



ANNUAL GOVERNANCE REPORT – DRAFT

2021-22

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Stroud District Council – Annual Governance Statement 2021-22

1. Scope of Responsibility

- 1.1 Stroud District Council (the Council) is responsible for ensuring that its business is conducted lawfully, that public money is safeguarded and properly accounted for. The Council has a duty under the Local Government Act 1999 to continuously improve its functions, having regard to best practice, economy, efficiency and effectiveness.
- 1.2 In discharging this duty, the Council acknowledges its responsibility for appropriately governing its affairs, the effective exercise of its functions and the management of its risks. The Council has developed a Code of Corporate Governance (the Code) which defines the principles and practices that underpin our governance arrangements.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) produced the “Delivering Good Governance in Local Government framework (2016)”. This emphasises sustainability and the need to focus on the economic, social and environmental impacts that actions may have on future generations.
- 1.4 The Code is reviewed annually and is consistent with the seven core principles of the CIPFA-SOLACE framework.
- 1.5 The Annual Governance Statement (AGS) has been prepared in accordance with the CIPFA-SOLACE framework. For the year ended 31 March 2022, the AGS shows our compliance to the Code and the Accounts and Audit Regulations 2015, regulation 6(1).
- 1.6 The AGS describes how the effectiveness of the governance arrangements has been monitored and evaluated during 2021-22 and any changes planned for 2022-23.
- 1.7 The Council’s Statutory Officers are the Chief Executive (Head of Paid Service), the Strategic Director of Resources (Section 151 or S151 Officer) and the Monitoring Officer (the MO). They direct the annual reviews of the effectiveness of the Council’s governance arrangements against the Code, providing oversight and robust challenge. When completed, the findings are reported to the Audit and Standards Committee (ASC), which identifies and monitors any improvement actions.

2. The Corporate Governance Framework

- 2.1 Corporate governance refers to how the Council is led, controlled and held to account.
- 2.2 Appendix A below shows the Council’s Governance, Risk and Control Framework pictorially.
- 2.3 The Council’s governance framework aims to ensure that in conducting its business it:
 - i. Operates in a lawful, open, inclusive and honest manner;
 - ii. Ensures that public money is safeguarded, properly accounted for and used economically, efficiently and effectively;

- iii. Has effective arrangements for the management of risk; and
 - iv. Secures continuous improvement in the way that it operates.
- 2.4 The governance framework comprises the culture, values, systems and processes by which the Council is managed. It enables the Council to monitor its objectives and consider whether these have led to the delivery of effective services and value for money. It enables the Council to monitor the achievement of its objectives.
- 2.5 The framework brings together legislative requirements, best practice principles and management processes.
- 2.6 The system of internal control is a significant part of the framework and is designed to manage the Council's risks to a reasonable level. It cannot eliminate all risk of failure to achieve corporate objectives and can, therefore, only provide reasonable and not absolute assurance. The system of internal control helps the Council to:
- i. Operate in a lawful, transparent, inclusive and honest manner;
 - ii. Ensure that public money and assets are safeguarded from misuse, loss or fraud, are accounted for and used economically, efficiently and effectively;
 - iii. Have effective arrangements for the management of risk;
 - iv. Secure continuous improvement in the way that it operates;
 - v. Enable human, financial, environmental and other resources to be managed efficiently and effectively;
 - vi. Properly maintain records and information; and
 - vii. Ensure its values and ethical standards are met.
- 2.7 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).
- 2.8 The Code recognises that effective governance is achieved through the following seven CIPFA-SOLACE principles:
- i. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - ii. Ensuring openness and comprehensive stakeholder engagement;
 - iii. Defining outcomes in terms of sustainable economic, social and environmental benefits;
 - iv. Determining the interventions necessary to optimise the achievement of intended outcomes;
 - v. Developing the Council's capacity, including the capability of its leadership and the individuals within it;

- vi. Managing risks and performance through robust internal control and strong public financial management; and
- vii. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

