

# ANNUAL GOVERNANCE STATEMENT – 2021/22

## 1. Executive Summary

- 1.1. The Council is responsible for conducting its business in accordance with the law and proper standards. It is responsible for ensuring that money is safeguarded and properly accounted for and is used economically, efficiently, and effectively. The council must have proper arrangements in place for corporate governance and the effective exercise of their functions which included risk management.

## 2. Opinion

- 2.1. Our review of the effectiveness of corporate governance found that overall, the systems and processes that comprise the Council's governance arrangements are sound. The majority of elements are fully compliant and in line with the principles of delivering good governance as outlined in CIPFA/SOLACE Framework, "Delivering Good Governance in Local Government" 2016. Three significant governance arrangements were found as outlined in section 4, significant issues identified. The Council is committed to having a governance structure that is compliant with all codes published by CIPFA and SOLACE as outlined in the principles in section 9.
- 2.2. Our internal auditors Southern Internal Audit Partnership (SIAP) have been externally assessed as compliant with the Public Sector Internal Audit Standards. In September 2020 the Institute of Internal Auditors were commissioned to complete an external assessment of the SIAP that concluded that they conformed to the relevant codes and standards.
- 2.3. The Head of Internal Audit's opinion on the Council's governance and systems of internal control for 2021-2022 stated:

### **Annual Internal Audit Opinion 2021-2022**

**"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Epsom & Ewell Borough Council's internal control environment.**

**In my opinion, Epsom & Ewell Borough Council's framework of governance, risk management and control are 'Reasonable' and audit testing has demonstrated controls to be working in practice.**

**Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."**

- 2.4. The internal audit year-end report for 2021-2022 will be brought to the Audit & Scrutiny Committee in June 2022. The Head of Internal Audit has also highlighted that several audits which have been rated as "limited" assurance.

These highlight that the Council has significant issues to address over the next year to maintain and increase the robustness of the annual opinion. This will be addressed in 2022/23 and monitored through the implementation of agreed management actions

- 2.5. The latest opinion provided by External Audit, as reported in the External Auditors Annual Report in November 2021 stated that “we found no evidence or indication of significant risks to your governance arrangements as such no further risk-based work has been undertaken”. The External Auditors also issued an unqualified opinion on the Council’s 2020/21 financial statements. The audit of the 2021/22 financial statements is expected to take place between July to September 2022.

### 3. Statement of the Chair of Strategy and Resources & Chief Executive

We have been advised of the result of the review of the effectiveness of the Council’s governance and internal control arrangements by senior officers, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Significant issues identified as a result of the effectiveness review are recorded below, including actions to address them. We are satisfied that these steps will address the need for planned improvement and that monitoring arrangements are in place.

From the findings of this report, we are satisfied that the appropriate governance arrangements are in place and the Council remains committed to maintaining and improving the arrangements in future.

Signed: 

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Neil Dallen, Chair of Strategy and Resources  
Date: November 2022

Signed: 

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Jackie King, Interim Chief Executive  
Date: 15/11/2022

## 4. Significant issues identified

- 4.1. The Council is satisfied that the appropriate governance arrangements are in place, however it remains committed to maintaining and where required improving those areas. Issues considered to be significant will be addressed in 2022-2023 and are listed below. Less significant areas for improvement are outlined in Section 9 under the relevant CIPFA good governance principle.

<p>There is uncertainty regarding local government funding which will impact on the current Medium Term Financial Strategy financial stability</p> <p>Existing strategies in relation to changes in risk relating to investment properties may need reviewed</p>	<p>A rebasing exercise of the budget for 2022/23 was undertaken in Spring 2022 to ensure budgets are re-aligned to post-Covid service demand levels. Production of a new budget for 2023/24 will factor in updated income and expenditure levels following Covid-19, with a strategy developed for removing reliance on reserves to balance future budgets. Star chamber exercises with Heads of Service to identify savings/additional income will be undertaken in 2022/23.</p> <p>A number of strategic asset reviews are being undertaken to assess if operational assets remain fit for purpose and continue to provide value for money.</p>
<p>The arrangements for Information Governance and data protection need to be reviewed to ensure they are fully compliant with legislation and ICO guidance</p>	<p>Complete the recruitment of a new Data Protection Officer who will bring together and progress our information governance improvements.</p>
<p>Strengthening and updating the Constitution</p>	<p>The Member Working Group has agreed a programme of work to update the Constitution supported by the Monitoring Officer and this will be reported to the Standards Committee</p>

