

# EPPING FOREST DISTRICT COUNCIL

## Annual Governance Statement 2019/20

### 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 updated January 2020), 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.
- (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 2020 and up to the date of approval of this Statement and the Statement of Accounts.

<b>The Governance Framework</b>	
	The key elements of the Council's governance arrangements for 2019/20 were:
1	The corporate plan covering 2018-2023, setting out the Council's priorities and defining the goals to be achieved
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, updated and approved by the Audit and Governance Committee January 2020.
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
7	A Leadership Team consisting of the Chief Executive, two Strategic Directors and a Chief Operating Officer. The Chief Executive as Head of Paid Service is supported by the Council's Monitoring Officer and Section 151 Officer
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 overseen by a Risk Management Group meeting quarterly
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 Strategy which informs service planning and budget setting, and a Finance and Performance Management Cabinet Committee that meets regularly
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 (which is reviewed biennially and last updated January 2019) along with anti-fraud and corruption strategy (which was reviewed and approved by Council in December 2019) 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;

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 reported in their annual audit and inspection letter and other review reports;

Significant governance issues from previous years and from 2019/20

### 4. Impact of coronavirus on the Council's governance arrangements for 2019/20

On 23 March 2020 the Prime Minister announced a national lockdown due to the coronavirus pandemic. The Council invoked its emergency powers under Article 7 (appendix 3) of the Council's Constitution. This has allowed the Chief Executive, in consultation with the Leader of the Council, to carry out the functions of the Council and Cabinet. This process was in place only until the Local Authorities in England were granted new powers to hold public meetings virtually by using video or telephone conferencing technology. Since April virtual meetings have been taking place for Epping Forest, which are open to the public.

Key Council services, including all statutory ones, continued during lockdown although some processes were amended to allow for remote working, for example allowing approval by email

instead of a wet signature and this process was discussed with Internal Audit prior to implementation.

## 5. Overall opinion of Epping Forest’s governance arrangements

The majority of 2019/20 was unaffected by coronavirus and this AGS demonstrates that the Council’s governance arrangements have remained fit for purpose, even when flexed, for example by invoking the Council’s emergency powers. There has been no significant detriment on the Council’s ability to deliver its services. The longer term impact of coronavirus and recovery from its effects on the governance framework for 2020/21 is included in table two.

## 6. 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 one below.

**Table One: Progress on significant governance issues identified in the 2019/20 AGS**

No.	Significant issue identified in 2019/20 AGS	Action taken in 2019/20 to address the issue
1	Business continuity planning (BCP): An internal audit of BCP found that although there is a corporate Business Continuity plan it is not fit for purpose and contingency arrangements in place inadequate.	<p>An urgent project was initiated to address the concerns raised by Internal Audit which involved a dedicated Officer group working in conjunction with an external specialist. Progress against the project was closely monitored by the Corporate Governance Group, which is chaired by the Chief Executive.</p> <p>Prior to Covid-19 lockdown, most business continuity plans were in place (corporate and service level) and were used in the Leadership Team exercise that took place in February 2020. Lessons learnt from the exercise and from Covid-19 will help inform the plans and future exercises at a service level.</p>
2	Brexit: If there is a 'no deal' Brexit then this may impair the Council's strategic aims and objectives	<p>The economic climate has been reviewed as part of the 2020/21 budget and includes the general and more significant impact of international protectionism and economic uncertainties as well as the impact for a shorter period of time of Brexit uncertainties.</p> <p>Prior to Covid-19 the local growth and inflation levels were expected to remain low although inflation pressures were predicted to peak at around 3% next year.</p> <p>Economic conditions are reviewed across the Council and are discussed at Leadership Team and Cabinet level each month.</p>
3	Statutory posts: It is important the Council ensures that the role, responsibilities and standing of the Council’s Section 151 Officer and Monitoring Officer complies with legislation (in particular the Local Government and Housing Act 1989) and	<p>Since September 2019 there has been a period of stability regarding the Section 151 and Monitoring Officer posts.</p>

