# Annual Governance Statement
2016/17

STROUD DISTRICT COUNCIL

# Contents

# Scope of Responsibility

Stroud District Council (SDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

SDC acknowledges its responsibility for ensuring that there is effective governance within the Council and as such has developed a Code of Corporate Governance that defines the principles and practices that underpin the governance arrangements operating within the Council.

The Code is reviewed and updated annually and is consistent with the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) guidance 'Delivering Good Governance in Local Government framework - 2016 Edition', the key focus being on sustainability i.e. economic, social and environmental and the need to focus on the longer term and the impact actions may have on future generations.

A copy of the Code can be accessed on the Council's website. However, a summary of the seven core principles upon which it is based can be found on page 9 of this document.

This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1) (a) and (b), which requires the Council to prepare and publish an Annual Governance Statement (AGS).

The responsibility for leading and directing the annual reviews of the effectiveness of the Council's governance arrangements against the Code and providing ongoing oversight and robust challenge, is the Council's Corporate Team and when completed, the findings are reported to and improvement actions identified, monitored by, the Audit and Standards Committee.

# What is Governance?

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- ❑ leadership and management;
- ❑ performance and risk management;
- ❑ stewardship of public money; and
- ❑ public engagement and outcomes for our citizens and service users.

# What is the purpose of a Governance Framework?

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. It enables the Council to monitor the achievement of its vision and strategic priorities and to consider whether those priorities have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It assures that in conducting its business, the Council:

- ❑ operates in a lawful, open, inclusive and honest manner;
- ❑ makes sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud, properly accounted for and used economically, efficiently and effectively;
- ❑ has effective arrangements for the management of risk;
- ❑ secures continuous improvement in the way that it operates;
- ❑ enables human, financial, environmental and other resources to be managed efficiently and effectively;
- ❑ properly maintains records and information; and
- ❑ ensures its values and ethical standards are met.

# What is the Annual Governance Statement?

The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement, in order to report publicly on the extent to which we comply with our own Local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in year and on any planned changes to our governance arrangements in the coming year.

In this document the Council:

❑ acknowledges its responsibility for ensuring that there is a sound system of governance;

❑ summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;

❑ describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;

❑ provides details of how the Council has responded to any issue(s) identified in last year's governance statement; and

❑ reports on any key governance matters identified from this review and provides a commitment to addressing them.

The Annual Governance Statement reports on the governance framework that has been in place at Stroud District Council for the year ended 31st March 2017 and up to the date of approval of the statement of accounts.

It should be noted however, that any system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and priorities; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Council's Governance Assurance Framework, which underpins the AGS, has been in place at the Council for the year ended 31st March 2017 and up to the date of approval of the AGS and Statement of Accounts.

# What is a Governance Assurance Framework?

Assurance provides confidence, based on sufficient evidence, that internal controls are in place and are operating effectively and that priorities/objectives are being achieved. An Assurance Framework is a structure within which Members and Senior Management identify the principal risks to the Council meeting its key priorities, and through which they map out both the key controls to manage them and how they have gained sufficient assurance about the effectiveness of those controls. The assurance framework underpins the statements made within the Annual Governance Statement.

An assurance process is in place to provide a framework for the annual assessment of the effectiveness of the governance arrangements operating within the Council. This includes robust challenge by the Council's Audit and Standards Committee, Statutory Officers i.e. the Chief Executive, Monitoring Officer, Chief Financial Officer and the Corporate Team.
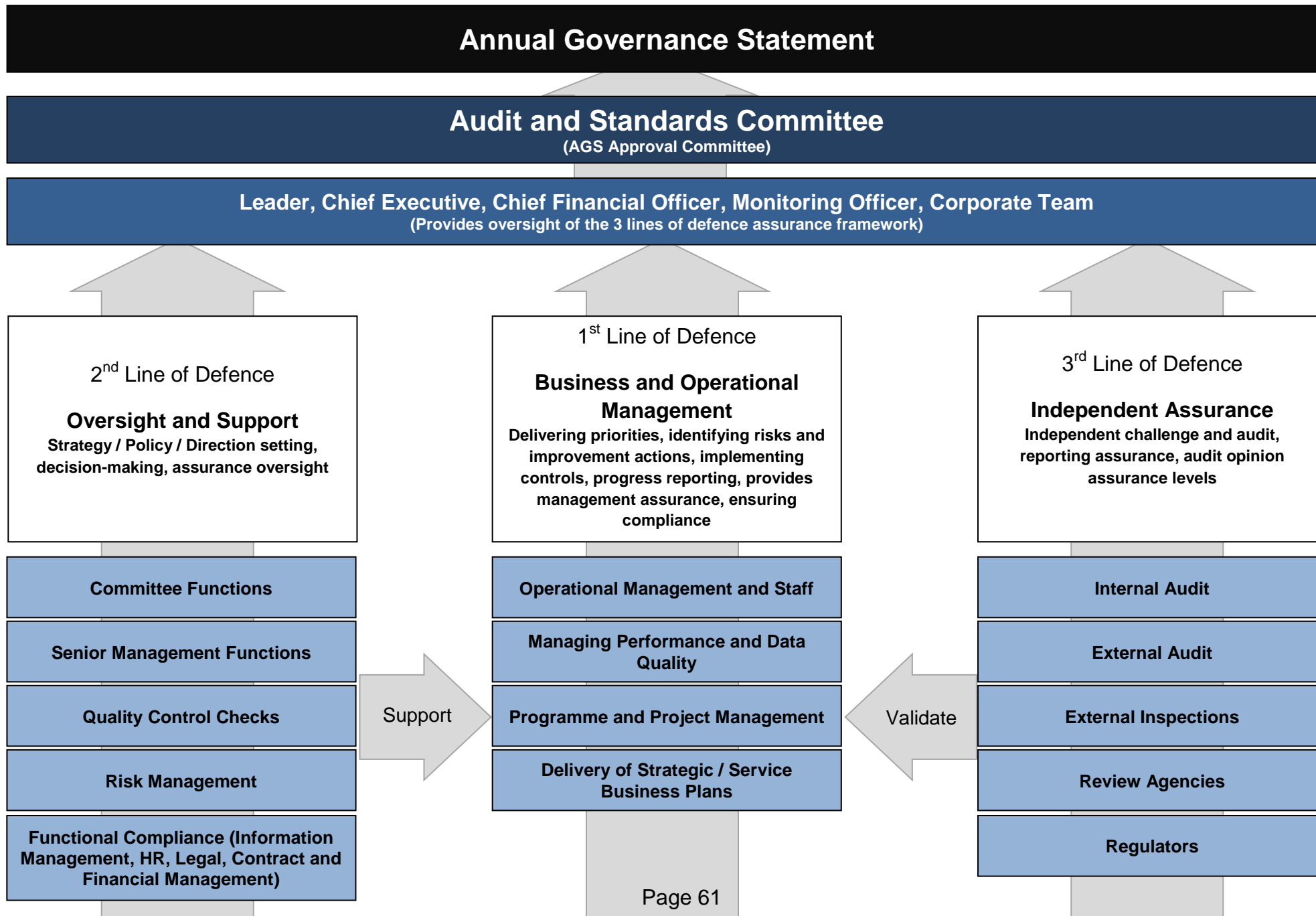
In addition, 'the three lines of defence assurance model' is in place which helps Members and Senior Management to understand where assurances are being obtained from, the level of reliance they place on that assurance and identify potential gaps in assurance.