## 5. What is the Annual Governance Statement (AGS)?

- 5.1. The AGS provides assurance to residents and other stakeholders that the Council has in place good business practices, high standards of conduct, and sound governance arrangements. It provides processes and controls that are in place to manage the risks of failure in delivering planned outcomes.
- 5.2. The purpose of the AGS is to report publicly on the extent to which the Council's governance arrangements comply with the governance principles as stated in the CIPFA/SOLACE guidance "Delivering good governance in Local Government Framework". It also meets the requirements of the Accounts and

Audit Regulations 2015 which require an authority to conduct a review at least once a year of the effectiveness of its systems of internal control and include a statement reporting on the review with any published Statement of Accounts.

## 6. What is the governance framework?

- 6.1. Governance can be defined as “comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.”<sup>3</sup> Governance includes processes, procedures, policies, administrative systems, legal arrangements and so forth, “through which [an organisation’s] objectives are set and pursued in” their environmental context, while “ensuring that stakeholders can have confidence that their trust in that [organisation] is well founded.” By the Chartered Governance Institute UK & Ireland
- 6.2. The Council’s governance framework comprises the systems and processes, culture, and values that it directs and controls. We adopted a Code of Corporate Governance (the Code) which encapsulates all relevant areas of our governance arrangements.
- 6.3. The Code reflects the principles of, and is consistent with, the CIPFA/SOLACE Framework: “[Delivering Good Governance in Local Government](#)”. The CIPFA 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.
- 6.4. The Code is structured to outline all processes and controls as required by the seven principles of the CIPFA Framework. Implementation of the framework cannot eliminate all risks but is designed to mitigate risks to an acceptable level and provide assurance to senior management and Members that adequate governance arrangements are in place.
- 6.5. The Council is a committee authority where policies and decisions are determined and scrutinized by the relevant committees as determined by the terms of reference.
- 6.6. The Council has the following committees in place, Audit, Crime & Disorder and Scrutiny, Licensing and Planning Policy, Community & Wellbeing, Environment and Safe Communities, Strategy & Resources, Planning and Standards.

- 6.7. The Council's Regulatory and Advisory Committees/Panels include Licensing (Hearing and General) Panels, the Appointments Panel, Financial Policy Panel, Health Liaison Panel, Human Resources Panel, and the Shareholder Sub-Committee.
- 6.8. 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.

## **7. How has the statement been prepared?**

- 7.1. The Council conducts an annual review of the effectiveness of its governance. This review is a self-assessment using the principles.
- 7.2. The effectiveness review is informed by the work undertaken by senior managers and their Divisional Assurance Statements. In addition, the Internal Audit Annual Report and recommendations from external audit are taken into account and any further reviews and external inspections:
- 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 2021/22 is taken into account, and comments made by external audit and other external reviews.
  - Performance and performance indicators are reviewed.
  - Progress in implementing the action plan from 2020/21, as set out in section 10
  - The senior management team assists with good governance in delivering key services and making corporate decisions and monitors performance.
  - Key management roles are defined within the senior management 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.

## **8. Impact of Covid and significant events in 2021-2022**

- 8.1. During 2021/22, the restrictions in place to respond to the Covid 19 pandemic have been lifted but there has continued to be an impact on the delivery of council services and new governance arrangements for financial payments. The financial impact of Covid continues to evolve and further revisions to budgets may be required.

- 8.2 Arrangements are in place to reduce risk of fraud in payment of additional grants to businesses and payments to households. The Council has registered to the National Investigation Service's (NATIS) anti-fraud service, which automatically checks payments leaving our bank account to flag any potential fraudulent business grant transactions and through the National Anti Fraud Network; the Network identifies and shares potential frauds from across the sector, including around Covid related business grants, for the Council to be aware of.
- 8.2. During 2020/21 a Local Government Boundary Commission review was undertaken of the Council's size and warding arrangements in the borough which will be implemented in 2022/23.
- 8.3. A new organisational structure was implemented in September 2021, and this included the creation of two director's posts and a senior management team and a corporate management team. The Council's Monitoring Officer who is responsible for the reporting on the lawfulness of the Council's activities was the Chief Legal Officer until 30<sup>th</sup> September and this role is now provided by an external solicitor who was appointed by Council as Monitoring Officer from 1st October 2021.

