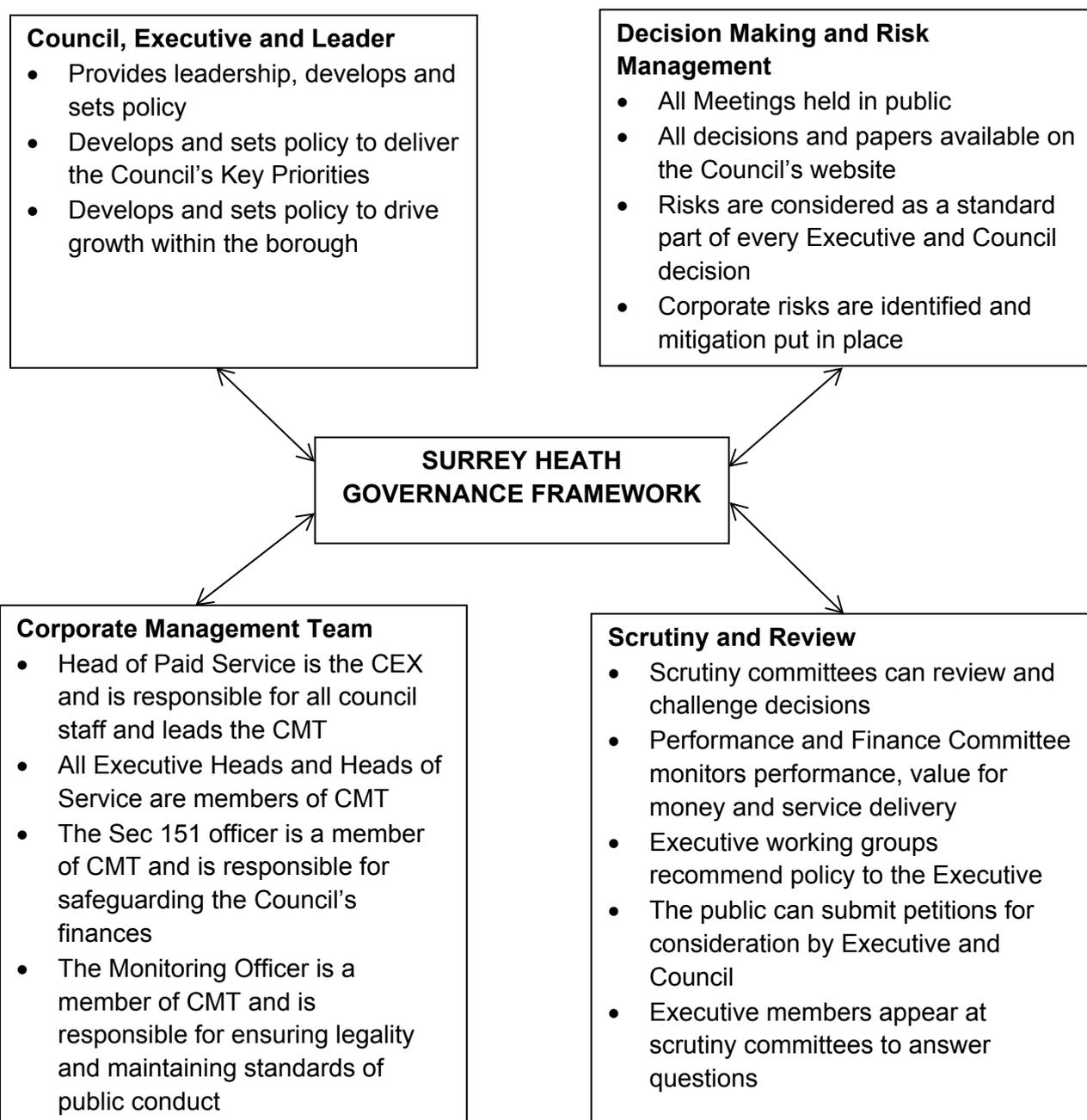


ANNUAL GOVERNANCE STATEMENT 2017/18

INTRODUCTION

Local authorities are statutorily required to review their governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SoLACE Delivering Good Governance in Local Government Framework (2016) (the Framework) fulfils this requirement. The Framework requires local authorities to be responsible for ensuring that: their business is conducted in accordance with all relevant laws and regulations; public money is safeguarded and properly accounted for; and resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people. The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK



HOW WE COMPLY WITH THE CIPFA/SOLACE FRAMEWORK

The Council has approved and adopted a Code of Corporate Governance together with a number of other strategies and processes, such as financial regulations, codes of conduct etc. which strengthen corporate governance.

Set out below is how the Council has complied with the seven principles set out in the CIPFA/SoLACE Framework during 2017/18.

PRINCIPLE A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Council has a Code of Conduct for elected Members, and a Code of Corporate Governance which provides guidance for Officers and Members on expected standards of behaviours to ensure integrity. Members and officers receive training in Code of Conduct and behaviour issues. The Audit and Standards Committee and Monitoring Officer ensure that the Code of Conduct is up to date and investigate any suspected breaches.

All officers and Members must also sign up to the Council's Anti- Fraud and Corruption Policy and declare any interests they may have or gifts they have received which are then recorded in a Register. The Whistleblowing Policy provides protection for individuals to raise concerns in confidence about suspect behaviour and ensures that any concerns raised are properly investigated. The policy is available on the website and forms part of the Council's induction process. A Bribery Policy is also in place. The Council has an internal corporate enforcement team who will investigate any suspected fraud or corruption and report their findings directly to the Monitoring Officer for action to be taken if required.

All Council decisions have to consider legal implications which are included as a standard paragraph in the report being considered. Senior officers and other key post holders receive support from Legal Services in this regard and if specialist legal advice is required then the Council will engage external advisers. The Section 151 and Monitoring Officers have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to members.

The Council has a strong internal audit function that audits all of the Council's functions on a cyclical basis. It reports its findings to the Corporate Management Team and the Audit and Standards Committee on a regular basis. It also has a direct reporting line to the Chief Executive on matters requiring immediate action.

The Council has an Equality Strategy as well as a staff Equality Action Group which champions equalities throughout the organisation. There is also a Member Equality Working Group looking at ways to engage the community.

PRINCIPLE B

Ensuring openness and comprehensive stakeholder engagement

All meetings are open to the public and all agenda papers, reports and decisions made by the Council are published on the Council's website together with details of forthcoming consultation exercises, surveys and, public meetings, except those determined as exempt from publication.

The Council's Constitution sets out how it engages with stakeholders and has representation on the governing bodies of external organisations including the local housing association, CCG, and other joint bodies.

This year the Council continued with its "Talk Surrey Heath" webcast where residents are able to ask questions of the Leader, Executive Members, Service Heads and the Chief Executive via a live webcast on different topics during the year. Topics discussed include the Town Centre, Annual Plan, Planning, changes to the Refuse Service and Finance.

The Council holds two business breakfasts during the year to present the work of the Council and to discuss matters of common interest to local businesses. The Council sends every household a copy of the quarterly magazine – Heathscene – which includes articles of interest affecting local residents. The Council also utilises various online communication channels including Twitter, Instagram, Facebook, LinkedIn and YouTube. More specific e-bulletins and publications are created for various communities of interest, such as businesses, theatre users etc as well as for changes in services such as the new waste collection arrangements.

PRINCIPLES C AND D

Defining, optimising and achieving outcomes

This year the Council has in place a five year strategy covering 2017 to 2022 based around 4 themes. These are People, Place, Prosperity and Performance. For each of these themes there are high level objectives and underneath are the priorities. A new Annual Plan is approved by Members each year which sets out the key targets which will be delivered for the year to further the priorities. These targets feed through in to project plans and individual staff and team objectives. This is to ensure that specific outcomes in relation to the five year strategy are defined for key service areas, can be delivered and monitored.

Each service also plans out how it will deliver the outcomes relevant to its area of work in the context of the agreed budget for the year ahead. Services challenge each other through the Corporate Management Team to ensure their budgets deliver value for money.

To ensure that the Council continues to deliver sustainable social and environmental benefits, there is an Economic Development Plan, as well as a series of more specific strategies. These include the Health and Well Being Strategy, Housing Strategy, Drainage Strategy and the Air Quality Strategy.

All service decisions are subject to scrutiny by Executive which includes a review of options and risks by officers and Members. Key performance indicators are in place for all services and these are reported bi annually, together with performance against the Annual Plan, to members for discussion and potential intervention where expected performance is not being achieved.

The Council has been through a programme of significant transformation over the last few years and continues to review ways of working in order to increase efficiency, reduce costs and adapt to changing legislative requirements. The Council has invested in new technology to enable services to work more efficiently. During the year a number of IT applications were upgraded and the Council started to introduce Okta (single sign on) and “box” for the storage of its documents in order to support collaborative working and enable agile working.

The Council also works closely at all levels with other authorities to learn and understand how best practice has been delivered elsewhere.

PRINCIPLE E

Developing capacity and capability

A key element of the Council's service planning is to maximise the investment in staff through training to enhance the qualifications and skills to enable them to fulfil their roles and potentially progress within the organisation. Several staff have obtained qualifications through this route and have progressed as a result. The Council has maintained its training budget despite reductions in other areas to ensure that it can develop staff for the future and deal with shortages in key areas such as planning. Training Requirements are reviewed for all staff as part of their annual appraisal which highlights areas of development required to enable them to fulfil their objectives for that year. The Council provides mandatory training for all staff where appropriate. In the current year, training on the new General Data Protection Regulations (GDPR), in preparation for its introduction on 25 May 2018, was made mandatory for all staff. The Council is also a member of the Surrey Learn Partnership which offers cost effective personal skills training in areas such as management skills, communication skills and personal effectiveness on a Surrey wide basis. Members are also able to access a range of training opportunities, some of which are mandatory i.e. planning for members of those committees. The Council has a full induction programme for staff and members.

During the year, two more apprentices were appointed, to add to those already in place, whom the Council are supporting through training and experience. This is seen as a key route to attract staff to the Council and to enable it to address skill shortages in the future. The Council operates a flexible working policy for employees to enable them to achieve a positive work life balance. In addition investment has been made in technology to enable agile working and thereby increase productivity for services such as Planning and Building Control.

The Council works across a broad set of partnerships and collaborative arrangements, and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way. Surrey Heath is the lead authority in a collaborative partnership of four authorities which are

delivering waste collection under a single contract. Discussions are on-going to extend this arrangement to other Councils in Surrey. The Council has also extended its joint arrangements with other Councils in areas such as Environmental Health and Community Services.

PRINCIPLE F

Managing risks and performance

The Risk Management Strategy sets out the Council's approach to identifying and controlling risk. A Corporate Risk Register is maintained at a corporate level with significant risks reported to CMT and to the Performance and Finance Committee each year. Progress against the Annual Plan objectives and KPI's are reported bi-annually to members. The Council has in place Financial Regulations, which set out expected processes and internal controls, which are monitored on a regular basis.

The internal audit team provide regular reports on the effective operation of these controls together with an annual assessment of the overall control environment. The Council has a dedicated Information Governance Manager responsible for information governance, security and records management. The annually reviewed Information Security Policy governs how information should be securely handled, transmitted, stored and maintained. All staff were required to attend mandatory training on the new General Data Protection Regulations and a new Data Protection Officer has also been appointed. Further work is planned during the coming months to ensure compliance with the GDPR and the new Data Protection Act, following guidance issued by the Information Commissioner's Office. Information Management is recorded on the Corporate Risk Register and with the increase in potential fines the initial impact is high but is reduced to low with the Council's commitment to management of information.

The Council recognises that it does not have the expertise internally in all matters and engages external advisors as appropriate for example in relation to the Town Centre, Regeneration Development and Planning Appeals.

The Council submits reports on its performance in complaints, planning, environmental protection and a number of other areas to Members each year for discussion and comment.

The Council invested in property in the town centre and is bringing forward plans to regenerate both the Square shopping centre and the London Road Development opportunity. It recognises that this carries a significant level of commercial and financial risk and it has appointed professional agents and legal advisers to manage and advise on these areas.

PRINCIPLE G

Implementing good practices in transparency, reporting, and accountability

All Council agendas and supporting information, unless exempt, set out the reasons for the decisions made. The Council works to provide clear and accurate information, and has developed both its website and the format of Council reports to improve transparency and accessibility. The Council reports performance against targets, its Annual Plan objectives and financial budgets on a regular basis. All overdue

essential audit recommendations are reported to the CMT and the Audit and Standards Committee, to ensure that officers undertake any follow up actions as appropriate.

REVIEW OF EFFECTIVENESS

The Council uses a number of ways to review and assess the effectiveness of its governance arrangements. These are set out below:

Assurance from Internal and External Audit

One of the key assurance statements the Council receives each year is the annual report from Internal Audit and the opinion of the Internal Audit Manager (Section 151 Officer). A total of 25 internal audits have been carried out in the year to date, or are in the process of being carried out. 23 of these are from the audit annual plan as well as a further 2 unscheduled reviews. These have included individual audits of housing, development control, health and safety and fraud which are not reviewed every year. All final audit reports for the financial year to date have been given a substantial level of assurance, there have been no limited assurance reports issued.

In the same time period, Internal Audit have raised 83 audit recommendations, 5 of which were classified as essential, and the Internal Audit team regularly monitors all recommendations due to ensure they are being actioned by managers on time. At the time of writing this statement, there were no essential recommendations overdue which had not been actioned.

The internal auditors' opinion for 2017/18 is that the Council's internal control environment and systems of internal control in the areas audited were adequate and effective.