**The Three Lines of Defence in effective Risk Management and Control**

Assurance can come from many sources within the Council. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance.

By defining these sources into three categories i.e. the First Line (functions that own and manage risks e.g. management and supervisory controls), the Second Line (functions that oversee risks e.g. Governance structures and processes such as Audit and Standards Committee, other Council Committees, Management Teams) and the Third Line (functions that provide independent assurance on the management of risks e.g. HMRC, Internal/External Audit), helps the Council understand how each contributes to the overall level of assurance and how best they can be integrated and supported. Please see page 7 below which summarises the Council's governance assurance framework, which is based on the three lines of defence model.

# What is the Council's Governance Assurance Framework?

**Annual Governance Statement**

**Audit and Standards Committee**
**(AGS Approval Committee)**

**Leader, Chief Executive, Chief Financial Officer, Monitoring Officer, Corporate Team**
**(Provides oversight of the 3 lines of defence assurance framework)**

| 2nd Line of Defence | 1st Line of Defence | 3rd Line of Defence |
|---|---|---|
| **Oversight and Support** | **Business and Operational Management** | **Independent Assurance** |
| Strategy / Policy / Direction setting, decision-making, assurance oversight | Delivering priorities, identifying risks and improvement actions, implementing controls, progress reporting, provides management assurance, ensuring compliance | Independent challenge and audit, reporting assurance, audit opinion assurance levels |
| Committee Functions | Operational Management and Staff | Internal Audit |
| Senior Management Functions | Managing Performance and Data Quality | External Audit |
| Quality Control Checks | Programme and Project Management | External Inspections |
| Risk Management | Delivery of Strategic / Service Business Plans | Review Agencies |
| Functional Compliance (Information Management, HR, Legal, Contract and Financial Management) | | Regulators |

Support → ← Validate

# How has the Annual Governance Statement been prepared?

In preparing the Annual Governance Statement the Council has:

❑ reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance;

❑ updated the Council's Local Code of Corporate Governance to reflect this guidance which includes the revised seven principles of good governance and associated required actions and behaviours taken by the Council that demonstrate good governance; and

❑ assessed the effectiveness of the Council's governance arrangements against the revised Local Code of Corporate Governance.

# How does the Council monitor and evaluate the effectiveness of its governance arrangements?

The Council annually reviews the effectiveness of its governance arrangements. The key sources of assurance that inform this review are outlined below:

❑ The development and implementation of a Management Governance Assurance Framework which enables the Council to gain assurance that good governance actions and behaviours are operating within the Council;

❑ The work of Members and Senior Officers of the Council who have responsibility for good governance;

❑ The Chief Internal Auditor's annual report on Internal Audit Activity 2016/2017, which provides the independent assurance that key risks (financial and non-financial) are being adequately controlled and provides an opinion on the effectiveness of these arrangements;

❑ Reports on Risk Management activity during 2016/2017;

❑ Any comments made by the Council's External Auditors; and

❑ Any other review agencies and inspectorates.

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# What are the key elements of SDC's Governance Framework?

