



DRAFT ANNUAL GOVERNANCE STATEMENT – 2018/2019

1.0 Introduction

- 1.1 This is the Council's Annual Governance Statement for 2018/19. It provides an opinion on the Council's governance arrangements, a review of the effectiveness of the governance statement, an update on the actions agreed in last year's statement and issues identified in 2018/19.
- 1.2 The Council adopted a code of corporate governance which reflects the principles and is consistent with the CIPFA/SOLACE Framework, "Delivering Good Governance in Local Government" 2016. This framework requires that local authorities are responsible for ensuring that;
- Their business is conducted in accordance with all relevant laws and regulations.
 - Public money is safeguarded and properly accounted for.
 - Resources are used economically, efficiently and effectively to achieve priorities which benefit the local authority.
- 1.3 All Councils are required to produce an Annual Governance Statement (AGS) and review their governance arrangements at least once a year.

2 Corporate Governance

- 2.1 Corporate governance is the process by which the Council directs, controls and is held to account. The Council's governance framework aims to ensure that in conducting its business it:
- Operates in a lawful, open, inclusive and transparent manner;
 - Makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
 - Has effective arrangements for the management of risk and;
 - Secures continuous improvements in its governance
- 2.2 The Council approved its Code of Corporate Governance in April 2017 which is based on the seven new principles within the Chartered Institute of Public Finance (CIPFA)/ Society for Local Authority Chief Executives (SOLACE) Framework 2016. The Code summarises the Council's internal arrangements; each section looks at how the Council accounts for the principles. The Council acknowledges that it is responsible for ensuring that there is a sound system of

governance and internal control compliant with its adopted principles within the local code. A high level summary is included in this document.

3 Compliance with the Principles

3.1 PRINCIPLE A- Behaving with Integrity, demonstrating strong ethical values and respecting the law

This is achieved by:

- 3.2 The Council's Constitution lays out compliance with legislation and includes;
- Codes of conduct which define our standards and behaviour and deals with Conflicts of interest
 - Whistleblowing procedures
 - Financial Regulations and Contract Standing Orders
 - Anti-Fraud and Corruption Strategy and the Anti-Bribery Policy
 - Rules relating to Members external interests
 - Rules relating to Gifts and Hospitality
 - Codes of Conduct for Members and Officers
 - Scheme of Delegation to officers
 - Information Security Policy
 - Information Governance Policy
 - Money Laundering Policy

- 3.3 The Monitoring Officer has specific responsibility for ensuring legality and investigating issues to ensure compliance with laws and regulations.

3.4 PRINCIPLE B - Ensuring openness and comprehensive stakeholder engagement.

This is achieved by:

- 3.5 Documenting a commitment to openness and acting in the public interest.
- 3.6 Establishing clear channels of communication with different sectors of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- 3.7 Ensuring an effective scrutiny function is in place.

3.8 PRINCIPLE C - Defining outcomes in terms of sustainable economic, social and environmental benefits.

This is achieved by:

- 3.9 Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning

3.11 PRINCIPLE D - Determining the interventions necessary to optimise the achievement of the intended outcomes.

This is achieved by:

- 3.12 Translating the vision into courses of action for the Council, its partnerships and collaborations
- 3.13 Reviewing the effectiveness of the decision making framework, including delegation arrangements, decision making in partnerships, information provided to decision makers and robust data quality.
- 3.14 Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they meet the agreed use of resources and value for money.

3.15 PRINCIPLE E- Developing the Council's capacity, including the capability of its leadership and the individuals within it.

This achieved by

- 3.16 Defining and documenting the roles and responsibilities of members and management with clear protocols for effective communication in respect of the Council and partnership arrangements.
- 3.17 Ensuring effective arrangements are in place for the discharge of the Head of Paid Service.
- 3.18 Providing induction and identifying the development needs of members and senior management.

3.19 PRINCIPLE F - Managing risks and performance through robust internal control and strong public financial management.

This is achieved by:

- 3.20 Reviewing the effectiveness of the framework for identifying and managing risks and for performance and then demonstrating clear accountability.
- 3.21 Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on managing the risk of fraud and corruption (CIPFA 2015).
- 3.22 Independent review of the internal controls by Internal Audit when carrying out assessments of key activity areas.

