

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. 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"> 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	<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>Economic Issues</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>Statement of Accounts</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>Financial Management Code</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><i>Common themes emerging from the 2021/22 Service Assurance Statements were:</i></p>		
4	<p>Business Continuity</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>Financial Regulations</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>Economic Issues</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>Statement of Accounts</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>Financial Management Code</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>Income Recovery</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>Financial Regulations</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	Risk Management 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	Business Continuity 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. 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>2023-27 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. 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. 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						