven CIPFA/SOLACE principles.

- (i) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- (ii) Ensuring openness and comprehensive stakeholder engagement.
- (iii) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- (iv) Determining the interventions necessary to optimise the achievement of intended outcomes.
- (v) Developing the Council's capacity, including the capability of its leadership and the individuals within it.
- (vi) Managing risks and performance through robust internal control and strong public financial management; and
- (vii) Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

It is important the Council can demonstrate that its Annual Governance Statement is aligned with its Local Code and the seven CIPFA/SOLACE principles and this is set out in Appendix 1.

The table below summarises the Council's Governance Framework (which includes the system of internal control) for the year ending 31 March 2023 and up to the date of approval of this Statement and the Statement of Accounts.

No.	<b>The Governance Framework</b>
	The key elements of the Council's governance arrangements for 2022/23 were:
1	The Corporate Plan covering 2018-2023, setting out the Council's priorities and defining the goals to be achieved (a new Corporate Plan has been agreed covering 2023-2027).
2	The Constitution, which is revised each year:
2.1	sets out the Council's decision-making framework
2.2	gives a clear definition of the roles and responsibilities of members, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer)
2.3	includes a Scheme of Delegation of responsibility, Financial Regulations and Procurement Rules; and
2.4	defines Codes of Conduct for members and officers, and a Protocol for how the two work together.
3	The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios. The Council's Local Code of Governance was reviewed and approved by the Audit and Governance Committee November 2022.
4	There are three Select Committees to cover the Council's corporate ambitions being Stronger Communities, Stronger Place and Stronger Council. In addition, Task and Finish Panels undertake specific reviews and there is a co-ordinating Overview and Scrutiny Committee.
5	A Standards Committee.
6	An Audit and Governance Committee.

No.	The Governance Framework (cont.)
7	An Executive Management Team consisting of the Chief Executive, Strategic Director, and Chief Operating Officer. The Chief Executive as Head of Paid Service is supported by the Council's Monitoring Officer and Section 151 Officer. It should be noted that from April 2023 the Section 151 Officer (and his deputy) are covering both Epping Forest District Council and Colchester City Council as part of the move towards the expansion of shared services, and potential devolution within Essex.
8	A Corporate Governance Group consisting of the Chief Executive, Section 151 Officer, Monitoring Officer, the Chief Internal Auditor, and other senior officers as required depending on the agenda, meeting monthly.
9	A Corporate Risk Strategy, which was overseen by a Risk Management Group meeting quarterly. The Council's risk management framework was revised during the year. The Risk Management Group has been disbanded and is now overseen by the Senior Leadership Team on at least a quarterly basis.
10	A standard committee report format that includes specific consideration of all legal, financial, professional, technical, risk management and equalities implications.
11	A Medium-Term Financial Plan which informs service planning and budget setting.
12	A Comments, Compliments, and Complaints procedure.
13	A risk-based approach to Internal Audit, emphasising the need for sound control, governance and risk management arrangements.
14	A robust Whistle Blowing Policy and process (reviewed and last updated November 2022) along with an Anti-Fraud and Corruption Strategy (which was reviewed and approved by the Audit and Governance Committee in November 2022) outlining the Council's zero tolerance approach to fraud and corruption and include anti-bribery and anti-money laundering policies.

### 3. Review of Effectiveness

The Council is responsible for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the various sources noted below and concludes that the arrangements continue to be regarded as fit for purpose in accordance with the Council's governance framework:

- The Chief Executive and Service Director governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively, including the Council's relationship with its subsidiary company, Qualis
- Documentary evidence of processes, procedures, and standards
- A Corporate Fraud Team, which supports the Council's counter fraud and corruption framework in taking action to prevent, detect and investigate fraud
- The Chief Internal Auditor's annual opinion on the Council's control environment, delivered to the Audit and Governance Committee, as the body charged with governance. Audit reports issued along with the assurance ratings of, substantial, moderate, limited or no assurance, on the adequacy and effectiveness of the Council's control environment, including key financial systems
- The work undertaken by the External Auditor and reported, including their "Communication with those Charged with Governance" (ISA260); and
- Significant governance issues from previous years and from 2022/23.