	good practice as the Council's restructure is completed	
4	Close down of Accounts: Delays were encountered in the closure of the Council's 2018/19 accounts due to a variety of internal and external factors and resulted in an increase in External Audit fees.	<p>The Council has been jointly working on improvements with its External Auditors, which includes a review of processes, working papers and electronic files.</p> <p>The aim is to improve efficiency and achieve a more effective closedown for 2019/20.</p> <p>The Audit and Governance Committee has received an action plan to improve account closure and updates of progress against this.</p>
Common theme from the Service Assurance Statements was:		
4	Restructure: As a result of the restructure many Officers have/or will be taking on new roles and responsibilities. The Council's scheme of delegation needs to remain robust and fit for purpose. In addition, support and guidance needs to be offered to these Officers	<p>Delegated authorities have been reviewed by the Service Director (Business Services) in conjunction with the Head of Legal and Internal Audit.</p> <p>Once finalised a staff awareness campaign will be undertaken to ensure Officers are aware of their responsibilities regarding corporate policies and training offered as appropriate.</p>

In preparing this statement 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 Two: Areas for improvement or monitoring during 2020/21**

No.	Objective	Risk area/action plan for 2020/21
1	Risk Management and lessons learnt	It is important that the Council continues to monitor (and where required) mitigate risks to the Council's objectives, not only those relating to coronavirus. This will be undertaken in conjunction with a lessons learnt review of the Council's response to Covid-19. And will include the annual review of the Council's local code of governance
2	Financial resilience	<p>The Council's financial monitoring and reporting process is being reviewed and will be enhanced as an early priority for 2020/21; this is vital in the light of the financial pressure created by the Covid-19 pandemic.</p> <p>In addition, the financial planning process, and the Council's Medium-Term Financial Strategy in particular, is to be reviewed in detail as the Council seeks to restore financial stability and maintain sustainability in the longer term.</p>
3	Ensuring the health and safety of staff, partners and the public in the way it delivers its services	The Council will keep under constant review Health and Safety measures both within the Council and across the district to ensure government legislation and guidance is being followed regarding Covid-19, especially where the Council is delivering its services to the public

No.	Objective	Risk area/action plan for 2020/21
4	Qualis: It is important there are robust governance arrangements for the Qualis group of subsidiary companies being a significant new venture for the Council in delivering key services	<p>During 2019/20 formal transition governance and reporting lines were put in place which included an EFDC Group Steering Board.</p> <p>Legal advice will continue to be sought to ensure governance arrangements comply with legislation and the Qualis Group Board, which will be made up of a combination of Council officers, Council members and independent non-executives will ensure these arrangements are working in the best interest of the Council. The Section 151 Officer will act on behalf of EFDC as the main conduit with Qualis Group and other Qualis companies</p> <p>An audit of Qualis governance arrangements forms part of the 2020/21 Internal Audit Plan</p>
Common themes from the Service Assurance Statements were:		
5	Project management processes: Need for consistent approach	<p>Council wide training on project management took place in 2018/19 in conjunction with the implementation of Pentana (a performance and risk management tool)</p> <p>The capabilities and functionality of Pentana is to be assessed ahead of a review of project management processes. The Council's focus on recovery from Covid-19 may hamper the review.</p>
6	Documented procedures and guidance notes to support critical functions	Following implementation of the People Strategy and any subsequent changes to service delivery, there is a need to review and, where necessary, redraft procedures and guidance notes to ensure they reflect current processes. This issue was identified in several internal audits and many teams are in the process of completing this.
7	Mandatory training Mandatory training requirements are not fully, or clearly identified, and formal evidence of staff training undertaken is incomplete.	A fundamental review of mandatory training requirements in 2020/21 starting with Health and Safety. The review will also assess the functionality of the HR system (iTrent) to capture this information.

We propose over the coming year to continue to improve matters 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 .....

Georgina Blakemore  
Chief Executive

Signed .....

Councillor Chris Whitbread  
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) 2019/20						
<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/complaints 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>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.</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>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 Strategy.</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						