2.9 Key features of the Council's governance framework during 2021-22 included:

- i. Council – this is the ultimate decision-making body for all matters and approves the annual budget, the Constitution, key policies and the composition and terms of reference for Committees;
- ii. Committees – support the work of the Council. There are four Committees aligned to the Council's corporate priorities (excluding ASC and the Development Control Committee). They scrutinise the performance of officers and the Council. Two Members of each committee 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;
- iii. Audit and Standards Committee – provides independent assurance to Council on the effectiveness of the internal control, risk and governance environment. The ASC promotes high standards of Member conduct, receives reports from Internal and External Audit and approves the Council's statutory accounts and AGS;
- iv. The Chief Executive (CE – Head of Paid Service) – advises on the formulation and implementation of Council policy and the budgetary framework. The CE influences and promotes a corporate culture of high ethical standards and integrity;
- v. The Strategic Director of Resources – promotes effective financial management, ensuring that public money is safeguarded and used economically, efficiently and effectively. The S151 Officer develops and maintains the Council's governance, risk and control framework and contributes to the effective management and governance of the Council;
- vi. The Monitoring Officer – ensures that the Council's decisions are lawful, fair, promote high ethical standards and comply with the Code. The MO has overall responsibility for the operation of the Confidential Reporting Procedure (Whistleblowing) and contributes to the effective management and governance of the Council;
- vii. Internal Audit – deliver a programme of risk based audit activity, counter fraud and investigation services. They provide an annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework and recommend improvements in the management of risk;
- viii. External Audit – provide an opinion on the accounts, the AGS and arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion);
- ix. Strategic Directors and Managers – are responsible for developing, maintaining, implementing and owning the Council's governance, risk and control framework. They contribute to the effective management and governance of the Council;

- x. The Strategic Risk Register – reflects the objectives of the Council Plan and identifies the implications for the Council’s governance arrangements;
- xi. The Constitution – sets out the Council’s decision-making framework and is regularly updated. It defines the responsibilities of Members, committees, and the statutory officers (Head of the Paid Service, S151 Officer and the MO). It includes a scheme of delegation, financial regulations and contract standing orders. The Constitution defines codes of conduct for Members and officers; and
- xii. Whistleblowing Policy and process - along with the anti-fraud, bribery and corruption strategy outlines the Council’s zero tolerance approach to fraud, bribery and corruption.

2.10 The Council’s governance framework has operated effectively throughout 2021-22 and up to the date of approval of the annual statement of accounts and the AGS.

2.11 The Code is consistent with the principles set out in the CIPFA-SOLACE Framework, and is reviewed on an annual basis. The table below is a summary of the Council’s compliance to the CIPFA-SOLACE Framework:

Principal A
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
<p>Behaving with integrity</p> <p>The ASC and the MO promote high standards of Member conduct. The Member Code of Conduct and guidance strengthen the Council’s ethical framework.</p> <p>Any investigation into Member standards is reported to the ASC and the independent standards panel. Officers abide by the Employees’ Code of Conduct which expresses acceptable standards of behaviour.</p> <p>External service providers engaged by the Council must comply with the Code of Conduct.</p> <p>Demonstrating strong commitment to ethical values</p> <p>Arrangements to minimise the risk of Members and officers being influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders include:</p> <ul style="list-style-type: none"> - A statutory register of interests; - Requirements to declare conflict of interests; and - Employee Registers of gifts and hospitality. <p>The Complaints Policy specifies how any complaints will be addressed.</p> <p>Respecting the Rule of Law</p> <p>The Constitution sets out the decision making powers of Members, Committees and officers.</p> <p>One Legal advise the Council on the application of the law and provides training and guidance notes. All committee reports include legal implications.</p>

Principal B

Ensuring openness and comprehensive stakeholder engagement

Openness

The [Council Plan 2021-26](#) sets out key objectives, actions, projects, measures and targets.