## 9. Corporate Governance Arrangements

- 9.1. This section outlines how the key systems and processes perform against the seven core principles in delivering good governance

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

- 9.2. This is demonstrated by:

The key documents that demonstrate compliance with this principle are.

- The Constitution, which sets out.
  - Codes of conduct for members and officers
  - Roles and functions of statutory officers, key posts, and members
  - Member/ Officer protocol
  - Scheme of Delegation
  - Whistleblowing procedures
  - Financial Regulations and Contract Standing Orders
- Complaints Policy
- Anti-Fraud and Corruption Strategy
- Anti-Bribery Policy
- Money Laundering Policy
- Rules relating to Members external interests
- Rules relating to Gifts and Hospitality

### 9.3. Arrangements in place for good governance include

- Register of gifts and hospitality for Members and Officers
- The HR Team provide the people framework and the management of officers through performance management framework and disciplinary issues as they arise
- The Procurement Strategy and the CSO's were both updated in 2021/22.
- The Monitoring Officer brings to the attention anything that maybe unlawful or with high-risk challenge that hasn't already been covered within section of committee reports.
- An induction process in place for new staff and new members.
- Standards of conduct and behavior are maintained.
- Training and development of members and officers

### 9.4. Areas for improvements

- A Members Working Group was established to review the Constitution with an agreed work program including the new Model Councillor Code of Conduct 2020 to determine whether any changes are required prior to adoption.
- Updated training of performance management is being rolled out to all staff.

## PRINCIPLE B - Ensuring openness and comprehensive stakeholder engagement

This is demonstrated by:

- Freedom of information publication schemes
- Statement of Community involvement
- Transparency Data
- Complaints Policy Complaints monitoring
- Minutes of Council meetings
- Decisions notices
- Council tax notices

### 9.5. Arrangements in place for good governance include

- All Council meetings are webcast and can be watched live.
- Petitions can be submitted in relation to matters of public concern and residents can submit questions to policy committees and the audit & Scrutiny Committee and attend meetings where questions are considered and answered
- Project management toolkit identifies stakeholders

### 9.6. Areas for improvements

- In the Annual Plan for 22/23, the Council has committed to updating the Citizens Panel, hold a series community conversation to improve engagements with residents.
- The Regulation 18 consultation of the Local Plan will be undertaken in 2022/23

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

9.7. This is demonstrated by:

- Future 40 Vision
- Four Year Plan
- Annual Plan and Service delivery plans
- Equity, Diversity & Inclusion
- Medium Term Financial Strategy
- Procurement Strategy
- Economic Development
- Climate Change Action Plan
- Homelessness and Rough Sleeping Strategy
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9.8. Arrangements in place for good governance include

- Annual review of Council's performance against the annual plan and key performance indicators to deliver strategic outcomes.
- Medium Term Financial Strategy and regular budget monitoring
- Climate Change Action Plan is being regularly monitored and reports
- Review is ongoing looking at strategic assets.
- A new performance and risk framework is being rolled out to support the achievement of corporate priorities

9.9. Areas for improvements

- Risk Management Strategy is being drafted for approval in 2022 with the development of corporate, committee and divisional risk registers

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

9.10. This is demonstrated by:

- Annual budget and Council tax report
- Treasury Management Strategy
- Project Management arrangements.
- Annual Plan and service delivery plan
- Committee forward plan
- Arrangements for good governance and compliance with CIPFA Financial management code

9.11. Arrangements in place for good governance include

- Regular budget monitoring and financial planning



- New corporate planning cycle aligning the setting of annual targets with budgets
- Forward plan for committees
- The Chief Finance Officer is the S151 Officer and in accordance with statutory requirements is responsible for delivering and overseeing the financial management arrangements for the Council
- Implementation of all actions from LGA finance peer review