#### 4. Overall opinion of Epping Forest District Council's Governance Arrangements

This AGS demonstrates that the Council has sound governance arrangements in place which continued to work well in practice for the 2022/23 financial year. However, the Council is not complacent and areas for improvement or development are detailed in Section 5.

The Corporate Governance Group has undertaken an assessment of the arrangements for governance during 2022/23 including a review of the assurance checklists and statements submitted by managers. It has concluded that arrangements are fit for purpose and working effectively, and this has been endorsed by the SLT (Senior Leadership Team). As a result of this assessment, a small number of other governance issues have been identified to further strengthen arrangements, as detailed in Table 2 below.

#### 5. Significant Governance Issues

This final part of the Annual Governance Statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues or risks. The Council's Corporate Governance Group, who monitor and review the corporate governance framework, has ensured that the issues raised in the previous AGS have been addressed as detailed in Table 1 below.

**Table 1: Progress on significant governance issues identified in the 2021/22 AGS**

No.	Significant issue identified in 2021/22 AGS	Action taken in 2022/23 to address the issue
1	<p><b>Economic Issues</b></p> <p>At the time of preparing the AGS in 2021/22, both national and global events had led to a very volatile economic situation. Unprecedented increases in inflation compared to previous years were being seen and the availability of raw materials etc. was a problem globally. This has a direct impact on the Council in terms of potential cost increases including major works and projects. There may also be indirect consequences, with potential increases in demand by those accessing Council services.</p>	<p>The implications of the economic situation were monitored with mitigating strategies developed and implemented by the Senior Leadership Team.</p> <p>Key considerations featured in the reports presented to Cabinet, and in the development of the MTFP (Medium-Term Financial Plan) for 2023/24 and future years.</p>
2	<p><b>Statement of Accounts</b></p> <p>It was reported in the 2021/22 AGS that, due to technical and resource issues (mainly with the External Auditor) there had been a delay in the final (audited) approval of the 2020/21 Accounts. Nationally, there was an ongoing issue with councils being unable to get their final accounts audited, which was having a knock on impact on the 2021/22 and 2022/23 Accounts.</p>	<p>The Council continued to work with its External Auditors to resolve the audit difficulties. The Audit and Governance Committee was kept informed on progress.</p> <p>At the time of preparing this (the 2022/23) AGS, the 2020/21 Accounts have yet to be signed off by the auditors, although audit work is at an advanced stage.</p>

No.	Significant issue identified in 2021/22 AGS (cont.)	Action taken in 2022/23 to address the issue
3	<p><b>Financial Management Code</b></p> <p>2020/21 saw the introduction of CIPFA's Financial Management Code 2019. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management.</p>	<p>The planned compliance assessment – programmed for 2022/23 – has slipped into 2023/24. However, substantial progress has been made over the last 3 years in developing a resilient Finance function and addressing many of the underlying principles within the Code.</p> <p>This is now programmed in for 2023/24.</p>
<p><i>Common themes emerging from the 2022/23 Service Assurance Statements were:</i></p>		
4	<p><b>Business Continuity</b></p> <p>As the Council emerges from the Pandemic, there is a need to revisit and maintain Service Business Continuity Plans, as well as ensuring that staff are both aware of business continuity arrangements, and are testing the plans.</p>	<p>A Business Continuity project is ongoing to review the Business Continuity Framework and processes. This is being overseen by the (officer) Corporate Governance Group.</p>
5	<p><b>Financial Regulations</b></p> <p>Financial Regulations were due to be reviewed in 2022/23. There was a consensus that officers would welcome guidance and training on the Council's Financial Regulations. There will be a joined-up approach between Finance, HR and Internal Audit to ensure this is both proportionate and targeted.</p>	<p>The review of Financial Regulations is now scheduled for 2023/24 to ensure that they are informed by the new Management Structure.</p>

In preparing this AGS and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement or require careful monitoring. These are set out in the table below, together with the steps to be taken to address them.