Member and significant officer decisions are reported on the Council's website.

The Council publishes data in accordance with [the Local Government Transparency Code](#) which enables residents to contribute to local decision making.

Engaging Effectively with Stakeholders

Members are democratically accountable and this provides a clear leadership role in building sustainable communities.

The Council's planning and decision-making processes include consultation with stakeholders.

Alternative service delivery models are considered to allow for resources to be used more efficiently and effectively.

[Annual resident and business satisfaction surveys](#) are received from the local community.

The [Councillor Call for Action](#) helps Members to make improvements for their local areas. Members can address issues affecting their communities by engaging with the Council or a relevant committee.

A web-based [consultation hub](#) consultations are held with residents on policies, plans and proposals affecting our communities.

Principal C

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

Defining outcomes

The Council's vision and priorities are set out in the [Council Plan 2021-26](#).

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 collaborates with partners 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 are delivered to a high standard.

The Council's business planning, performance and risk management framework enables the monitoring of progress against objectives, key performance indicators and targets.

Sustainable economic, social and environmental benefits

The Council ensures the purchase of goods, services or works required to deliver services is acquired under Best Value terms.

The Council's business continuity plans ensure that critical services can be maintained and recovered during an emergency.

The Council's considers political, environmental, societal, technological, legislative, economic and efficiency risks, opportunities and value for money when taking decisions about service provision.

Principal D

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

Determining interventions

Decision makers objectively and robustly analyse a variety of options. This includes information on the risks and opportunities of various options and help to inform decisions.

Consultation with residents ensures their views are fully considered when making decisions about service changes.

The [Council Plan 2021-26](#) helps the district to grow - shaping it into a vibrant and welcoming place to live, work and study.

The Council has a performance management and monitoring process in place.

Performance reports analysing trends and latest budget position are monitored by management and the relevant Committees.

Optimising achievement of intended outcomes

The Council has implemented a Budget and Medium Term Financial Plan (MTFP) which shows the level of Council resources and how these are allocated between services.

The financial plans demonstrate how the Council's resources will be deployed to deliver its aims and priorities.

The Council considers the achievement of 'social value' (how scarce resources are used) when planning and commissioning services. The Council has a Social Value Policy and in 2021-22 has signed up to the Social Value Portal.

Principal E

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

Developing the Council's capacity

SDC uses benchmarking exercises and [the Local Government Association \(LGA\) Corporate Peer Challenge \(CPC\)](#) to explore the effectiveness of service delivery and strengthen the Council's accountability. One such exercise was carried out in year.

Collaborative working and alternative service delivery models are considered to meet our priorities.

To expand skill sets and gain insights into other services, a learning and development offer is in place for all staff, and includes secondment opportunities.

The Council's Constitution defines the statutory and distinctive roles of the Leader and the Chief Executive and sets out decision making powers.

A Training and Development Programme supports continued Member development.

121's and the Council's corporate competency framework for officers assesses their performance, what works well and where further development may be need.

Council "Values and Behaviours" develop the skills required to deliver our key priorities, savings targets, and form part of our commitment to personal and professional development.

Principal F

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

Managing Risk

The [Risk Management Policy and Strategy](#) defines roles and responsibilities for managing risk. It confirms that risk management is an integral part of all our business planning, option appraisal and decision making activities.

The Council's business continuity arrangements ensure critical services can be maintained and recovered during an emergency.

The [ASC](#) monitor the adequacy of risk management and the effectiveness of the S151 Officer in ensuring an adequate internal and financial control environment within the Council.

Managing Performance

The [Council Plan 2021-26](#) outlines our vision to lead a community that is making Stroud district a better place to live, work and visit. The plan outlines how this will be achieved around three key themes: "Environment and Climate Change", "Economy, Recovery and Regeneration" and "Community Resilience and Wellbeing".