9.12. Areas for improvements

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

9.13. This is demonstrated by key documents.

- New organizational structure
- People Framework
- Organisational Development Strategy
- Role profiles
- Scheme of delegation

9.14. Arrangements in place for good governance include

- Regular meetings with committee chair and vice chairs
- Annual appraisal of the Chief Executive
- Member briefing programme and regular updates
- Employee induction programme
- Job descriptions and role profiles
- Training programme and eLearning for staff
- Employee Assistance Programme to support all employees
- Exploring business cases for greater collaboration amongst other Surrey authorities that are in the best interest of the Council
- Annual report on Health& safety

9.15. Areas for improvements

- Specific training on working remotely and managing people
- Updated e-learning on range of governance issues

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

9.16. This demonstrated by key documents:

- Data Protection Policy and associated guidance

- Asset Registers and retention schedules
- Internal audit Charter and Internal Audit Plan
- Risk Management Strategy and annual report
- Asset Management Plan
- Updated Terms of reference for committees
- Financial Regulations and Contract Standing Orders
- Health & Safety policies and procedures
- Emergency planning and business continuity arrangements

9.17. Arrangements in place for good governance include

- Treasury Management annual report
- Governance arrangements in place for the Council's wholly owned subsidiary EEPIC
- Benchmarking against other Surrey districts
- Approval of committee reports through senior management team
- Updates on key corporate projects through senior management team
- Strategic risk register
- In response to the Covid 19 pandemic work on the budgets has been undertaken and there will be further work in 2022/23 on reducing the budget gap.

9.18. Areas for improvements

- A new performance and risk framework is being developed with new risk matrix and three lines of defense for risks, corporate, committee and divisional
- GDPR training is due to be held in 2022/23

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

9.19. This demonstrated by key documents:

- Annual Statement of Accounts
- Budget Monitoring Reports
- Performance Management reports
- Internal Audit Progress reports
- External Audit Annual Report on Epsom and Ewell Borough council and external auditors' opinion

9.20. Arrangements in place for good governance include

- The impact of the Covid 19 pandemic was reported
- Governance arrangements are in place for payment of household and business grants to reduce risks
- External Auditor reports are now reported to full council for greater transparency
- Compliance with accessibility regulations

9.21. Areas for improvements

- Implementation of recommendations from external audit

**10. Issues from 2020-2021**

10.1. The implementation of the actions identified in 2020/21 have been monitored and reported in detail to the Audit, and Scrutiny Committee as part of the arrangements for approving the AGS. The table below provides an update.

<p>Funding shortfall caused by sustained losses to income and increased costs due to long-term impact of Covid-19 on Council services.</p> <p>Potential reduced funding from New Homes Bonus Grant and further losses in future years depending on outcome and timing of government reviews into Fair Funding and Business Rates.</p>	<p>There is a robust financial planning process in place which ties in with corporate objectives and service plans and workforce plans . There is ongoing work on the MTFS and identifying further savings .</p> <p>A number of Strategic Asset Reviews are in the process of being undertaken</p> <p>The budget for 2022/23 will be updated to factor income and expenditure levels following Covid-19.</p> <p>The action plan from the LGA Finance Peer Review has been implemented.</p>
<p>The full impact of the pandemic is unlikely to be clear until out of current national lockdown and all restrictions lifted Covid 19 Recovery Plan will need to assess both the medium- and longer-term impact on the economy and the community</p>	<p>The welcome back fund has been used to support the recovery and both the annual plan and service delivery plans for 2022/23 reflect the new demands created as a result of the pandemic and will support the recovery.</p> <p>The longer-term implications will be built into the MTFS</p>
<p>The Organizational Development Strategy People Framework &amp; HR Policies will need to be refreshed to reflect the changing environment and new ways of working.</p>	<p>The people framework has been reviewed and further ongoing work is within the HR Service Delivery Plan for 22/23.</p>

<p>The Council need to build upon the digital improvements and opportunities resulting from the pandemic</p>	<p>A new ICT Strategy is being developed with ICT road map in place to deliver it.</p>
<p>There are challenges in delivering effective data security management and this needs to be embedded at a senior level</p>	<p>Implementation of recommendations from the Information Governance and data management audits.</p>