**Table 2: Areas for improvement or monitoring during 2023/24**

No.	Objective	Risk area/action plan for 2023/24
1	<p><b>Economic Issues</b></p> <p>At the time of preparing this (2022/23) AGS, economic volatility – both nationally and globally – continues, although there are some early signs of stability emerging with inflation beginning to settle down (CPI peaked at 11.1% in October 2022), with notable reductions in fuel and energy prices. Interest rates though continue to rise as the Government strives to further dampen inflation. This is having a direct impact on both the Council and Qualis, threatening the viability of a range of capital schemes.</p> <p>The economic situation is also proving challenging for the local community and is increasing the demand for Council services in some areas (e.g. Housing Benefits) as well as exerting pressure on core Council funding streams such as Council Tax and Business Rates.</p>	<p>The implications continue to be monitored by SLT and feature as key considerations in the reports presented to Cabinet and in the development of the MTFP (Medium-Term Financial Plan) for 2024/25 and future years.</p> <p>This includes the Section 151 Officer's quarterly Qualis Monitoring Report to Cabinet.</p> <p>Frontline services – especially Revenues and Benefits – continue to prioritise and resource the delivery of the various support packages offered by the Government in response to public need (e.g. through various Energy schemes and rebates).</p>
2	<p><b>Statement of Accounts</b></p> <p>The delays with the audit of the Accounts reported in the 2021/22 AGS have worsened (nationally) in 2022/23, with the Government now actively considering a range of concerns raised from within the Local Government sector. Locally, the Council has an increasingly resilient Finance function, but a shortfall in External Audit resources has prevented the final sign off of the draft 2020/21 Accounts and limited audit work has been undertaken on the draft 2021/22 Accounts. Concerns include potential accuracy of rolled forward balances in the 2022/23 Accounts.</p>	<p>The Council is continuing to work with its External Auditors to resolve the audit difficulties, and the Section 151 Officer is also accessing professional guidance and support available through professional networks, including the Essex Finance Officers Association (EFOA).</p> <p>The Audit and Governance Committee is being kept informed on progress.</p>

No.	Objective (cont.)	Risk area/action plan for 2023/24
3	<p><b>Financial Management Code</b></p> <p>The assessment has carried over from the 2021/22 AGS action plan, although further progress was made in addressing the underlying principles of the Code in 2022/23.</p>	<p>The Code assessment will now be undertaken in 2023/24 to ensure that the Council can demonstrate compliance with the Code. If there are any remaining deficiencies, an action plan will be developed to address these.</p>
4	<p><b>Income Recovery</b></p> <p>The Income Recovery functions require improvement, with the Council experiencing a range of interlinked financial pressures as a consequence of sub-optimal performance (leading to increased revenue costs through additional bad debt provisions and lower returns from funding incentives such as the Essex “Council Tax Sharing Agreement” – CTSA). The Sundry Debtors function has a substantial backlog of outstanding cases (exacerbated by the recent installation of a new IT system) and the Council experienced higher Local Tax Arrears than expected at the year end, due to a decline in Council Tax and Business Rates collection in Quarter 4 of 2022/23.</p>	<p>Additional performance measures have been introduced in 2023/24 to more closely monitor and capture the Council’s progress in tackling a backlog in outstanding Sundry Debts. Additional resources are also being engaged within the Revenues function.</p> <p>Income collection and recovery systems – including performance – for both Local Tax and Sundry Debts is being explored and benchmarked as part of the shared services partnership with Braintree District Council and Colchester City Council.</p>
5	<p><b>Financial Regulations</b></p> <p>The review has carried over from the 2021/22 AGS action plan, with the delay partly as a consequence of ongoing delays to the introduction of the new Management Structure.</p>	<p>The review will now be undertaken in 2023/24.</p> <p>The updated Financial Regulations will be systematically rolled out in a structured way to ensure that they are suitably disseminated and clearly embedded within frontline service areas.</p>
<p><i>Common themes emerging from the 2022/23 Service Assurance Statements were:</i></p>		
6	<p><b>Risk Management</b></p> <p>Further work is required to develop and embed Risk Management processes.</p>	<p>Work undertaken in 2022/23 to refresh the Corporate Plan and to better align risk management processes will continue into 2023/24 driven by the Council’s Senior Leadership Team.</p>
7	<p><b>Business Continuity</b></p> <p>A Business Continuity project has been ongoing during 2022/23 which has included providing relevant training to services so that they can develop their Business Continuity plans.</p>	<p>Business Continuity arrangements will be strengthened through the completion of all Business Continuity Plans (corporate and service level) and these will be tested during 2023/24.</p>

We propose to continue improving matters in the year ahead, in order to further enhance our governance arrangements. We are satisfied that these steps will address the need for any improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed .....