The Council aims to achieve good standards of governance by adhering to the seven core principles below, which form the basis of the Council's Code of Corporate Governance:
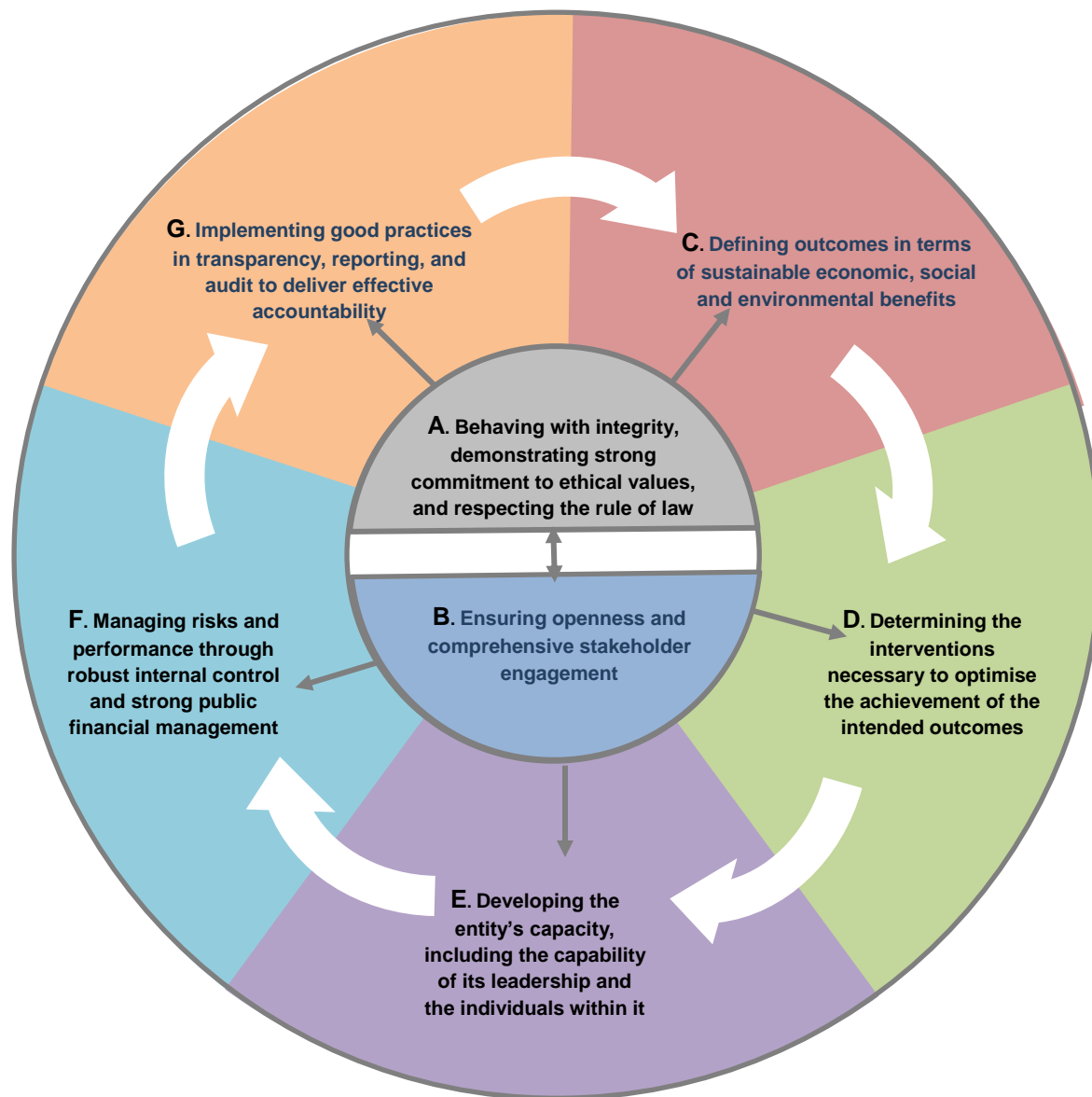


The following pages provide a summary of actions and behaviours taken by the Council in relation to each of these seven core principles and associated sub principles.

# Principle A

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

Supporting Principles:

| **Behaving with integrity** | **Demonstrating strong commitment to ethical values** | **Respecting the Rule of Law** |
|---|---|---|

How we do this:

- ❖ The Council has an **Audit and Standards Committee** to promote high standards of member conduct. Elected members must follow a **Code of Conduct** to ensure high standards in the way they undertake their duties. The Monitoring Officer advises members on the Code of Conduct.
- ❖ Officer behaviour is governed by the **Employees' Code of Conduct**. The Code has been formulated to provide a set of standards of conduct expected of employees at work.
- ❖ External providers of services acting on behalf of the Council are also required to comply with the Code of Conduct.
- ❖ These Codes are regularly reviewed to ensure they are operating effectively.

- ❖ Arrangements exist to ensure that members and officers are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
  - o Registers of disclosable conflicts of interests;
  - o Declarations of disclosable conflicts of interests and disclosable other interests at the start of meetings; and
  - o Employee Registers of gifts and hospitality.
- ❖ A **customer feedback / Complaints Policy** exists to receive & respond to any complaints received.
- ❖ Actively seek to deter and prevent fraud and corruption and ensure where irregularity is suspected that it is thoroughly investigated.
- ❖ The required staff 'behaviours' are embedded into the Council's

- ❖ The **Constitution** sets out the responsibilities of the Council and the Committees, as well as officers, including decision making powers.
- ❖ The Council has a duty to appoint three of its staff to specific roles, these being:
  -**The Head of Paid Service (i.e. Chief Executive)**, who has overall accountability for the governance arrangements operating within the Council.
  - **The Monitoring Officer** who has a key role in ensuring that decisions taken are within the law and the Council complies with the provisions of its Constitution.
  - **The Chief Financial Officer** is the principal financial adviser to the Council and is responsible for the proper administration of the Council's financial affairs and internal control environment.

# Principle B

## Ensuring openness and comprehensive stakeholder engagement

Supporting Principles:

| Openness | Engaging comprehensively with institutional stakeholders | Engaging stakeholders effectively, including individual citizens and service users |
|---|---|---|

How we do this:

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| ❖ To help the Council deliver its vision it produces a 4-year rolling Corporate Delivery Plan (CDP) which is reviewed annually. This allows us to maintain a focus over the medium term and ensures that we plan financially and adapt what we do to the changing demands of local people and the Government. The CDP is publicly available. | ❖ Elected members are democratically accountable to their local area and this provides a clear leadership role in building sustainable communities. | ❖ The long-term vision for the Council is set out in the Corporate Delivery Plan 2015-2019 which is informed by public consultation. |
| ❖ Member decisions and significant officer decisions are also reported on the Council's website. | ❖ The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people. | ❖ Annual resident/business council satisfaction surveys are received from the local communities. |
| ❖ The Council publishes certain data in accordance with the Local Government Transparency Code which enables more power to be placed into citizens' hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services. | ❖ Formal Public Consultation arrangements and public meetings held to ascertain stakeholder views prior to developing and implementing key policy changes. | ❖ The Councillor Call for Action is to support elected members in achieving improvements for their local areas. In their day to day roles, councillors identify issues of significant concern to their communities. They seek to resolve problems by talking to the Council and other service providers. If they cannot resolve a particular issue they are able to refer it to a relevant committee for further investigation. |
| | ❖ Developed and implemented alternative service delivery models, where appropriate, to allow for resources to be used more efficiently and effectively. | ❖ A consultation hub is on the website which provides the details of both open and closed consultations, where we consult regularly with local people on a wide range of policies, plans and proposals affecting our communities. |

# Principle C

**Defining outcomes in terms of sustainable, economic, social and environmental benefits**

Supporting Principles:

| **Defining outcomes** | **Sustainable economic, social and environmental benefits** |

How we do this:

- ❖ The long term vision and Council's priorities are set out in the Corporate Delivery Plan 2015-2019.
- ❖ A [Budget and Medium Term Financial Plan](#), Capital Programme and annual budget process ensure that financial resources are directed to the Council's priorities.
- ❖ The Council works with partner organisations where there are shared objectives and clear economic benefits from joint working.
- ❖ The Council has a co-ordinated and structured approach to developing services and defining outcomes.
- ❖ Contract management and monitoring arrangements are in place to ensure that services provided are delivered to a high standard.
- ❖ The Council's business planning, performance and risk management framework enables the monitoring of progress against service strategic / business plans priorities and objectives, key performance indicators and targets.

- ❖ The Medium Term Financial Plan identifies the required efficiency savings across the Council in a systematic and considered manner.
- ❖ The Council aims to ensure that the purchase of goods, services or works required to deliver services is acquired under Best Value terms.
- ❖ The Council develops [business continuity plans](#) to ensure that critical service delivery can be maintained or recovered during an emergency.
- ❖ The Council's decision making process requires consideration of the economic, social and environmental impacts of policies and plans when taking decisions about service provision.
- ❖ Programme and project management arrangements require consideration of Political, Environmental, Societal (i.e. increased demand for a service and demographic changes), Technological, Legislative, Economic and Efficiency issues, risks and opportunities and value for money.

# Principle D

**Determining the interventions necessary to optimise the achievement of the intended outcomes**

Supporting Principles:

| **Determining interventions** | **Planning interventions** | **Optimising achievement of intended outcomes** |
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How we do this:

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| ❖ The Council's decision making processes ensure that decision makers receive objective and robust analysis of a variety of options indicating how the intended outcomes will be achieved, providing information on the risks and opportunities associated with those options, thus helping to inform those decisions. <br> ❖ Public consultation is undertaken to ensure that feedback from citizens and service users are fully considered when making decisions about service improvements / changes. | ❖ The Council's Corporate Delivery Plan defines the Council's vision and key priorities, following full consultation with the local communities. <br> ❖ The Council has developed Service Strategic / Business Plans with clearly defined outcomes and a balanced set of key performance indicators and risks to evaluate performance. <br> ❖ Performance reports analysing trends and latest budget position are monitored by management and the relevant Committees. | ❖ The Council has developed and implemented a Budget and Medium Term Financial Plan (MTFP). <br> ❖ The financial plans demonstrate how the Council's financial resources will be deployed over the next four years to deliver declared aims and priorities. <br> ❖ The MTFP sets out the overall shape of the Council's budget by determining the level of resources that will be available and how these are currently allocated between services. <br> ❖ The Council ensures the achievement of 'social value' (i.e. a way of thinking about how scarce resources are allocated and used when awarding a contract) when procuring services and service planning. |

# Principle E

**Developing the entity's capacity, including the capability of its leadership and the individuals within it**

Supporting Principles:

| Developing the Council's capacity | Developing the capability of the Council's leadership and other individuals |

How we do this:

- ❖ The Council participates in relevant benchmarking exercises and peer reviews to help inform how the resources are allocated, so that outcomes can be achieved effectively and efficiently.
- ❖ Collaborative working and alternative service delivery models are fully considered as part of the option appraisal process, when looking to determine how the Council's resources are allocated in order to meet our priorities.
- ❖ The Council has developed and implemented a suite of learning, development and growth programmes to enable and encourage increased knowledge and skills.
- ❖ For staff wishing to progress into management, access is provided to programmes through the Institute of Leadership and Management. We currently have two new programmes in the development stages with local colleges.
- ❖ Sometimes, people want to expand their skill set beyond those used in their usual role and gain an insight into other parts of the organisation. We know that this fresh look at the workplace can help to maintain enthusiasm and job satisfaction, so we provide our employees with secondment opportunities within the Council and externally.

- ❖ The Council's Constitution clearly defines the statutory and distinctive roles of the Leader and other councillors and sets out to whom decision making powers are delegated, including senior officers such as the Chief Executive.
- ❖ A Members Training and Development Programme is in operation, which supports continued Member development.
- ❖ The Council has implemented a competency framework which provides an opportunity to reflect on how individuals are performing, what is going well and also where the individual may need further support or development as part of their role.
- ❖ The above includes required skills and behaviours as these behaviours are essential for the delivery of our key priorities, to continue to support our savings targets, and form part of our on-going commitment to personal and professional development.
- ❖ Staff appraisals and 121's held to monitor staff performance and identify training and development needs.