Essential issues reported in 2017/18	Agreed action
<p><u>Operation of the new Glide parking app.</u></p> <p>Service needs to improve the billing of its new parking payment systems to ensure VAT is correct and Council receives parking income more promptly.</p>	<p>Service company to be billed and income to be received in full and accounted for in current year's set of accounts.</p>
<p><u>Homelessness Reduction Action 2017.</u></p> <p>A risk assessment has been produced in respect of the Homelessness Reduction Act 2017 and Housing Services are to make use of this risk assessment to direct resources to areas of highest risk. Consideration should be given to reporting the risk assessment to CMT/ Councillors.</p>	<p>Report to CMT and consideration be given to raising the risk assessment at the Scrutiny Committee</p>

<p><u>Creditors system.</u></p> <p>Staff should be raising purchase orders promptly before placing orders for goods and services. It was found that several POs were being placed after invoices had been received.</p>	<p>All staff to be reminded to ensure that a purchase order has to be raised on the Council's finance system prior to placing an order with a Supplier.</p>
<p><u>Leisure (greenspace) income generation.</u></p> <p>Review and improve income reported by Council leisure contractor. Not all golf income due to the Council had been identified as being recorded on contractor system, so there was a need to review income recording processes with contractor.</p>	<p>Golf income findings to be raised with contractor and agree action plan. Periodic meetings are to be held with contractor going forward to improve income.</p>
<p><u>Leisure (greenspace) income generation.</u></p> <p>Audit found that year on year income was down on 3 months in respect of golf and foot golf at Frimley Lodge.</p>	<p>Discuss findings with contractor and agree action plan to improve performance</p>

The Council's External Auditor KPMG provides assurance on the accuracy of the year end statement of Accounts and the overall adequacy of securing and improving value for money. The most recent Audit Letter, issued in December 2017, gave an unqualified opinion in respect of the financial statements and value for money.

Review of key outcome indicators

Internal Audit has undertaken a review to confirm that the arrangements described above have been in place throughout the year.

The key outcome indicators below have been used to assess the quality of governance arrangements in 2017/18:

Issues Identified	Performance for 2017/18
Formal reports by sec 151 or Monitoring officer	None issued
Outcomes from Standards Committee of Monitoring Officer investigations	No breaches of member or officer code of conduct have occurred
Proven Frauds carried out by members or officers	None identified in 2017/18
Objections received from local electors	None in 2017/18
Local Government Ombudsman referrals upheld exceed national average	Data to be completed however 2016/17 was below national average

Unsatisfactory/limited internal audit report	None apart from those identified above
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Follow up of issues identified in 2017/18

Last year's Annual Governance Statement highlighted three key areas for improvement. The table below sets out the action has been taken to address these issues in the current year:

Issues identified in 2017/18	Action Taken to Date
The purchase of the Town centre brings significant new risks and governance issues	The Council has appointed professional advisers to run and manage the centre and has put in place a governance structure consisting of the Chief Executive, the s151 Officer, the Leader and Deputy Leader to monitor performance. In addition there has been regular reporting to Members on performance to the Executive and the Scrutiny Committee.
Surrey Heath becoming lead authority for the Joint Waste partnership	The Council has put in place a team to manage the contract arrangements and this reports through a formal public joint waste committee which monitors performance.
Implementation of the General Data Protection Regulation	A Data Protection Officer has been appointed. All staff were required to complete mandatory formal training on the GDPR regulations.

Any issues identified for 2018/19

Apart from the audit issues above the Council has identified, the following issues are to be addressed during the coming year and any action planned accordingly.

Issues identified in 2018/19	Action Taken
Implementation of the General Data Protection Regulation	Work will continue to be undertaken to ensure that the Council complies with the GDPR in accordance with its Implementation Plan.
London Road Block Development	A team of professional advisers will be put place to ensure that the Council has the expertise to carry this project forward. Members will be consulted at various stages to ensure that they understand the opportunities and risks of the project.
Introduction of IAS 9	The implications of this new accounting standard on the Council's general fund, particularly in relation to investments, will be explored during the year.
New contract Arena Leisure centre	Professional advisers in place to ensure

	that the Council follows an OJEU compliant process and can make an informed judgement as to the options presented by tenderers.
Change of Auditor	The Council will work closely with its new auditor, BDO, to ensure that they are on board for the 2018/19 year end.

CONCLUSION

The Council is satisfied that appropriate governance arrangements are in place however it remains committed to maintaining and where possible improving these arrangements, in particular by addressing the issues identified in this report.

Karen Whelan
Chief Executive

Cllr Moira Gibson
Leader