29th June 2023  
Georgina Blakemore  
Chief Executive

Signed .....

29th June 2023  
Councillor Chris Whitbread  
Leader of the Council

DRAFT



INTEGRITY	OPENNESS	VISION	OUTCOMES	CAPACITY & CAPABILITY	PERFORMANCE	ACCOUNTABILITY
Behave with integrity, demonstrating a strong commitment to ethical values and respect the rule of law.	Ensure openness and comprehensive stakeholder engagement	Define outcomes in terms of sustainable economic, social and environmental benefits	Determining the interventions necessary to optimise the achievement of intended outcomes	Develop the Council's capacity, including the capability of its leadership and the individuals within it.	Manage the Council's risk and performance through robust internal control and strong public financial management.	Implement good practice in transparency, reporting and audit to deliver effective accountability.
Examples supporting the Annual Governance Statement (AGS) 2022/23						
<p>Constitution sets out code of conduct for Members and staff.</p> <p>Regularly publicised whistleblowing policy. Zero tolerance to anti-fraud and corruption.</p> <p>Clear and transparent decision-making process. Section 151/Monitoring Officer part of report clearing process.</p> <p>Standards Committee</p>	<p>Published Freedom of Information and complaints/compliments scheme.</p> <p>Publicly available agenda and minutes of meetings.</p> <p>Monitoring and maintaining a record of partnerships. Member appointment to community organisations.</p> <p>Active consultation through the Council's Consultation policy and plan</p> <p>'Critical friend' challenge through the Council's scrutiny process.</p> <p>Revised and updated Code of Governance</p>	<p>2018-2023 Corporate Plan which is supported by service/operational plans.</p> <p>Draft Local plan that supports the Council's vision.</p> <p>Decision making process that take into account these effects on its residents, paying due regard to the public sector equality duty.</p> <p>Providing fair access to Council services offered.</p> <p>Economic Development Strategy</p>	<p>Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance.</p> <p>Decision making processes that receive objective and rigorous involvement including involvement of the Monitoring and Section 151 Officers</p> <p>Anti-Fraud and Corruption strategy.</p>	<p>People Strategy</p> <p>Established induction and training programme for existing and new Councillors. Process includes mentoring and training events.</p> <p>Induction process for staff, access to personal development appropriate to their roles. Formal Personal Development Review (PDR) for staff and access to health and wellbeing opportunities.</p>	<p>Risk management is an integral part of the council's activities and decision making.</p> <p>Internal Audit function that provides assurance on governance, risk management and controls reporting to the Audit and Governance Committee</p> <p>Active corporate fraud team</p> <p>Medium Term Financial Plan.</p>	<p>Defined process to ensure reports for the public/stakeholders are fair, balanced, easily accessible and understandable.</p> <p>Reporting regularly on performance and on the use of resources.</p> <p>Processes to ensure external/internal audit recommendations are acted upon.</p> <p>Requirement for Service Directors to produce annual assurance statements which feed into the AGS</p>
An active Corporate Governance Group which takes charge of the Annual Governance Statement						

**Appendix 1 Epping Forest Code of Governance**

# Glossary of terms



For the purposes of this Statement of Accounts, the following definitions have been adopted:

## **ACCOUNTING PERIOD**

This is the period covered by the accounts, normally a period of twelve months commencing on 1st April. The end of the accounting period is the Balance Sheet date.

## **ACCOUNTING POLICIES**

The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

## **ACCRUALS**

Amounts included in the final accounts to recognise income earned and expenditure incurred for both revenue and capital in the financial year, but for which actual payment had not been received or made as at 31st March.