Our business planning framework ensures that strategic and service plans align with the [Council Plan](#), and set out our priorities and risks. Priorities are monitored through our performance, programme and project management framework.

Robust Internal Control

The Council takes fraud, corruption and maladministration very seriously and [the Counter Fraud and Corruption Policy](#) Statement and Strategy and [Whistleblowing Policy](#) prevent or deal with such occurrences

Managing Data

Data is lawfully managed in accordance with the [freedom of information](#) and [data protection](#) Policies. The Council has an Information Governance Officer and information champions who help to promote effective management of information across the Council.

Information Sharing protocols are in place with third parties.

Strong public financial management

Robust budget management arrangements are in place including monitoring and review by all Committees.

[External Audit](#) report on the Council's accounts, the [AGS and the Code](#). They provide an opinion on the accounts and arrangements for securing economy, efficiency and effectiveness in the use of resources (value for money).

Principal G

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

Transparency

[Agenda and minutes](#) of Council and Committee meetings are publicly available on the Council's website.

The [Freedom of Information Act publication scheme](#) ensures residents have access to information held by the Council.

The [Local Government Data Transparency Code](#) lists data that is published by the Council. This includes expenditure over £500, grants to community bodies and senior salaries. This enables residents to contribute to local decision making.

Reporting

The [Annual Statement of Accounts](#) provide information on the Council's stewardship of public money for the year.

The [AGS](#) reports on the effectiveness of our governance arrangements against the key principles set out within the Code.

The [ASC](#) review and approve the Annual Statement of Accounts and AGS.

Assurance and effective accountability

Accountability and decision making arrangements are defined in the Council's Constitution, including arrangements for the delivery of services with our key partners.

The [ASC provides independent assurance to the Council](#) on the adequacy and effectiveness of the governance arrangements and internal control environment.

[Peer reviews](#) and benchmarking undertaken to ascertain good practice and implement improvements as identified.

3. Review of Effectiveness

- 3.1 The Council has a responsibility for annually conducting a review of the effectiveness of its governance framework including the system of internal audit. The review of effectiveness is informed by the various sources below who contribute to the development and maintenance of the governance environment:
- i. The Chair of the ASC formally reports on its work to Council;
 - ii. Assurance statements from senior management provide evidence that key elements of the system of internal control are operating effectively;
 - iii. The work of Internal Audit, including the Annual Report of the Head of Internal Audit is overseen by the ASC;
 - iv. The work of the External Auditor – including the annual Audit Results and other reports in relation to financial and other aspects of the Council's governance;
 - v. A comprehensive risk management process captures the Council's strategic and operational risks which are reported to senior managers and the ASC; and
 - vi. Consideration of this AGS by the Section 151 Officer and the CE with reference to the wider aspects of governance.

4. Update On Governance Issues From 2020-21

4.1 In the AGS for 2020-21, the following governance issues were highlighted:

Governance Issue	Actions taken in 2021-22
<p>Future Financial Sustainability and Efficiency Savings.</p> <p>Lead Officer – The Strategic Director of Resources.</p> <p>Target Date – Ongoing.</p>	<p>The Medium Term Financial Plan (MTFP) included savings related to the Fit for the Future programme, and created by investing in modern service delivery methods and improved community engagement.</p> <p>Funding was identified and linked to priority Council projects. This integrated the financial plan and the Council Plan.</p> <p>Strategy and Resources Committee receives regular financial monitoring updates. The budget strategy in Autumn 2021 considered factors relating to changes in funding streams, including government reforms, which were updated as part of the MTFP planning process.</p>
<p>Local Government Association (LGA) Corporate Peer Challenge (CPC)</p> <p>Lead Officer – The Chief Executive.</p> <p>Target Date – 31st March 2022.</p>	<p>This is the Peer Review that was undertaken in 2019. The actions from this have all been implemented.</p> <p>A more recent Peer Review was undertaken in March 2022 – please see below.</p>

5. Overall Opinion of Stroud District Council's Governance Arrangements

- 5.1 Despite the Covid-19 pandemic, inflation and utility price volatility, the Council has maintained effective service delivery and governance arrangements. There has been no significant detriment on the Council's ability to deliver its statutory services.
- 5.2 Risk registers will be refreshed to reflect the findings of the Review of Risk Management (see below) to ensure they accurately capture the Council's risks. These will be reviewed and regularly monitored by the SLT and be presented for scrutiny by the ASC as appropriate.
- 5.3 Council staff have embraced hybrid working patterns and the risks to cyber security, electronic document sharing and data protection (GDPR) legislation continue to be monitored. This is supported with regular staff awareness and training programmes.

6. Governance Issues Requiring Attention in 2022-23

6.1 In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for attention:

Issue	Action to be taken in 2022-23											
<p>LGA Peer Review March 2022</p>	<p>The report from the Peer Review team was positive regarding the Council's progress since 2019, and made recommendations for further improvements.</p> <p>ARA can assist to implement the recommendations as required.</p>											
<p>Procurement – Non-compliance with Internal Regulations</p>	<p>Management implemented the actions during 2022.</p> <p>ARA will undertake follow up work and report progress on implementation to the ASC.</p>											
<p>Financial Resilience</p>	<p>Financial resilience will need to be monitored closely, given the challenges posed by inflation and utility price volatility.</p> <p>The Council continues to effectively manage its finances in order to minimise the risks from financial pressures.</p> <p>The risk of the Council issuing a Section 114 notice is low.</p>											
<p>Risk Management</p>	<p>A review of risk management was undertaken during 2021-22 by TIAA. This found that there were opportunities for the Council improve its management of risk.</p> <p>One conclusion of the Risk Management Report is that, on the risk maturity scale (below), the Council is a Level 3 rather than a Level 4 as reported in previous AGS's.</p> <p>Audit Risk Assurance (ARA) will look to collaborate with the Council to improve risk management.</p> <p>This will include a review of the Council's risk registers, a review of the Risk Management Strategy and enhanced training for officers and Members.</p> <p>ARA will undertake follow up work and report progress on implementation to the ASC. This will include the formulation of an Assurance Map for the Council.</p> <table border="1" data-bbox="477 1794 1461 2011"> <tr> <td data-bbox="477 1794 531 2011" rowspan="2">Risk Maturity Level</td> <td data-bbox="531 1794 719 1890"> <p>Level 1 Developing (Risk Naïve)</p> </td> <td data-bbox="719 1794 908 1890"> <p>Level 2 Progressing (Risk Aware)</p> </td> <td data-bbox="908 1794 1096 1890"> <p>Level 3 Operational (Risk Defined)</p> </td> <td data-bbox="1096 1794 1284 1890"> <p>Level 4 Embedded & Engaged (Risk Managed)</p> </td> <td data-bbox="1284 1794 1461 1890"> <p>Level 5 Dynamic & Empowering (Risk Enabled)</p> </td> </tr> <tr> <td data-bbox="531 1890 719 2011"> <p>No formal approach to risk management.</p> </td> <td data-bbox="719 1890 908 2011"> <p>Consulting and planning to implement risk management.</p> </td> <td data-bbox="908 1890 1096 2011"> <p>Early Stages of implementation.</p> </td> <td data-bbox="1096 1890 1284 2011"> <p>Established risk management with planned extension /development.</p> </td> <td data-bbox="1284 1890 1461 2011"> <p>Fully established and effective risk culture at all levels.</p> </td> </tr> </table>	Risk Maturity Level	<p>Level 1 Developing (Risk Naïve)</p>	<p>Level 2 Progressing (Risk Aware)</p>	<p>Level 3 Operational (Risk Defined)</p>	<p>Level 4 Embedded & Engaged (Risk Managed)</p>	<p>Level 5 Dynamic & Empowering (Risk Enabled)</p>	<p>No formal approach to risk management.</p>	<p>Consulting and planning to implement risk management.</p>	<p>Early Stages of implementation.</p>	<p>Established risk management with planned extension /development.</p>	<p>Fully established and effective risk culture at all levels.</p>
Risk Maturity Level	<p>Level 1 Developing (Risk Naïve)</p>		<p>Level 2 Progressing (Risk Aware)</p>	<p>Level 3 Operational (Risk Defined)</p>	<p>Level 4 Embedded & Engaged (Risk Managed)</p>	<p>Level 5 Dynamic & Empowering (Risk Enabled)</p>						
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Issue	Action to be taken in 2022-23
Hybrid Working	<p>The Council has demonstrated that it can effectively deliver services with a combination of staff working in the offices and at home and has implemented hybrid working in 2022-23.</p> <p>The Council has formulated a Hybrid Working Policy that will help to manage and monitor the performance of staff working remotely. The policy will be reviewed and amended, as necessary.</p>
Planning Enforcement	<p>At the request of Members, ARA undertook an audit of Planning Enforcement, which highlighted the following issues:</p> <ul style="list-style-type: none"> • Resourcing of the Planning department should be assessed, along with time and task monitoring; • Member oversight of Planning Enforcement should be enhanced; • A review of policy and procedures should be undertaken; • Investment in new IT and lessons learned post implementation; • Member Training on planning issues is advised; • Implement a corporate approach to service planning, performance and risk management and reporting. <p>Progress on the above will be monitored by management. ARA will undertake follow up work and report progress on implementation to the ASC.</p>
Cyber Security and Business Continuity	<p>The threat of a cyber-attack on the Council is deemed an area of significant risk. Focus should continue to be placed on ensuring that the Council remains vigilant to these types of attack, and has effective defence and recovery arrangements in place. Planned in-year Internal Audit activities should assist management to verify the adequacy and operating effectiveness of the current arrangements.</p>
Housing Voids	<p>A review of Voids was undertaken during 2021-22. This found that there were opportunities for the Council to improve its performance concerning the management of void properties.</p> <p>ARA will undertake follow up work and report progress on implementation of the recommendations to the ASC.</p>
“Fit for the Future” Modernisation Programme	<p>The Council is driving forward with its modernisation programme “Fit for the Future”. Planned in-year ARA work will assist management in ensuring that there is an adequate governance framework for the delivery of the programme, and that this is operating as intended.</p>
Leisure Facilities-Local Authority Trading Company	<p>The Council is working towards setting up a Local Authority Trading Company for the provision of Leisure Services. ARA will assist management through the provision of risk and control advice, as part of the program for introducing the Local Authority Trading Company.</p>
Contract Management Framework	<p>The Council has recently adopted a new Contract Management Framework. Planned in-year ARA work will assist management in determining the effectiveness of the roll out of the new arrangements.</p>

7. Certification

- 7.1 To the best of our knowledge, the Council’s governance arrangements and the Local Code of Corporate Governance have operated effectively throughout 2021-22.
- 7.2 The Council will continue to be vigilant to risks to our operations, address these accordingly, and further enhance our governance arrangements as appropriate.
- 7.3 We will ensure that the AGS is current at the time of signing. Should a second conclusion on the adequacy of governance arrangements during this period be necessary then any potential impacts will be highlighted in the AGS.
- 7.4 The Strategic Leadership Team (SLT) will oversee this action plan over the coming year and report progress to the Audit and Standards Committee. The SLT will ensure that governance issues continue to be promoted, addressed and monitored throughout the year.
- 7.5 We, the undersigned, are satisfied that appropriate governance arrangements are in place. We propose over the coming year to continue to review and, where appropriate, enhance our governance arrangements.

Signed:  

Doina Cornell
Leader of the Council

Kathy O’Leary
Chief Executive

Date: 18 July 2022 18 July 2022

Appendix A – The Council’s Governance, Risk and Control Assurance Framework