3.23 PRINCIPLE G - Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

This achieved by:

- 3.24 Ensuring that assurance arrangements conform to the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit (2010) and where they do not, explain why and how they deliver the same impact.
- 3.25 Undertaking the core functions of an audit committee, as defined in audit Committee, Practical Guidance for Local Authorities and Police (CIPFA 2013)
- 3.26 Ensuring that the Council provides timely support and information and responses to external auditors and properly considers audit findings and recommendations.

4. How do we know that our arrangements are working?

- 4.1 The Code of Corporate Governance requires assurance upon:
- Delivery of the Council's Corporate Plan and the Key Priorities
 - Services delivered economically, efficiently and effectively
 - Management of risk
 - Financial planning and performances
 - Effectiveness of internal controls
 - Community engagement and public accountability
 - Project management and project delivery
 - Governance of shared services and alternative services delivery modules
 - Procurement processes
 - Roles and responsibilities of members and officers
 - Standards of conduct and behaviour
 - Training and development of members and officers
 - Compliance with laws and regulations, internal policies and procedures
 - Records keeping

4.2 Sources of Assurance

- Constitution and scheme of delegation
- Council Meetings and Full Council
- Corporate Plan and Service delivery plans
- Performance Management Framework
- Risk Management Framework
- Project Management methodology
- Medium Term Financial Strategy and budget monitoring
- Customer Service Strategy and Complaints Policy
- HR Policies and procedures
- Whistleblowing policies
- Organizational Development Strategy
- Training for Members and Officers
- External Audit and Internal Audit
- Role of Head of Paid Service, Chief Finance Officer and Chief Legal Officer

4.13 Assurances Received and Review of Effectiveness

- All Heads of Service are required to complete a Divisional Assurance Statement.
- The Statutory Officers were consulted on the review process and their roles and responsibilities and consulted on the outcome.
- The Chief Executive and the Chair of Strategy and Resources sign the AGS
- Any frauds reported and complaints to the Ombudsman are reviewed.
- The Head of Internal Audit's Opinion for 2018/19 is taken into account, and comments made by external audit and other external reviews.
- Performance and performance indicators are reviewed.
- We have made progress in implementing the action plan from 2017/18.
- The Leadership Team is fully structured and assists with good governance in delivering key services and making corporate decisions and monitors performance.
- Key management roles are defined and are within the Leadership Team,
- The Council's finances are driven through the Medium Term Financial Strategy. The Council sets an annual budget which is regularly monitored and reviewed and the Council's financial systems and processes are regularly audited.
- A new Member Officer Protocol was introduced in 18/19 with training to all staff and Members

4.14 **Opportunities to improve**

This AGS builds upon previous AGS's. All the key governance mechanisms remain in place. This document includes any changes to the key governance systems and an update of the significant governance arrangements in 2017/18

5 **The Council and how it functions**

- 5.1 The Council is a committee authority where policies and decisions are determined and scrutinized.
- 5.2 The Council has the following committees in place; Audit, Crime & Disorder and Scrutiny, Community & Wellbeing, Environment and Safe Communities. Strategy & Resources, Planning. And Standards.
- 5.3 The Council's Regulatory and Advisory Committees/Panels include; Licensing Hearing Panel, the Appointments Panel, Financial Policy Panel, Health Liaison Panel and the Human Resources Panel.
- 5.4 In addition the joint committees and outside bodies include; Epsom and Walton Downs Conservators, Epsom & Walton Downs Consultative Committee and the Nonsuch Park Joint Management Committee.
- 5.5 The Constitution sets out the roles and responsibilities and there is a terms of reference for each committee/body

- 5.6 Meetings are open and all agenda papers, reports and decisions can be found on the Council's website and partnership risks are identified in committee reports. Details of all consultations and surveys are also available. The Council's budget and financial statements are available through the web site. The web site also highlights all completed and approaching public consultation.
- 5.7 The management structure is available on the Council's website. The Chief Executive is the Head of Paid Service. In 2018 the Council added the role of Chief Operating Officer. These posts meet regularly and also are part of the Leadership Team.

6 Significant operational events in 2018/19

- 6.1 The Leadership Team were restructured in 2018/19, reducing from 11 officers to 9. This resulted in a number of functions changing their reporting structure. This has been in place since November and continues to be embedded. A number of functions were amalgamated; the most significant being ICT, Revenues & Benefits and Customer Services are now all within the newly formed service for Digital Service & Transformation. The Venues Team are now within Property & Regeneration and have been subject to a separate restructure.
- 6.2 The Council's ICT arrangements have been strengthened during 2018/19 with additional resources. In addition the new equipment from the previously shared Datacentre was returned which enhances overall resilience and stability with our infrastructure and will support an in house Datacentre
- 6.3 The Council's planning service has been streamlined to improve the service and support the delivery of the Local Plan although remains at risk of possible designation for the quality of decision making.
- 6.4 The Council introduced an updated financial module in 2018/19 which resulted in issues with recording value added tax and bank reconciliations. An interim solution was put in place for the 2018/19 accounts and officers are working with the supplier Civica to find a permanent solution.

7 Managing Risks

- 7.1 All Members and officers are responsible for ensuring that the risk implications are considered and included when making decisions and planning services. To deliver services and key priorities the Council must manage its risks and opportunities.
- 7.2 Significant risks are recorded in the Leadership Risk Register which is managed and monitored. The Leadership Team reviews this every 6 months. The risk register is used to formulate the internal audit plan. The service risks are identified from the Divisional Assurance Statements completed by the Heads of Services. The Risk Management Framework is reviewed annually.

- 7.3 The Council's IT systems are regularly audited and the Council has an IT Security & Acceptable Use Policy and IT Information Assurance Policy. Staff have received training on information governance and a number of workshops were held on maintaining information asset registers to improve how data is managed.

8 Managing Fraud

- 8.1 The Council's Whistleblowing Policy is part of the Constitution which is available on the Council's website. The Council also has an Anti-Fraud and Anti-Corruption Strategy which determines the culture of honesty and opposing fraud and corruption

9 Managing Resources

- 9.1 The Council continues to manage the effect of austerity measures through its Medium Term Financial Strategy and has introduced some new initiatives.
- 9.2 The Council is required to set a balanced budget on an annual basis. The budget sets out how much money will be spent on services, invested in projects and the level of Council tax for individual residents. The level of Council Tax also includes tax required by Surrey County Council and Surrey Police Commissioners Office although it has no control over the amount set by these bodies.

10 Responsibility of the Chief Financial Officer

- 10.1 The Chief Finance Officer is responsible for delivering and overseeing the financial management arrangements for the Council. He is part of the Council's Leadership Team and reports direct to the Chief Executive. These arrangements, both in design and in day to day practice, enable the financial aspects of material business decisions to be given due weight.
- 10.2 The Council maintains an effective system of financial control which is clearly set out within the Council's financial regulations and procedure rules. Control and oversight is facilitated by an effective internal audit function and underpinned by a strong culture of careful management of public money demonstrated by all managers. The effectiveness of the control environment can be evidenced through the Council's recent history of financial outturns and the timeliness and quality of the financial statements and other financial returns.
- 10.3 The Chief Finance Officer is the Council's S.151 Officer and in accordance with the statutory requirement has the relevant accountancy qualification and significant local government experience. In the opinion of the Chief Finance Officer, the Council's finance function is adequately resourced and contains a mix of staff with the appropriate levels of professional qualifications and experience.
- 10.4 The Chief Finance Officer is involved in the preparation of the Annual Governance Statement.

11 Managing Performance

- 11.1 The Council's performance management arrangements use a RAG system (red/amber green). Targets are set annually based on the Council's Corporate Plan. The relevant Heads of Service and Committee Chairmen are consulted on proposed targets. The Audit, Crime & Disorder and Scrutiny Committee receives and reviews all key priority targets, although accountability rests with the relevant Head of Service. For 2018/19; 77% of key priority targets were achieved and 78% of the targets contained within the Service Delivery Plans were either achieved or partly achieved (green and amber status)..

12 Stakeholder Engagement

- 12.1 The Council has changed its complaints process to a two stage procedure for recording complaints. This is clearly laid out in our procedure backed by the customer charter. In 2018/19, 484 complaints were received, of these 70% were resolved within 15 days. 38 complaints escalated to Stage 2 and of these 59% were resolved within 15 days. The number of complaints to the Ombudsman forms part of this procedure and an annual report is received. For 2018 the Ombudsman reported that a total of 15 complaints were referred to the Ombudsman with one complaint upheld.
- 12.2 Data is published on the website to meet the requirements of the Local Government Transparency Code.
- 12.3 During 2018/19 the Council has engaged with residents, visitors and local businesses on Future 40 to develop a long term vision for the Borough through a series of events, consultations and forums.

13 Internal Audit and External Audit Assurance

- 13.1 Internal audit is a key element of the governance arrangements and provides an independent, risk based approach.
- 13.2 Internal Audit is delivered through a Consortium with other Surrey organizations and was provided in 18/19 by an external provider RSM. RSM operate to the Public Sector Internal Audit Standards which is assessed every 5 years; they report direct to the Audit, Crime & Disorder and Scrutiny Committee. This is the final year of the contract with RSM and arrangements have been agreed going forward. However during 2018/19 the contract was re-procured and there has been an on boarding/ handover to the new providers for 2019/20 - the Southern Internal Audit Partnership.
- 13.3 Due to the changes in the contract the Head of Internal Audit's provided a draft year end opinion for 2018/19 and concluded that the Council has an adequate and effective framework for risk management, governance and internal control. However their work identified some further enhancements to the framework of

risk management, governance and internal control to ensure that it remains adequate and effective.

- 13.4 The Audit, Crime & Disorder and Scrutiny Committee carries out the role of an Audit Committee as identified in CIPFA's "Audit Committees – Practical Guidance for local authorities". The Committee produces an Annual Report to Council which covers the work of internal audit. This Committee meets throughout the year and monitors specific areas of governance including performance management, risk management and internal audit; it receives the Head of Internal Audit's Year end opinion. As a Scrutiny Committee, it also conducts a number of specific reviews.
- 13.5 In 2018/19, the Committee met 4 times and reviewed progress against the audit plan, progress in implementing recommendations, and risk management arrangements. The Committee annually reviews how effective it has been in overseeing the arrangements in their annual report to Council.
- 13.6 External Audit is provided by Grant Thornton, who were appointed through Public Sector Audit Appointments Ltd (PSAA). The statutory accounts have been audited and Grant Thornton have issued an unqualified opinion and value for money.

14 Issues from 2017/18

- 14.1 The implementation of the actions identified in 2017/18 have been monitored and reported in detail to the Audit, Crime & Disorder and Scrutiny Committee as part of the arrangements for approving the AGS.

Issues identified for 2017/18	Action taken
A number of codes, policies and strategies are out of date and in need of updating	<p>A number of policies have been updated during 2018/19 although there is further work to ensure they are all updated.</p> <p>The Constitution is being updated on a rolling in February 2019.</p> <p>A corporate template for policies has been agreed to provide a standardised approach with improved version control.</p> <p>The HR policies have been revised and updated and are being coordinated by external consultants. .</p>
The Council has introduced alternative service methods and needs to ensure the governance arrangements are clear.	The Sub-Committee for the governance of the Council's wholly owned company EEPIC has been established and will receive updates and the business plan

	moving forward.
The Council has received confirmation that it is at risk of designation for the quality of decision making although an improvement plan is in place resulting from the Planning Peer Review.	The Council is monitoring the decision making of the Planning Committee very closely and performance has improved. However the risk of designation remains a concern as it is based on a 24 month rolling programme and will continue to be closely monitored.

15 CONCLUSION AND SIGNIFICANT GOVERNANCE ISSUES 2018/19

- 15.1 The Council is satisfied that the appropriate governance arrangements are in place however it remains committed to maintaining and where required improving those areas. The key issues to be addressed in 2019/20 are listed below and these will be reviewed and monitored with a detailed action plan.

Issues identified for 2018/9	Planned Action
As a result of the restructure, staff changes and legacy IT issues there is a need to review and align business continuity plans and the arrangements for disaster recover	A review of Service Business Continuity Plans will be undertaken in 19/20 which will link into a review of Corporate Business Continuity Plans. There is also a clear road for IT service improvements that includes disaster recovery.
Although elements of the Constitution have been revised and a number policies and procedures have been updated, several remain out of date including fraud polices and HR policies	Continue to revise the Constitution on a rolling programme and update all policies and ensure they are fit for purpose and communicated to relevant officers and Members
Implement the Members Induction programme for 2019/20 as a result of the May 2019 elections	A detailed induction programme for new and existing members has been developed and will be implemented during 2019/20 with Members Briefings and specific sessions on key areas to improve governance.
The Council remains under financial pressure, implementing its Income Generation Plan and carrying external debt following acquisition of investment property	Monitor the potential loss of further funding and the associated implications. Agree and implement the new Medium Term Financial Strategy for 2020/21 to 2023/24 including the identification of additional sources of funding and income.
Some areas are unclear on the decision making process to ensure the correct authorities are obtained either through committee reports or delegated authority	Further training will be provided to ensure that the correct authority is obtained when making decisions

Signed:

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Chair of Strategy and Resources & Chief Executive on behalf of Epsom and Ewell
Borough Council