## **AMORTISATION**

A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

## **ANNUAL GOVERNANCE STATEMENT**

The annual governance statement is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

## **ASSET**

An asset is an item having a value to the Council in monetary terms. Assets are categorised as either non-current or current:

- A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible (e.g. a leisure centre), or intangible (e.g. computer software licences); and
- A current asset will be consumed or cease to have material value within the financial year (e.g. cash and stock).

## **AUDIT OF ACCOUNTS**

An independent examination of the Council's financial affairs.

## **BALANCES (OR RESERVES)**

These are usable or unusable reserves. Usable reserves represent accumulated funds from prior years that are available to the Council and can be spent. Some reserves may be earmarked for specific purposes and are for funding future defined initiatives or meeting identified risks or liabilities. Unusable reserves have been established for technical purposes and are not available to spend nor can be used to fund service provision.

## **BALANCE SHEET**

This statement sets out the Council's financial position at the year-end. It shows the balances and reserves at the Council's disposal and its long-term indebtedness and the non-current and net current assets employed in its operations together with summarised information on the non-current assets held.

## **CAPITAL EXPENDITURE**

This is the expenditure on the acquisition, construction, enhancement or replacement of a non-current asset such as land, buildings, and computer. It is expenditure that enhances and improves the use of the assets. It isn't expenditure that merely maintains the value of an existing asset.

## **CAPITAL ADJUSTMENT ACCOUNT**

This account records the accumulated amount of set aside capital receipts and minimum revenue provision (the contribution from revenue to cover repayment of the borrowing that has been undertaken to fund capital expenditure) together with capital expenditure financed by way of capital receipts, grants and revenue contributions. Set against these amounts are adjustments to the revenue account for depreciation and capital expenditure written off to revenue during the year. This, therefore, ensures that only actual expenses are charged to revenue in year and are paid for by council taxpayers.

## **CAPITAL FINANCING**

Funds used to pay for capital expenditure. There are various sources of funding available to finance capital expenditure including borrowing, leasing, revenue contributions, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

## **CAPITAL FINANCING REQUIREMENT**

This measures the change in the underlying need for the council to borrow to finance capital expenditure. Where all capital expenditure is financed when it is incurred by resources generated by the council, e.g. revenue contributions, grants and capital receipts, the Capital Financing Requirement (CFR) will not increase. However, if borrowing is required to finance capital expenditure then the CFR will increase. The annual minimum revenue provision will be applied to reduce the CFR each year and capital receipts can also be used to reduce the CFR.

## **CAPITAL RECEIPT**

A capital receipt is the proceeds from the disposal of land or other non-current asset. The government regulates the proportion of capital receipts that can be used to finance new capital expenditure. Capital receipts cannot ordinarily be used to finance revenue expenditure.

## **CASH FLOW STATEMENT**

This statement summarises the cash flows of the Council for capital and revenue spending as well as the cash flows used to finance these activities.

## **CIPFA**

This is the Chartered Institute of Public Finance and Accountancy. This organisation produces the Code of Practice that practitioners follow so that all local authorities prepare their accounts in a consistent and comparable way.

## **COLLECTION FUND**

This account reflects the statutory requirement for billing authorities to maintain a separate collection fund which shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates the way in which these have been distributed to other authorities (preceptors) and the General Fund.

## **COMMUNITY ASSETS**

Assets that the local authority intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

## **COMPREHENSIVE EXPENDITURE AND INCOME STATEMENT (CIES)**

This is the statement that shows the accounting cost (surplus/deficit) in the year of providing services in accordance with generally accepted accounting practices. It is not the amount funded from taxation. The Council raises taxation to cover the cost of expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

## **CONSISTENCY**

The accounting treatment of like items within an accounting period and from one period to the next is the same.

## **CONTINGENT GAINS**

A contingent gain (or asset) is a possible economic gain arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control.

## **CONTINGENT LIABILITIES**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the authority's control; or
- A current obligation arising from past events where it is not probable (but not impossible) that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

It is considered that a contingent liability below £100,000 need not be disclosed, as any such amounts would not be significant.

## **CORPORATE AND DEMOCRATIC CORE**

This includes all the activities which local authorities engage in specifically because they are elected, multi-purpose organisations. The costs of these activities are those that are over and above those that would be incurred by a series of independent, single purpose nominated bodies managing the same services. It includes costs relating to the corporate management and democratic representation.