# Principle F

## Managing risks and performance through robust internal control and strong public financial management

Supporting Principles:

| **Managing Risk** | **Managing Performance** | **Robust internal control** | **Managing Data** | **Strong public financial management** |
|---|---|---|---|---|

How we do this:

| Managing Risk | Managing Performance | Robust internal control | Managing Data | Strong public financial management |
|---|---|---|---|---|
| ❖ The Council has a Risk Management Policy / Strategy which clearly defines the roles and responsibilities for managing risk, confirming that risk management is an integral part of all our business activities including all aspects of business planning, option appraisals and decision making.<br>❖ Business Continuity arrangements are in place for critical services to ensure they can continue to operate in an emergency.<br>❖ The Audit and Standards Committee monitor the adequacy of the risk identification, monitoring and control of strategic and operational risk within the Council. | ❖ The Council's Corporate Delivery Plan (CDP) outlines our vision as leading a community that is making Stroud district a better place to live, work and visit for everyone. The plan seeks to demonstrate how this will be achieved around five key priorities: Economy, Affordable Housing, Environment, Resources and Health and Wellbeing.<br>❖ A business planning framework is in operation which includes our Service Strategic Plans which aligns with our CDP and sets out our strategic priorities and business plans which set out the key priorities / tasks / targets / risks for the day job.<br>❖ Priorities are monitored through our performance, programme and project management framework. | ❖ There is an Internal Audit (IA) function (100% compliant with Public Sector Internal Audit Standards 2017) which has provided a satisfactory independent opinion on the effectiveness of the Council's control environment comprising, risk management, control and governance.<br>❖ The Council takes fraud, corruption and maladministration very seriously and has established policies and processes which aim to prevent or deal with such occurrences. These can be found within the Anti Fraud and Corruption Policy Statement and Strategy.<br>❖ The Audit and Standards Committee is responsible for monitoring and reviewing the above. | ❖ Data is managed in accordance with the law. The key information management and security policies in place are: The Data Protection Policy and Guidance, and Information Security Policy.<br>❖ Information Sharing protocols are in place when sharing data with third parties.<br>❖ Freedom of Information Publication Scheme provides a guide to the current information we routinely publish, or intend to publish. It aims to help you understand what information is already available, how to find/access it and whether or not a charge applies.<br>❖ ICT Infrastructure Investment Plan 2017/18 to 2019/20. | ❖ Robust budget management arrangements are in place including monitoring and review by all Committees.<br>❖ External Audit review and report on the Council's financial statements (including this Annual Governance Statement), providing an opinion on the accounts and concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).<br>❖ The Audit and Standards Committee monitor the effectiveness of the Chief Financial Officer's responsibility for ensuring an adequate internal / financial control environment. |

# Principle G

**Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

Supporting Principles:

| **Implementing good practices in transparency** | **Implementing good practices in reporting** | **Assurance and effective accountability** |
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How we do this:

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| ❖ Agendas and minutes of Council and Committee meetings are publically available on the Council's website and Council and Committee meetings are available live and afterwards on the Council's website. <br><br>❖ The Council has a Freedom of Information Act publication scheme (to ensure the members of the public have access to all recorded information held by the Council). <br><br>❖ Compliance with the Local Government Data Transparency Code which sets out the minimum data that the Council should be publishing, the frequency it should be published and how it should be published e.g. expenditure exceeding £500, grants to voluntary, community and social enterprise organisations, senior salaries etc. This makes it easier for local people to contribute to the local decision making processes and help to shape public services. | ❖ The published Annual Statement of Accounts is the statutory summary of the Council's financial affairs for the financial year. The purpose of the Annual Statement of Accounts is to give clear information on the income and expenditure of the Council and to demonstrate the Council's stewardship of public money for the year. <br><br>❖ The Council publishes an Annual Governance Statement in order to report how we have monitored the effectiveness of our governance arrangements (self assessed against the seven key principles set out within our Code of Corporate Governance) in year and on any planned changes in the coming year. <br><br>❖ The Audit and Standards Committee review and approve the Annual Statement of Accounts and Annual Governance Statement. | ❖ Accountability and decision making arrangements are clearly defined within the Council's Constitution. These accountabilities include arrangements when delivering services with our key partners. <br><br>❖ The Audit and Standards Committee provide independent assurance to the Council on the adequacy and effectiveness of the governance arrangements and internal control environment operating within the Council. <br><br>❖ Risk based internal auditing provides ongoing assurance that the key risks material to achieving the Council's objectives are being managed. <br><br>❖ Peer reviews and benchmarking undertaken to ascertain good practice and implement improvements as identified. |

# What are the key roles of those responsible for developing and maintaining the Governance Framework?

| | |
|---|---|
| **The Council** | - Adopting and making substantive changes to the Constitution.<br> -Approving or adopting the annual budget.<br>- Agreeing and/or amending the Terms of Reference for Committees, deciding on their composition and appointing Chairmen and Vice Chairmen to them. |
| **Audit and Standards Committee** | - Provides independent assurance to The Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment.<br>- Promotes high standards of member conduct.<br>- Approves the Annual Statement of Accounts and Annual Governance Statement. |
| **Committees** | - There are four Committees aligned to the Council's corporate priorities (excluding Audit and Standards and the Development Control Committee). They hold Officers to account and scrutinise performance. Any two members of each committee will meet on a quarterly basis with senior management in non decision making, informal meetings. They report back on an exception basis to their Committees any key issues. |
| **Chief Executive Corporate Management Team** | - Implements the policy and budgetary framework set by the Council and provides advice to Committees and the Council on the development of future policy and budgetary issues and oversees the implementation of Council policy. |
| **Chief Financial Officer (s151)** | - Accountability for developing and maintaining The Council's governance, risk and control framework.<br>- Contribute to the effective corporate management and governance of the Council. |
| **Monitoring Officer** | - To advise the Council on ethical issues, standards and powers to ensure the Council operates within the law and statutory Codes of Practice.<br>- Overall responsibility for the maintenance and operation of the Confidential Reporting Procedure for Employees. (Whistleblowing) and contributes to the effective corporate management and governance of the Council. |
| **Internal Audit** | - Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework.<br>- Delivers an annual programme of risk based audit activity, including counter fraud and investigation activity.<br>- Makes recommendations for improvements in the management of risk. |
| **External Audit** | - Audit / review and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion). |
| **Strategic Heads/Managers** | - Responsible for developing, maintaining and implementing the Council's governance, risk and control framework.<br>- Contribute to the effective corporate management and governance of the Council. |

# How has the Council addressed the governance improvement actions from 2015/16?

The Annual Governance Statement 2015/16 contained the following key improvement actions. Details of the issue and how it was addressed are provided below:

| AGS 2015/16 review reference | Action | Position as at 31st March 2017 |
|---|---|---|
| Local Code of Corporate Governance Core Principle 1 | **Governance in working with others:** The Council is required to focus on the purpose of the authority and on outcomes for our customers and stakeholders and creating and implementing a vision for the local area. The Council has joined with ten of our public sector partners to have one conversation with government about how through devolution we can achieve better outcomes and reduced costs.<br><br>**Action:** The devolution bid, if successful, includes a commitment to a new governance arrangement. This is a statutory process and will be led by the Chief Executive. The process will include consultation and engagement with the organisations involved and other stakeholders.<br><br>**Target date:** To be determined - depending upon outcome of bid. | Devolution bid outcome still to be determined. |

| AGS 2015/16 review reference | Action | Position as at 31st March 2017 |
|---|---|---|
| Revised CIPFA Guidance on Delivering Good Governance 2016 | **CIPFA - Delivering Good Governance in Local Government : Framework (2016 Edition):** The Council currently prepares and publishes an Annual Governance Statement in accordance with the CIPFA Delivering Good Governance in Local Government 2007 (Addendum 2012). This guidance/framework has been refreshed and defines the principles that should underpin the governance arrangements of the Council and applies to the annual governance statements prepared for the financial year 2016/17 onwards.<br><br>**Action:** The Chief Internal Auditor to test the Council's governance arrangements and be able to demonstrate that its governance structures comply with the core and sub principles contained within the revised framework. To then develop and maintain, on behalf of the Council, a local code of governance / governance arrangements reflecting the principles set out.<br><br>**Target date:** 31st March 2017 | **Completed**<br><br>The Council's revised Local Code of Corporate Governance, Annual Governance Statement and the associated assurance framework has been developed by the Chief Internal Auditor, which is in accordance with the principles contained within the CIPFA guidance i.e. Delivering Good Governance in Local Government 2016 Edition.<br><br>The revised governance assurance framework applies to the Annual Governance Statement 2016/2017. |

| AGS 2015/16 review reference | Action | Position as at 31st March 2017 |
|---|---|---|
| Local Code of Corporate Governance Core Principle 3 (and Annual Governance Statement paragraph 7.10) | **Anti-Fraud and Corruption Strategy:** The Council is required to promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour.<br><br>The Fighting Fraud and Corruption Locally 2016–2019 Strategy has been developed by local authorities and counter fraud experts and supported by the CIPFA Counter Fraud Centre. It is the definitive guide for council leaders, chief executives, finance directors and all those with governance responsibilities. The strategy includes practical steps for fighting fraud, shares best practice and brings clarity to the changing anti-fraud and corruption landscape.<br><br>**Action:** During 2016/17 the Chief Internal Auditor will undertake a self-assessment against the new guidance to measure the Council's counter fraud and corruption culture and response and propose enhancements as required.<br><br>**Target date:** 31st March 2017 | **Completed**<br><br>A self assessment against the new counter fraud guidance has been undertaken by the Chief Internal Auditor, which has resulted in a refreshed Anti Fraud and Corruption Policy Statement and Strategy, Anti Bribery Policy and Anti Money Laundering Policy 2017 – 2019.<br><br>The revised policies were approved by the Audit and Standards Committee on 11th April 2017. |

| AGS 2015/16 review reference | Action | Position as at 31st March 2017 |
|---|---|---|
| Annual Governance Statement paragraphs 7.4 & 7.5 | **Risk Management Policy and approach:** Risk management is a core part of the Council's corporate governance framework and internal control environment. It is one of the six core principles within the Council's Code of Governance – 'taking informed and transparent decisions which are subject to effective scrutiny and managing risk'.<br><br>The Council's Risk Management Policy should reaffirm and improve effective risk management in the Council, comply with good practice and in doing so, effectively manage potential opportunities and threats to the organisation achieving its objectives. The Policy should also support the consideration and auctioning of risk management within Council partnerships and contracts.<br><br>**Action:** The Chief Internal Auditor will review the Council's risk management arrangements (including the Risk Management Policy) against the latest ISO 31000 risk management standard. The review findings will be reported to Audit and Standards Committee and will inform future risk management development at the Council.<br><br>**Target date:** 31st March 2017 | **Completed**<br><br>Risk management arrangements:<br>Self assessment of the Council's risk management arrangements has been completed against the latest ISO 31000 risk management standard and the results reported to Audit and Standards Committee on 22nd September 2016. The relevant action plan, following finalisation and approval by Corporate Team, was then presented to and approved by Audit and Standards Committee on 22nd November 2016.<br><br>Risk Management Strategy:<br>The update of the Council's Risk Management Policy Statement and Strategy has been led by the Legal Services Manager, supported by the Chief Internal Auditor, in consultation with Corporate Team.<br><br>The updated Risk Management Policy Statement and Strategy was approved by the Audit and Standards Committee on 11th April 2017. |

| AGS 2015/16 review reference | Action | Position as at 31st March 2017 |
|---|---|---|
| Annual Governance Statement paragraph 14.7 | **HRA balances investigation:** The investigation of HRA balances reported to Members between 2014/15 and 2015/16 (requested by the Chief Executive and reported to Strategy and Resources Committee on 15th June 2016) confirmed that reported HRA balances had been overstated by £909,000. The overstatement has impacted on the HRA budget and business plan for 2016/17 (and subsequent years). The investigation report raised eight recommendations to improve controls surrounding budget and outturn reporting to Members. Responsibility for control implementation and governance improvement has been allocated to the S151 Officer and the Accountancy Manager. **Action(s):** Internal Audit to complete follow up reviews on the implementation of the HRA balances investigation recommended controls. Review to be completed in two stages within quarters 2 and 3 2016/17. The follow up review findings will be reported to Audit and Standards Committee. Revision and update of the HRA business plan (including options available to the Council) to be presented to Housing Committee and Strategy and Resources Committee by the S151 Officer and Accountancy Manager. **Target date:** Regular updates to be provided to Audit and Standards Committee within 2016/17 Civic year. | **Completed for 2015/2016**<br><br>Three HRA balances investigation follow up internal audit reports have been presented to Audit and Standards Committee to date:<br><br>• First follow up:   22nd September 2016<br>• Second follow up:   22nd November 2016<br>• Third follow up:   11th April 2017<br><br>The third follow up internal audit reviewed all financial reports submitted to Stroud Committees between November 2016 and March 2017, to provide assurance over the completeness and accuracy of the reports.<br><br>The approved 2017/18 Risk Based Internal Audit Plan includes full follow up of all recommendations raised within the original HRA balances investigation report. |

| AGS 2015/16 review reference | Action | Position as at 31st March 2017 |
|---|---|---|
| Annual Governance Statement paragraphs 15.0 to 15.3 | **Procurement Action Plan:** Weakness in the use and management of procurement and contract management increases the risk of legal challenge from suppliers and contractors of not complying with relevant regulations and internal Council Contract and Procurement Rules. It also increases the risk that the Council cannot demonstrate that it is securing value for money when procuring. The Council drafted the Procurement Action Plan 2015/16 to mitigate against the above risks. Implementation in 2015/16 was delivered through the Procurement Board and progress reported to the Audit and Standards Committee. At 2015/16 year end, governance of procurement and contract management was transferred from the Procurement Board to the Corporate Team. To continue development of the area, Audit and Standards Committee approved the proposed 2016/17 Action Plan on 5th April 2016. **Action:** Corporate Team to lead on delivery and implementation of the approved Procurement Action Plan 2016/17 (first review planned for 12th July 2016). Progress against the 2016/17 Plan will be reported to Audit and Standards Committee. **Target date:** Latest Plan implementation date – 31st March 2017. | **Completed for 2015/2016** Progress on the 2016/17 Procurement Action Plan has been reported to Corporate Team on a quarterly basis to date within 2016/17. Briefing notes and reports have also been presented to Audit and Standards Committee. Actions within the year to date have included (but are not exclusive to) Corporate Team approval of the corporate procurement training programme which was completed in March 2017. Work also commenced in 2016/2017 and is continuing to consolidate expenditure on particular areas across the Council. |

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| AGS 2015/16 review reference | Action | Position as at 31st March 2017 |
|---|---|---|
| Annual Governance Statement paragraph 16.9 | **Business Continuity and Disaster Recovery:** The Council's Excelsis risk register includes the risk 'COMS10: If the Council does not regularly review it's business continuity/disaster recovery plans to ensure they are fit for purpose, the delivery of frontline and back office services will be disrupted in the event of an incident' which has a current risk score of 8 (allocated in line with the Council Risk Management Policy) and a target risk score of 4. The COMS10 lead officer is the s151 Officer.<br>To support mitigation of the COMS10 risk, the s151 Officer and ICT Delivery Manager have raised the area for inclusion within the Risk Based Internal Audit Plan 2016/17.<br><br>**Action:** Business Continuity and Disaster Recovery consultancy review to be completed by Internal Audit in liaison with the ICT Delivery Manager, to support control improvement. Review action plan to be reported to Audit and Standards Committee.<br><br>**Target date:** 31st March 2017. | **Completed**<br><br>The IT Disaster Recovery and Business Continuity internal audit consultancy review has been completed and outcomes presented to Audit and Standards Committee on 7th February 2017.<br><br>The approved 2017/18 Risk Based Internal Audit Plan includes an audit of progress made with the recommendations raised within this consultancy review. |

# What are the key 2016/17 governance matters identified?

The review of the effectiveness of the Council's governance framework has identified the following actions that will need to be addressed during 2017/18.

| Review Reference | Governance matters identified/actions taken | Target Date | Lead Officer |
|---|---|---|---|
| Chief Financial Officer Assurance Statement | **Future Financial Sustainability**<br><br>The 2017/2018 Medium Term Financial Plan identified core deficit of £3.4m by 2020/21.<br><br>**Actions:** Work is currently underway with Strategic Heads and key members of the administration to produce a balanced savings plan that addresses the funding shortfall. | Ongoing | Chief Financial Officer (S151) |
| Corporate Team Review | **ICT Strategy / Infrastructure Investment Plan 2017/18 to 2019/20**<br>The Council has allocated up to £600k between 2017/18 and 2019/20 to upgrade the ICT infrastructure and has developed an investment plan summarising how these funds are to be utilised to ensure that the ICT infrastructure continues to meet the business needs of the Council and is able to protect itself against key risks such as cyber threats.<br><br>**Actions:** The delivery of the plan will be monitored by Corporate Team and key outcomes reported to Strategy and Resources Committee. | Ongoing | Head of ICT and Lead Business Consultant |

| Review Reference | Governance matters identified/actions taken | Target Date | Lead Officer |
|---|---|---|---|
| Strategic Head's Composite Assurance Statement | **Multi Service Contract**<br>The multi services contract provides for the provision of waste and recycling, street cleaning, grounds maintenance, fleet management and maintenance services.<br><br>There has been a significant increase in costs of the new waste and recycling service which has resulted in additional resources allocated in 2017/2018 Medium Term Financial Plan.<br><br>**Actions:** A full service management review is being undertaken in early 2017/2018 which includes detailed resource analysis. In addition, Internal Audit will provide support to the development of a control framework to effectively manage and monitor the contract. | Ongoing | Strategic Head of Customer Services |

| Review Reference | Governance matters identified/actions taken | Target Date | Lead Officer |
|---|---|---|---|
| Strategic Head's Composite Assurance Statement | **Council Tax and Business Rates Direct Debit issues**<br><br>In December 2016 an error occurred in two Direct Debit payment runs and payments were taken from customer's bank accounts a few days earlier than the due date. A full review was immediately undertaken that examined what had happened and how it can be prevented from happening again. A Members Information sheet was produced which was published on the Council's website which included an improvement action plan. In consultation with Internal Audit, six key recommendations were agreed:<br><br>&#10137; Procedure guidance notes and procedures documented and process defined;<br>&#10137; Additional staff training;<br>&#10137; Internal User Group meetings;<br>&#10137; Business Continuity Plan;<br>&#10137; Automate Process; and<br>&#10137; Internal Audit Review.<br><br>**Actions:** An Internal Audit review is undertaken to provide the relevant assurances that the Improvement Action Plan has been addressed and implemented. | 31$^{st}$ May 2017 | Chief Internal Auditor |

| Review Reference | Governance matters identified/actions taken | Target Date | Lead Officer |
|---|---|---|---|
| Brought Forward from 2015/2016 | **HRA Balances Investigation:** The investigation of HRA balances reported to Members between 2014/15 and 2015/16 (requested by the Chief Executive and reported to Strategy and Resources Committee on 15th June 2016) confirmed that reported HRA balances had been overstated by £909,000. The overstatement has impacted on the HRA budget and business plan for 2016/17 (and subsequent years). The investigation report raised eight recommendations to improve controls surrounding budget and outturn reporting to Members. Responsibility for control implementation and governance improvement has been allocated to the S151 Officer.<br><br>**Action(s):** Internal Audit to complete follow up reviews on the implementation of the HRA balances investigation recommended controls. Review to be completed in two stages within quarters 2 and 3 2016/17 (completed) and a final full follow up of all recommendations raised within the original HRA balances investigation report within quarter 2 of 2017/2018. The follow up review findings will be reported to Audit and Standards Committee. | Audit and Standards Committee 12th September 2017 | Chief Internal Auditor |

| Review Reference | Governance matters identified/actions taken | Target Date | Lead Officer |
|---|---|---|---|
| Brought forward from 2015/2016 | **Procurement Action Plan:** Weakness in the use and management of procurement and contract management increases the risk of legal challenge from suppliers and contractors of not complying with relevant regulations and internal Council Contract and Procurement Rules. It also increases the risk that the Council cannot demonstrate that it is securing value for money when procuring.<br><br>The Council drafted the Procurement Action Plan 2015/16 to mitigate against the above risks. Implementation in 2015/16 was delivered through the Procurement Board and progress reported to the Audit and Standards Committee. At 2015/16 year end, governance of procurement and contract management was transferred from the Procurement Board to the Corporate Team. To continue development of the area, Audit and Standards Committee approved the proposed 2016/17 Action Plan on 5th April 2016.<br><br>**Action:** Corporate Team to lead on delivery and implementation of the approved Procurement Action Plan 2016/17. Progress against the 2016/17 Plan will continue to be reported to Audit and Standards Committee during 2017/2018. | Ongoing | Principal Procurement Officer |

| Review Reference | Governance matters identified/actions taken | Target Date | Lead Officer |
|---|---|---|---|
| Brought forward from 2015/2016 | **Business Continuity and Disaster Recovery:** The Council's Excelsis risk register includes the risk *'if the Council does not regularly review it's business continuity/disaster recovery plans to ensure they are fit for purpose, the delivery of frontline and back office services will be disrupted in the event of an incident'*.<br><br>To support mitigation of this risk the s151 Officer and the previous ICT Delivery Manager raised the area for inclusion within the Risk Based Internal Audit Plan 2016/17. A Business Continuity and Disaster Recovery consultancy review was therefore completed by Internal Audit in liaison with the ICT Delivery Manager, to support control improvement. An action plan was subsequently developed which highlighted improvement areas.<br><br>**Action:** During 2017/2018 Internal Audit will review progress with the recommendations made and report the outcomes to the Audit and Standards Committee. | Audit and Standards Committee 28th November 2017 | Chief Internal Auditor |

# Certification

I can confirm that the Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2016.
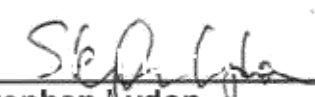
**Signed:**

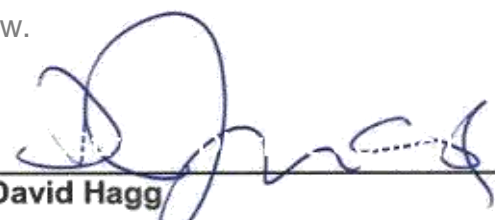David Stanley

S151 Officer

**Date:** 14/06/2017

To the best of our knowledge, the governance arrangements, as defined above and within the Council's Code of Corporate Governance, have been effectively operating during the year with the exception of those areas identified on pages 25 – 30 above. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

**Signed:**

Stephen Lydon

**Leader of the Council**

David Hagg

**Chief Executive**

**Date:** 14.6.17    14/6/17