



Annual  
Governance  
Statement  
**2022-2023**

Date: July 2023

# Executive Summary

Epsom & Ewell Borough Council are committed to delivering on the themes that emerged from the long term vision of the Borough, also known as [Future40](#). The themes form the core of our [Four Year Plan 2020-2024](#), they are:



We continue our drive to work as efficiently and effectively as possible towards these priorities, reviewing services, assets and other sources of income, but remaining adaptable to changes in government legislation and other external factors.

Central to our success, is having a robust foundation of good governance and sound financial management. Our local [Code of Corporate Governance](#) outlines our governance arrangements and systems of internal control, which ensures we are meeting the CIPFA principles of good governance.<sup>1</sup>

Each year the council is required to produce an Annual Governance Statement (AGS), which describes how our corporate governance arrangements, set out in the local code, have been working. This AGS gives assurances on compliance for the year ending 31 March 2023 and an update on the approval of the year's Statement of Accounts.

The Chair of Strategy and Resources Committee and Chief Executive both recognise the importance of good governance and sound financial management. They pledge their commitment to address the matters highlighted in this AGS, and to further enhance our governance arrangements to enable delivery of our Four Year Plan. Further, they confirm they have been advised of the implications of the governance review by senior management. In addition, they are assured that the Audit & Scrutiny Committee are satisfied that the steps outlined in this document will ensure that our governance arrangements remain fit for the future.

Signed on behalf of Epsom & Ewell Borough Council:

**Chair of Strategy & Resources Committee**  
Date: 24<sup>th</sup> July 2023

**Chief Executive**  
Date: 24<sup>th</sup> July 2023

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<sup>1</sup> CIPFA (2016) Delivering Good Governance in Local Government Framework, 2016 Edition. CIPFA: London.

# Review of the Effectiveness of the Council's Governance Framework

Governance can be defined as comprising “the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The fundamental function of good governance in the public sector is to ensure that entities achieve their intended outcomes while acting in the public interest at all times.”<sup>2</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 [the organisation] is well founded.”<sup>3</sup>

Throughout the year, the council regularly reviews the effectiveness of its governance arrangements, through performance reporting, Internal and External auditing, and the activities of the Audit & Scrutiny Committee. In addition, the AGS is informed by senior management governance assessments, including by statutory officers, and the controls outlined in the Code of Corporate Governance. Together these practices ensure there is regular corporate oversight, and that our governance arrangements remain effective.

The AGS incorporates our continuous assessment of our governance arrangements, and through this identifies areas where we can improve.<sup>4</sup> Although this approach seeks to manage risks to the council’s governance, and ensure we are doing things in the right way and delivering value for money, our operating environment is continually changing and evolving. Consequently, this AGS can provide a reasonable, rather than absolute, assurance of the council’s governance arrangements.

## Effectiveness Assessment

This Statement’s appraisal shows that we generally have a sound foundation of governance, systems of internal control and risk management in place. However, there are some areas which remain a challenge for us and require further improvement. These weaknesses may impact our ability to manage risks effectively and achieve our aims and objectives. Yet we are aware of these issues and have [plans in place](#) to address them.

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<sup>2</sup> IFAC and CIPFA (2014) The International Framework: Good Governance in the Public Sector, p. 2. Online available: [https://www.ifac.org/flysystem/azure-private/publications/files/IFAC-CIPFA-International-Framework-Good-Governance-in-Public-Sector-Exec-Summary\\_0.pdf](https://www.ifac.org/flysystem/azure-private/publications/files/IFAC-CIPFA-International-Framework-Good-Governance-in-Public-Sector-Exec-Summary_0.pdf) [last accessed 30/05/2023].

<sup>3</sup> The Chartered Governance Institute UK & Ireland (2022) *What is corporate governance?* Online available: <https://www.cgi.org.uk/about-us/policy/what-is-corporate-governance> [last accessed 18/04/2023].

<sup>4</sup> See the following sections: “Rationale for the Statement’s \*TBC\* Assurance Opinion” and the “Action Plan”.