## **COUNCIL TAX**

A local tax on dwellings within the district, set by the billing authority (Epping Forest District Council) and the precepting authorities (the county council, fire and rescue services, the police and town and parish councils). It is calculated by taking the revenue expenditure requirements for each authority divided by the council tax base for the year.

## **CREDITORS**

Amounts owed by the Council for goods and services that it has received before 31st March, but that have not been paid for at that date.

## **DEBTORS**

Amounts owed to the Council for goods and services that it has provided before 31st March, but where the associated income was not received at that date.

## **DEPRECIATION**

This is the measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset whether arising from use, passage of time or obsolescence through technological or other changes. The useful life is the period over which the Council will derive benefit from the use of a fixed asset.

## **FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the assets.

## **FINANCE LEASE**

This is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if, at the inception of the lease, the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

## **GENERAL FUND**

This is the account where all the costs of providing the Council services (with the exception of the landlord services, the costs of which sit in the HRA and Local Council precepts) are charged to, which are then paid for from Council Tax and government grants.

## **GOING CONCERN**

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

## **GOVERNMENT GRANTS**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

## **HOUSING REVENUE ACCOUNT**

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for local authority housing provision, as defined in particular in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure such as maintenance, administration, rent rebates and capital financing costs, and how these are met by rents subsidy and other income.

## **IMPAIRMENT**

This is a reduction in the carrying value of a non-current asset to below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment).

## **INTANGIBLE ASSETS**

This is expenditure which may properly be defined as being capital expenditure, but which does not result in a physical asset being created. For expenditure to be recognised as an intangible asset it must yield future economic benefits to the council. One of the most common examples would be software licences.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB).

## **INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)**

International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

## **INVESTMENTS**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments that do not meet the above criteria should be classified as current assets.

## **INVESTMENT PROPERTIES**

An interest in land and/or buildings:

- In respect of which construction work and development have been completed; and
- Which are held for their investment potential, any rental income being negotiated at arm's length.

## **LIABILITY**

A liability exists where the Council owes payment to an individual or another organisation

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over time.

## **LONG TERM DEBTORS**

These debtors represent the capital income still to be received, e.g. from the sale of an asset or the granting of a mortgage or a loan.

## **MINIMUM REVENUE PROVISION (MRP)**

This is the minimum amount that the Council must charge to the CIES each year to provide for the repayment of General Fund debt.

## **MOVEMENT IN RESERVES STATEMENT**

This financial statement presents the movement in usable and unusable reserves (the Council's total reserve balances).

## **NON-DOMESTIC RATES (NDR) (also known as Business Rates)**

Non-domestic rates, or business rates, collected by the Council are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1st April 2013, local authorities keep a proportion of the business rates paid locally (currently 50%). This money, together with revenue from council taxpayers, fees and charges and certain other sums, is used to pay for the services provided by the Council.

## **NET BOOK VALUE**

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

## **NET CURRENT REPLACEMENT COST**

This is the cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

## **NET REALISABLE VALUE**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

## **NON-OPERATIONAL ASSETS**

Non-current assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties, assets that are surplus to requirements pending sale or redevelopment and assets under development or construction.

## **OPERATING LEASES**

Leases other than a finance lease.

## **OPERATIONAL ASSETS**

Non-current assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility. Operational assets comprise Council dwellings, other land and buildings, vehicles, plant and equipment, infrastructure and community assets.

## **POST BALANCE SHEET EVENTS**

These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the responsible financial officer signs the Statement of Accounts.

## **PRECEPT**

The levy (demand for money) made by precepting authorities (the authorities with the power to instruct another local authority (the billing authority) to collect an amount from council tax on their behalf). Precepts are demanded by the county council, fire and rescue services, the police and parish and town councils.

## **PRIOR YEAR ADJUSTMENTS**

These are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

## **PROPERTY, PLANT AND EQUIPMENT**

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

## **PROVISIONS**

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. Provisions are required to be recognised when:

- The local authority has a present obligation (legal or constructive) as a result of a past event;
- It is probable that a transfer of economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision should be recognised.

