



DRAFT ANNUAL GOVERNANCE STATEMENT – 2017/2018

1. Introduction

- 1.1 This is the Council's Annual Governance Statement for 2017/18. 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 2017/18.
- 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
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
- 3.3 The Monitoring Officer has specific responsibility for ensuring legality and investigating issues raised to ensure compliance with laws and regulations
- 3.3 Ensuring effective arrangements are in place for the discharge of the Monitoring Officers duties

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 is 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
- Frauds reported and complaints to the Ombudsman are reviewed.
- The Head of Internal Audit's Opinion for 2017/18 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 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 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.

4.14 Opportunities to improve

This AGS builds upon previous AGSs. 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 2016/17.

5 The Council and how it functions

- 5.1 The Council is a committee authority where policies and decisions are determined and scrutinised.
- 5.2 There are four main policy committees; Strategy & Resources, Community & Well Being, Licensing and Planning Policy and the Environment Committee.
- 5.3 The Council's Regulatory and Advisory Committees/Panels include; Licensing Hearing Panel, Planning Committee, 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 & staff surveys.
- 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 a new role of Chief Operating Officer. These posts meet regularly and also as part of the Leadership Team.

6 Significant operational events in 2017/18

- 6.1 The Council has established a separate but wholly owned property company, Epsom and Ewell Property Investment Company (EPPIC). The Council has agreed a Property Investment Strategy to formulate policy on investing in property including the Commercial Property Acquisition Fund.
- 6.2 The directors of the company are the Chief Executive, Chief Finance Officer, Head of Property & Regeneration, and Head of Housing & Communities. The governance arrangements are enshrined in the articles of association and the shareholders agreement and the directors are accountable. They have been trained on their director's roles and responsibilities including conflicts of interest.
- 6.2 The Council's governance arrangements for ICT have altered as a result of separation of the ICT shared service

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 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 & Crime 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 uses 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 targets. Accountability rests with the relevant Head of Service. The targets are also delivered through the Service Delivery Plan and individual targets. 63% of the 2017/18 targets were achieved.

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. The number of complaints to the Ombudsman forms part of this procedure and an annual report is received. For 2017 a total of 19 complaints were referred with a 33% upheld rate.
- 12.2 Phase 2 of the Council's website project is being implemented to improve digital transformation and accessibility by residents. Data is published on the website to meet the requirements of the Local Government Transparency Code.

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 is provided 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.
- 13.3 The Head of Internal Audit's year end opinion for 2017/18 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 2017/18, the Committee met 4 times and reviewed progress against the audit plan, progress in implementing recommendations, and risk management

arrangements. The Committee annually review how effective it has been in overseeing the arrangements in their annual report to Council.

- 13.6 External Audit is provided by Grant Thornton and was appointed through the Public Sector Appointments (PSAA). The statutory accounts for 2017/18 are being audited and they should have an unqualified opinion and value for money (subject to confirmation)

14 Issues from 2016/17

- 14.1 The implementation of the actions identified in 2016/17 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 2016/17	Action taken
Ensure the workforce has adequate resilience and also has the appropriate skills to deal with future requirements and changes to the way Councils operate.	The new Pay & Reward scheme has been introduced as part of the overarching Organisational Development Strategy
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.	An LGA Planning Peer Review was undertaken and an improvement action plan was agreed and is currently being implemented to reduce possibility of designation
Elements of the Constitution are out of date and need to update.	The Constitution is being updated and a number of key documents agreed such as the Officer Member protocol. This will continue in 2018/19.
The Council has moved from debt free to external borrowing of up to £80m for property. This increases the Council's financial risk and there needs to be a robust approach in place when purchasing property and developing new service models.	The Council has approved a wholly owned company for commercial property purchases. Reserves are set aside for any loss of income and the accounts are independently audited.
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.	The ICT new ways of working group has set up with responsibility for governance and ensuring there are proper processes in place.

15 CONCLUSION AND SIGNIFICANT GOVERNANCE ISSUES 2017/18

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 2018/19 are listed below and these will be reviewed and monitored with a detailed action plan.

Issues identified for 2018/19	Planned Action
A number of codes, policies and strategies are out of date and in need of updating	A rolling programme of reviewing policies and strategies will be introduced with a checklist to ensure documents are timely and relevant
The Council has introduced alternative service methods and needs to ensure the governance arrangements are clear.	The governance arrangements of the company are being reviewed to ensure arrangements are clear and transparent and an audit will be undertaken in 18/19
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.	This will continue to be closely managed and a range of actions implemented to secure improvements

Signed:

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