The council is also aware of other issues that could affect our financial position, such as inflationary pressure, insurance claims, appeals (such as for planning) and other matters.

### **Compliance with CIPFA Financial Management Code**

CIPFA published its first edition 'Financial Management Code' for local authorities in October 2019. CIPFA considers that compliance with this code is mandatory for all local authorities although such compliance is not specifically mandated by statute. The code is essentially a best practice guide to financial management in the local authority sector. It covers the following areas:

- The responsibilities of the chief financial officer and the leadership team (including members).
- Governance and financial management style.
- Medium to long term financial management.
- The annual budget.
- Stakeholder engagement and business plans.
- Monitoring financial performance.
- External financial reporting.

Officers have undertaken an assessment of the council's compliance with the code and in general terms the council's arrangements meet the recommended standards.

### **Subsidiary Company**

The council has one subsidiary company – Epsom & Ewell Property Investment Company Ltd (EEPIC) – a 100% wholly owned trading company of the council. It was set up in September 2017 to provide the council with the flexibility to undertake commercial trading activities in property investment. In accordance with Government guidance introduced in April 2018, no further out of Borough property investment acquisitions have been made. As the sole shareholder of EEPIC, the council ensures strong governance through regular meetings of the Shareholder Sub-Committee. It approves EEPIC's Annual Business Plan and receives an Annual Review each November as provided by the Shareholder Agreement. In addition to its role as shareholder, the council is also EEPIC's lender with separate governance provided through Strategy & Resources Committee for loan agreement matters. EEPIC Board Meetings are held quarterly with quarterly management and finance monitoring reports submitted to the council's S151 Officer to ensure loan monitoring compliance. All Directors are senior officers of the council, and all have received appropriate training. To maintain strong governance, the council's S151 Officer and Monitoring Officer are excluded from joining the EEPIC Board and act solely as representatives of the council.

## **Statutory Assurances**

Several officers at the council hold [statutory roles](#), which are established in legislation and have specific responsibilities. It is important that assurances from these officers are included in this AGS to support its conclusion on the council's governance arrangements.

### **1. Head of Paid Service**

The Head of Paid Service is responsible for the overall corporate and operational management of the council. These responsibilities have been considered within the context of this statement and the Head of Paid Service can confirm that proper arrangements have been put in place for the overall operation and management of the council.

The Head of Paid Service has no significant concerns to report and continues to evolve the senior management structure and organisational strategy to align responsibilities and resources to deliver the council's ambitions and priorities.

In yet another challenging year for the council the organisation continues to recover from the Covid pandemic, and deal with the significant and increasing service and economic pressures we face, which are exacerbated by the growing cost of living crisis. Governance arrangements are improving and there has been a continued and sustained focus on performance and risk management.

The ongoing job market upheaval means there are often numerous employment options available to potential candidates and in some cases the council have found it difficult to recruit to specialist posts. However, job turnover has slowed significantly in the last six months and most key posts are filled, with a permanent Head of Legal Services and Monitoring Officer crucially now in post. We have had changes at the most senior level of the organisation and our S151 Officer is retiring in the near future, but succession plans are in place for this, and the Director posts are currently covered by internal interim appointments which are working well. This position will be resolved in the Autumn with a permanent recruitment campaign.

We welcome the opportunity to commence an LGA Corporate Peer review in January 2024 and will work with any recommendations to further strengthen our corporate governance arrangements.

### **2. Chief Financial and Section 151 Officer**

The Chief Finance Officer (CFO) is responsible for the proper administration of the council's financial affairs. The Chief Finance Officer confirms that the council's arrangements conform to Section 151 of the Local Government Act 1972 and that the council complies with CIPFA's Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016). While the council has robust financial management arrangements in place, it is important to note that the 2023/24 budget was produced in the context of prevailing economic uncertainty, particularly in relation to interest rates, inflation (including volatile utility costs) and the impact of a potential recession next year and beyond. The uncertain economic outlook and

potential recession has resulted in increased uncertainty within the council's finances and demonstrates the ongoing importance of holding sufficient reserves to enable the council to manage the risks it faces.

The council will develop its Medium Term Financial Strategy 2024-28 to deliver corporate priorities while addressing the future budget gap (projected at £1.6m by 2025/26, as reported to Full Council in February 2023) and reducing risk. Financial risk remains elevated however, particularly with regard to service demands, utility costs and inflationary pressure. Provision has been made to manage risks as far as possible, but this remains an area of concern that will continue to be monitored.

### 3. Monitoring Officer

The Monitoring Officer is required to report to the council in any case where it appears that any proposal, decision, or omission by the authority has given rise to or is likely to or would give rise to any contravention of any enactment, rule of law or code of practice or maladministration or injustice in accordance with Sections 5 and 5A of the Local Government and Housing Act 1989.

The Monitoring Office joined the council in May 2023, thus outside of this Statement's reporting period. Therefore, while the Monitoring Officer cannot provide assurances over the Statement period, they can confirm that the council's Monitoring Officer during 2022-23 raised no concerns regarding the outcomes of the governance review undertaken to produce it.

### 4. Internal Audit Annual Opinion<sup>5</sup>

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 the internal control environment.

In my opinion frameworks of governance, risk management and management 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.

### 5. External Audit

External Audit provided an unqualified (i.e. favourable) opinion on the Statement of Accounts 2021-2022, and did not identify any significant weaknesses in our:

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<sup>5</sup> Please note our Internal Audit function is delivered by the Southern Internal Audit Partnership (SIAP), operated by Hampshire County Council. This paragraph is a direct quote from the *Annual Internal Audit Report & Opinion 2022-2023*, prepared by SIAP's Deputy Head of Partnership. It will be available in the [committee papers for this meeting](#) (once the agenda is published). The meaning of "reasonable" is defined in page 4 of the annual report.




governance arrangements, financial sustainability, or our economy, efficiency and effectiveness.<sup>6</sup>

The external audit of 2022-2023's Statement of Accounts is expected to take place in summer 2023.

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<sup>6</sup> Note: this is based on the most recent audit report provided by Grant Thornton Ltd (2021-2022 audit). Grant Thornton define governance as: "Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information."



## Rational for this Annual Governance Statement's Assurance Opinion



Definition <sup>7</sup>	Description
<p>Adequate</p> 	<p>There are sound policies and processes in place that are working effectively across services, which provide for good governance arrangements and support compliance with requirements of the CIPFA Principle, and the achievement of the council's aims and objectives.</p> <p>There may be minor areas for continuous improvement, but these do not represent a significant or material risk to the council's overall governance framework.</p>
<p>Some development or areas for improvement</p> 	<p>Whilst there are policies and processes in place, there are some areas that remain a challenge for the council or require further improvement, which may impact the effectiveness of elements of the council's governance arrangements, compliance with the CIPFA principle and the achievement of the council's aims and objectives. The council has an action plan in place to address challenges and improvement matters.</p>
<p>Key development or many areas for improvement</p> 	<p>We have identified significant challenges in relation to the policies and processes, which may impact the effectiveness of elements of the our governance arrangements, compliance with the CIPFA principle and achievement of our aims and objectives. We have implemented plans for corrective actions to manage these risks.</p>



**Please note:** the items included in the table below are controls, processes etc. that have changed in the year, that is, where we improved or identified an area to improve. It is therefore not a list of all the governance arrangements we have in place. For a full list and further detail on our arrangements, please see our [Code of Corporate Governance](#).


<sup>7</sup> We have referred to [Basildon Council's criteria](#) to inform this section's assessment (last accessed 02/06/2023).



Core CIPFA Governance Principle	Overall Assessment	What's working well	Where we can improve
<p>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>		<ul style="list-style-type: none"> <li>I. Our constitution and operating framework were updated recently and implemented in May 2023.</li> <li>II. Re-launched our staff equality group and refreshed our Diversity, Equity and Inclusion Framework.</li> <li>III. We've recruited a new Head of Legal Services / Monitoring Officer.</li> </ul>	<ul style="list-style-type: none"> <li>I. Our fraud policies are being updated at present, we had hoped to complete this piece of work in 2022-2023.</li> <li>II. Through our constitution work, we identified that our councillors' code of conduct should be reviewed to ensure it still reflects best practice.</li> <li>III. We would like to promote '<a href="#">The Seven Principles of Public Life</a>' more widely within the organisation to reinforce our ethical values.</li> <li>IV. Our People Framework requires finalising.</li> <li>V. We are undertaking an audit on Complaints, to ensure our processes are working effectively.</li> <li>VI. We are making minor updates to our Whistleblowing Policy.</li> <li>VII. We are updating our Health and Safety policies and continuing with inspections to identify any gaps in practices.</li> </ul>
<p>B. Ensuring openness and comprehensive stakeholder engagement</p>		<ul style="list-style-type: none"> <li>I. We've reviewed our transparency page on our website and will be making some improvements over the next year.</li> <li>II. New format corporate performance reports have been taken to Audit &amp; Scrutiny Committee.</li> <li>III. We have filled all vacancies in our Communications team.</li> </ul>	<ul style="list-style-type: none"> <li>I. We have a new customer engagement project underway (see Annual Plan 2023-2024).</li> </ul>

		IV. New consultation platforms were trialled as part of our masterplan and local plan consultations.	
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits		<ul style="list-style-type: none"> <li>I. Our climate change strategy has been reviewed and updated.</li> <li>II. The Annual Plan 2023-2024 has been agreed, and benefits are linked to our Four Year Plan.</li> <li>III. Although still in its consultation phase, the local plan considers sustainable economic, social and environmental benefits.</li> </ul>	I. A new medium term corporate plan will be required for 2024 onwards.
D. Determining the interventions necessary to optimise the achievement of the intended outcomes		<ul style="list-style-type: none"> <li>I. The Medium Term Financial Strategy was reviewed in year as part of the budget setting process.</li> <li>II. An Arts, Heritage &amp; Culture Strategy is being prepared.</li> <li>III. A new corporate project (oversight) board, and a project management community of practice group, have both been established.</li> <li>IV. New corporate performance and risk management frameworks have been developed and established in year.</li> <li>V. Democratic Services have begun trialling the use of a committee action tracker using our ModGov software.</li> </ul>	I. Our community development plan requires review, given delays to actions due to the additional workload created by government refugee support schemes.

<p>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</p>		<ol style="list-style-type: none"> <li>I. A permanent Chief Executive has been recruited.</li> <li>II. Building Control has moved into a new partnership arrangement with Elmbridge Borough Council.</li> <li>III. There is an induction programme for new councillors following the May 2023 elections.</li> <li>IV. A Project Management Group has been created (a community of practice).</li> <li>V. Officers continue to participate in and complete management training courses.</li> </ol>	<ol style="list-style-type: none"> <li>I. Recruitment to HR roles is taking longer than anticipated.</li> <li>II. IT Strategy due to Strategy &amp; Resources Committee in September 2023.</li> <li>III. New permanent Directors require appointing.</li> </ol>
<p>F. Managing risks and performance through robust internal control and strong public financial management</p>		<ol style="list-style-type: none"> <li>I. We have had a positive outturn with regard to our finances, and treasury income has increased significantly.</li> <li>II. We adopted a new Risk Management Strategy in July 2022, which was part of a risk management assessment led by Internal Audit. Our external auditors have also reviewed aspects of the new framework. This work also includes the development of new committee risk registers.</li> <li>III. A transformation of our Planning (development management) service has been completed, and performance is improving significantly.</li> <li>IV. New format corporate performance reports have been taken to Audit &amp; Scrutiny Committee.</li> </ol>	<ol style="list-style-type: none"> <li>I. The IT Strategy is due to Strategy &amp; Resources Committee in September 2023, and IT governance practices and policies required updating. These are priority areas for improvement.</li> <li>II. We are reviewing the data we hold and ensuring it is filed correctly and securely.</li> <li>III. Our fraud policies are being updated at present, we had hoped to complete this piece of work in 2022-2023.</li> </ol>

<p>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>		<ol style="list-style-type: none"> <li>I. A new live streaming system is now used for committee meetings.</li> <li>II. We've reviewed our transparency page on our website and will be making some improvements over the next year.</li> <li>III. A new 'Governance' webpage has been created.</li> <li>IV. Internal and External Audit have reported to Audit &amp; Scrutiny Committee throughout the year.</li> <li>V. The Internal Audit Plan for 2023-2024 was agreed by Audit &amp; Scrutiny Committee.</li> <li>VI. A new corporate project (oversight) board has been setup.</li> <li>VII. A SharePoint based "Members News" intranet site was created.</li> <li>VIII. This AGS and our Local Code of Governance have been reformatted to make them clearer and more accessible.</li> </ol>	<ol style="list-style-type: none"> <li>I. We are making minor updates to our Whistleblowing Policy.</li> </ol>
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## Action Plan

### 2021-2022 Action Plan

Issues identified	Action taken	RAG status
Uncertainty regarding local government funding which will impact on the current Medium Term Financial Strategy financial stability	The re-basing exercise was reported to, and agreed by, Strategy & Resources Committee in July 2022.  Updated budgets for 2023/24, factoring in latest government funding announcements, are currently being prepared for January policy committees and Full Council in February 2023, in line with the Council's budget setting framework.	Completed
Existing strategies in relation to changes in risk relating to investment properties may need reviewed	A revised investment strategy for 2023-2025 is being prepared. It is anticipated that this will be brought to committee in the next six months.	Completed
The arrangements for Information Governance and data protection need to be reviewed to ensure they are fully compliant with legislation and ICO guidance	Complete the recruitment of a new Data Protection Officer who will bring together and progress our information governance improvements.	Completed
Strengthening and updating the Constitution	The Constitution Working Group has agreed a proposal for an updated constitution. The proposal is due to Standards and Constitution Committee on 25 January 2023.	Completed

### 2022-2023 Action Plan

Issues Identified	Action to be taken	Due date
To develop a new Medium Term Financial Strategy, in support the Council's annual service	Strategic Financial Planning report to Strategy & Resources (July 2023)	29 Feb 2024

objectives and to maintain and improve the Council's financial resilience [Finance]	Budget/MTFS report to Full Council (February 2024)	
Community Infrastructure Levy (CIL) [Place Development]	Review and update CIL policies and procedures (inc. Neighbourhood CIL).	31 Dec 2023
Information governance [Policy & Corporate Resources]	Establish officer information governance scrutiny and oversight group.	30 Sep 2023
IT Strategy [IT]	Approval of IT Strategy with associated funding and implementation plan.	30 Sep 2023
PSN Certificate [IT]	Complete PSN health check (May 2023) and any remedial actions that result.	31 Mar 2024
IT policies [IT]	Review and update IT policies as necessary.	31 Mar 2024
Human resources [People & Organisational Development]	Enhance the resilience of the People & Organisational Development Service by recruiting vacant posts and continuing with multi-role training for new team members.	31 Mar 2024
Development Management [Place Development]	Review the Development Management transformation project to ensure the council is no longer under 'threat of designation'.	30 Sep 2023
Recruitment and retention [All Services / People & Organisational Development]	Review and enhance recruitment and retention policies and procedures for key roles across the council.	31 Mar 2024
The Local Plan [Place Development]	Ensure there is adequate resourcing in place to the Local Plan is progressed in the most efficient way possible.	31 Mar 2024
Health and safety [All Services / Policy & Corporate Resources]	Continue to gather assurance on the effectiveness of health and safety management across all council services and venues.	31 Mar 2024
Officer schemes of delegation [Legal Services]	Review, and update as required, the officer schemes of delegation.	30 Sep 2023
Homelessness [Housing & Community]	Review governance arrangements around the Homelessness and Rough Sleeper Strategy.	31 Mar 2024
Business continuity [Policy & Corporate Resources]	Review and update as necessary all team's business continuity plans.	31 Mar 2024