A constructive obligation is an obligation that derives from an authority's actions where;

- By an established pattern of past practice, published policies or sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities; and
- As a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

## **PRUDENCE**

This is the concept that revenue is not anticipated until received in the form either of cash or of other assets, or a reliable estimate of the cash realisation can be assessed with reasonable certainty.

## **PRUDENTIAL CODE**

Since 1st April 2004, local authorities have been subject to a self-regulatory “prudential system” of capital controls. This gives authorities the freedom to determine how much of their capital investment they can afford to fund by borrowing. The objectives of the code are to ensure that the local authority’s capital investment plans are affordable, prudent and sustainable, with Councils being required to set specific prudential indicators.

## **PUBLIC WORKS LOAN BOARD (PWLB)**

A Central Government Agency, which provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the Government can borrow itself. Virtually all borrowing undertaken by local authorities comes from the PWLB.

## **RELATED PARTIES**

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- The parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, precepting bodies or bodies levying demands on the Council Tax, members and chief officers of the Council and its pension fund.

## **RELATED PARTY TRANSACTION**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- The purchase, sale, lease, rental or hire of assets between related parties;
- The provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- The provision of services to a related party, including the provision of pension fund administration services; and
- Transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the authority but also in relation to its related party.

## **REMUNERATION**

This is all sums paid to or receivable by an employee and any sums due by way of expenses and allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

## **REVALUATION RESERVE**

This account was created on 31st March 2007. The purpose of which is to hold all revaluations occurring to fixed assets subsequent to that date.

## **REVENUE EXPENDITURE**

These are the day to day payments on the running of Council services including salaries, wages, contract payments, supplies and capital financing costs.



## **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

This is expenditure of a capital nature that does not result in a fixed asset being created. An example of such an item would be expenditure on a former HRA property held on a long lease by a third party. The expenditure is written off in the year that it is incurred.

## **STOCKS**

These are items of raw materials and stores a Council has procured and holds in expectation of future use. Stock comprises the following categories:

- Goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long-term contract balances; and
- finished goods.

## **THE CODE**

The Code of Practice on Local Authority Accounting in the United Kingdom known as 'The Code' incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003. There are also accompanying guidance notes for practitioners.

## **UNAPPORTIONABLE CENTRAL OVERHEADS**

These are overheads for which no user now benefits and should not be apportioned to services.

# Glossary of pension related terms



## **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- Actual events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses); or
- The actuarial assumptions have changed.

## **CURRENT SERVICE COST**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

## **CURTAILMENT**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
- Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

## **DEFINED BENEFIT SCHEME**

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

## **DEFINED CONTRIBUTION SCHEME**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

## **DISCRETIONARY BENEFITS**

Retirement benefits that the employer has no legal, contractual or constructive obligations to award and which are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) regulations 1996.

## **EXPECTED RATE OF RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

## **IAS19**

International Accounting Standard 19 (IAS19) ensures that organisations account for employee retirement benefits when they are committed to pay them, even if the actual payment may be years into the future.

## **INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

## **INVESTMENTS (PENSIONS FUND)**

The investments of the Pensions Fund will be accounted for in the statements of the fund. However, authorities (other than town and community councils) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

## **NON-DISTRIBUTED COSTS**

Non-distributed costs are defined as comprising:

- Retirement benefit costs including past service costs, settlements and curtailments. To note, current service pension costs are included in the total costs of services;
- The costs associated with unused shares of IT facilities; and
- The costs of shares of other long-term unused but unrealisable assets.

## **PAST SERVICE COST**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

## **PENSION SCHEME LIABILITY**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

## **PROJECTED UNIT METHOD - PENSION FUND VALUATION**

This is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases; and
- The accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

## **RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- An employer's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

## **SCHEME LIABILITIES**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**SETTLEMENT**

An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
- The purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme

**VESTED RIGHTS**

In relation to a defined benefit scheme, these are:

- For active members, benefits to which they would unconditionally be entitled on leaving the scheme
- For deferred pensioners, their preserved benefits; and
- For pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependents.