



DRAFT ANNUAL GOVERNANCE STATEMENT – 2016/2017

INTRODUCTION

This is the Council's Annual Governance Statement for 2016/17. 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 2016/17.

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.

All Councils are required to review their governance arrangements at least once a year.

REVIEW OUR EFFECTIVENESS

We have reviewed our overall effectiveness and the key points to note are:

- We have made progress in implementing the action plan from 2015/16 and identified significant issues for 2016/17.
- 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 Chief Executive is Head of Paid Service, the Head of Legal & Democratic Services is the Monitoring Officer and the Chief Finance Officer is the Director of Finance & Resources. These form the Statutory

Officers Group with the Head of Corporate Governance who deal with compliance issues throughout the year.

- 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.
- The Corporate Governance Group reviews the Council's governance framework and key improvement action plans.
- The Leadership Team keeps the Council's risks under review through the Leadership Risk Register.
- We have made progress in implementing the action plan from 2015/16 and identified significant issues for 2016/17.

HOW WE COMPLY WITH THE CIPFA/SOLACE FRAMEWORK

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. How the Council complies with the seven principles is listed below.

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

The Monitoring Officer has specific responsibility for ensuring legality and investigating issues raised. The Council has a Corporate Plan for 2016 to 2020. Internal Audit carry out a risk based work plan and External Audit carry out inspections of the accounts The Council's Constitution lays out compliance with legislation and specialist legal advice and includes:

Financial Procedure Rules 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 Employees

Scheme of Delegation to officers

Information Security Policy

Information Governance Policy

Money Laundering Policy

Whistleblowing Policy.

PRINCIPLE B - Ensuring openness and comprehensive stakeholder engagement.

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 & staff surveys

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

The Council's Corporate Plan for 2016 to 2020 has a key priority of supporting businesses and our local economy. The Council has an Economic Development Strategy supported by an action plan. Supporting the Medium Term Financial Strategy (MTFS) and Efficiency Plan. The Council approved a Property Investment Strategy in 2016 and the creation of a Commercial Property Acquisition Fund.

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

The Corporate Plan is supported by a number of strategies and key performance targets for 2016/17 which are reported in the annual report. Service decisions are approved by the Leadership Team and where appropriate the relevant Committee and there is a process for making delegated decisions. The Audit, Crime & Disorder and Scrutiny Committee can take action or intervention when required. The Council seeks advice when necessary from external bodies to learn and develop. The Council fosters effective relationships with other organisations; private, public and voluntary.

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

The Council has agreed a new Organisational Development Strategy focusing on all aspects of officers and members. A number of new initiatives have been held in 2016/17 to improve capability in managers and the Leadership Team. There has also been improved communication with staff. There have been improvements in the provision and management of projects with the implementation of a project management toolkit.

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

The Council has a Risk Management Strategy and all risks are maintained at a corporate and service level. The Council has a strong history of good financial management which is closely monitored for revenue and capital. In 2016/17 the Council has gone into borrowing in order to fund the purchase of commercial property in line

with its new Property Investment Strategy which provides a process for due diligence of purchases.

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

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

The Council has redesigned its web site to improve accessibility and transparency. The recommendations from all audit reports are reported to the Audit, Crime & Disorder and Scrutiny Committee and are available on the website. Key performance targets are set and all committees receive regular performance management reports in order that performance targets can be measured.

CHECKING THE EFFECTIVENESS OF OUR GOVERNANCE

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 monitor specific areas of governance including performance management, risk management and internal audit. As a Scrutiny Committee they also conduct a number of specific reviews.

Corporate Governance Group

This is an officers group that review key corporate governance issues. It reviews the Annual Governance Statement and the effectiveness of arrangements.

Statutory Officers Group

The Statutory Officers Group meets regularly which consists of key members of staff including the Head of Paid Service (Chief Executive), S151 Officer (Director of Finance & Resources) and the Monitoring Officer (Head of Legal & Democratic Services)

External Audit

The Council's External Auditors, Grant Thornton review the disclosures within the Annual Governance Statement and check they are in line with the CIPFA / SOLACE guidelines and consistent with their knowledge of the Council.

Projects

Updates on key projects are regularly monitored by the Leadership Team, with regular highlight reports. Key projects are supported by project boards with actions plans to monitor performance and ensure the aims can be delivered.

Self-Assessment and Production of the AGS

A number of processes and assessments are part of the process including;

- 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 Corporate Governance Group reviewed the process and the draft AGS.
- The Chief Executive and the Chair of Strategy and Resources sign the AGS
- Frauds reported and complaints to the Ombudsman are reviewed.
- The Head of Internal Audit's Opinion for 2016/17 is taken into account, with comments made by external audit and other external reviews
- Performance and performance indicators were reviewed.

CONCLUSION

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 2017/18 are listed below and these will be reviewed and monitored with a detailed action plan.

The implementation of the actions identified in 2015/16 have been monitored and are reported in further detail to the Audit, Crime & Disorder and Scrutiny Committee as part of the arrangements for approving the AGS.

Issues identified for 2015/16	Action taken to date
Public Sector funding reductions and on-going financial pressures	Delivering the MTFS remains challenging although there will be an under spend for 16/17. Further savings or additional income streams are required to continue to balance the budget as identified in the Efficiency Plan.

Issues identified for 2015/16	Action taken to date
Lack of staffing and resources	<p>The Organisational Development Strategy is being implemented. This includes a review of pay and reward support by the LGA and a new scheme will be recommended.</p> <p>The new service delivery plan has been developed for 2017/18 to support the corporate plan, and focus resources, identifying the critical priorities for the organization.</p>
The Council has been through a period of change and a number of corporate governance issues have been addressed although there is further work to refine processes and procedures and monitor the impact of these changes.	The governance arrangements have been strengthened. There is a Head of Corporate Governance and a more corporate approach is being taken to policy, performance and service planning.
The Council was not fully compliant with the Procurement Regulations Act and the Transparency Agenda	An action plan is in place to ensure compliance and the procurement arrangements are being developed and will be fully implemented in 2017/18.
A new performance framework needs to be developed to support the new Corporate Plan.	The new performance management framework is in place with clear targets and monitoring arrangements
There are a number of weaknesses in the control framework impacting on PCI (Payment Card Industry) compliance.	PCI Compliance was recently audited and given partial assurance. The call recording system has been altered to ensure compliance.
The cost of Homelessness continues to rise adding to financial pressures	A range of initiatives have been implementing resulting in a reduction in the number in temporary accommodation and this will continue to be closely monitored.
All decisions are not properly reported to Committee and reports are of inadequate standard.	The delegated authority form is being reviewed to improve controls. Training on the use of plain English has been provided.

Issues identified for 2015/16	Action taken to date
Lack of assurance that the Council have robust arrangements, appropriate approval, and adequate controls in place for the collection of CIL and S106 monies	Monies collected from S106 are decreasing with more emphasis on CIL. A new procedure is being developed for allocation of the CIL community fund. The governance arrangements within planning are due to be independently reviewed in 2017.
Fraud training and awareness needs to be provided to all staff	Training has not been held due to limited resources but new resources are being made available on E-Hub
Health & Safety Risks are not effectively managed	A quarterly report is taken to the Leadership Team on H&S highlighting any concerns and meetings have been arranged with all Heads of Service.

SIGNIFICANT GOVERNANCE ISSUES 2016/17

The following significant internal controls for 2016/17 are identified below and will be monitored.

Issues identified for 2016/17	Planned Action
Ensure the workforce has adequate resilience and also has the appropriate skills to deal with future requirements and changes to the way Council's operate.	Workforce planning is being undertaken to formulate the Council's needs and further work will be undertaken to identify skills gaps. The Organisational Development Strategy is being implemented, working with the LGA to develop a pay & performance scheme.
There have been a number of governance issues identified during 2016/17 within planning. The Council is currently at risk of designation by the Secretary of State to improve planning performance.	The LGA and the Planning Advisory Services will support the Council in reviewing arrangements and agreeing an action plan
Elements of the Constitution are out of date and need to updated.	The Council's Constitution will be fully reviewed in 2017/18.

Issues identified for 2016/17	Planned Action
<p>The Council has moved from debt free to external borrowing of up to £80m for property.</p> <p>This increases the Council's financial risk and there needs to be a robust approach in place when purchasing property.</p>	<p>A Working Group is in place to review the establishment of a Trading Company and review all future property purchases. The Property Investment Strategy will be regularly reviewed.</p> <p>Procedures are in place and will be further developed to ensure adequate provisions for investment property have been established to set-aside amounts for future voids/maintenance</p>
<p>The robustness of IT governance, data recovery and disaster recovery arrangements need to be reviewed to ensure that all IT projects are properly managed and data can be recovered.</p>	<p>A specialist IT Review is currently being completed and an action plan will be developed as part of an overall review of the current arrangements to ensure IT meets the Council's business needs.</p>

Signed:

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

SUMMARY OF OUR GOVERNANCE FRAMEWORK

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the governance framework are described below. Further details can be viewed through the Council's website. The Council achieves good standards by applying the CIPFA/SOLACE principles of governance set out in the "Delivering good governance in Local Government Framework summarized below:

A summary of how we achieve compliance with these principles is set out in the following pages.

1 Legal and Constitutional Governance

a) The Constitution sets out how the council legally operates, how formal decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

Key roles and responsibilities are detailed which align to a scheme of delegation which is in place to ensure accountability is clear. It clarifies the responsibility of each committee and full council.

Each agenda for a Committee or Council meeting requires members to declare any relevant interests. All agendas and minutes are made available to the public through our website.

b) Council Structure & Leadership

The Council operates a Committee system with 4 main policy committees; Strategy & Resources, Community & Well Being, Licensing and Planning Policy and the Environment Committee. A number of key decisions are referred to full Council, for all Councillors to decide. Meetings are generally open to the public.

2. Budget and Resource Setting

The Council is required to set a balance 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 Authority although it has no control over the amount set by these bodies.

3. Democratic Governance & Scrutiny

The Council has a set of committees, panels and boards to carry out functions. These are approved at full Council in May.

The Audit Crime & Disorder and Scrutiny Committee provide the role of an audit committee.

The Council's Regulatory and Advisory Committees include; Licensing Hearing Panel, Planning Committee, the Appointments Panel, Financial Policy Panel, Health Liaison Panel and the Human Resources Panel.

In additions the joint committees and outside bodies include; Epsom and Walton Downs Conservators, Epsom & Walton Downs Consultative Committee and the Nonsuch Park Joint Management Committee.

4. Organisational Governance

Management Structure

The management structure is available on the Council's Website. The Chief Executive is the Head of Paid Service and the Head of Legal & Democratic Services is the Monitoring Officer. The S151 Officer is the Interim Director of Finance & Resources. These posts meet regularly and also as part of the Leadership Team.

Head of Paid Service – is the Chief Executive is responsible for all staff and leading an effective leadership team.

Monitoring Officer - is the Head of Legal & Democratic Services is the designated Monitoring Officer who has responsibility for ensuring compliance with established policies, procedures, laws, regulations and reporting any actual or potential breaches of the law or maladministration to full council, having first consulted with the Head of Paid Service and s151 Officer.

S151 Officer – for 2016/17 the Director of Finance & Resources was in post but recently was promoted to Chief Executive and the Head of Finance is now the acting Director of Finance & Resources

Conformance with the governance requirements of the CIPFA statement on the role of the Chief Finance Officer

The Chief Financial Officer of the Council is the Director of Finance & Resources. This role forms 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.

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.

The Chief Financial Officer is the Council's S151 Officer and in accordance with the statutory requirement has the relevant accountancy qualification and significant local government experience. In the opinion of the Chief Financial Officer, the Council's finance function is considered adequately resourced and contains a mix of staff with the appropriate levels of professional qualifications and experience although is reliant on agency staff to fill some vacancies that are being recruited to.

Internal Audit

Internal Audit is delivered through a Consortium with other Surrey organisations and provided by an external provider RSM. They 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. The Council's appointed external auditor is Grant Thornton and they consider internal audit's arrangements as part of their work and they report to the Strategy & Resources Committee and Audit, Crime & Disorder and Scrutiny Committee.

Counter Fraud & Corruption Arrangements

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 Corruption Strategy.

4 Planning & Policy Framework

Corporate Plan

The Council has a Corporate Plan 2016 -2020 which represents the Council's vision and priorities. Which are: **Keeping the Borough Clean and Green; Supporting the Community; Managing our Resources and Supporting Business and or Local Economy**

The Medium Term Financial Strategy and Efficiency Plan supports the delivery of Corporate Plan and is supported by a number of strategies.

5 Performance Management Framework

The performance management framework was reviewed in 2016/17 to reflect the new Corporate Plan. The corporate targets are set annually and reported three times a year to Committee.

The Councils performance management arrangements are monitored by the relevant committee, using a RAG system (red/amber green). Targets are set annually based on the Council's Corporate Plan. The relevant Heads of Service and Chairs of Committee are consulted on proposed target for the New Year. The Audit, Crime & Disorder Committee receive all targets. Accountability is down to the relevant Head of Service. The targets run through to the Service Delivery Plan and individual targets. Of the 57 targets for 2016/17, 76% were achieved and 24% were not achieved.

6 Risk Management

The Council has a Risk Management Strategy. The risks management arrangements are reported annually to Committee. The key corporate risks have been kept under review during the year by the Leadership Team and will continue to form an ongoing focus for the successful delivery of the Council's Plans. The top ten risks are regularly updated and reviewed. The service risks are managed by the Heads of Service who are responsible for taking action to mitigate these risks.

7 Stakeholder Engagement

Corporate Feedback/Complaints

The Council has a three stage procedure for recording complaints. This is clearly laid out in our procedure backed by the customer charter. The number of complaints to the Ombudsman forms part of this procedure and an annual report is received. For 2016 a total of 19 complaints were referred and 4 were upheld.

Stakeholder Communication

The Council has updated its website and the second phase will be implemented in 2017 to improve digital shift. The Council has a number of vessels to communicate to including the Borough Insight that goes to all households