Annual Governance Statement
2017/18

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. When completed, the findings are reported to and improvement actions identified, are 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 2018 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 2018 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.
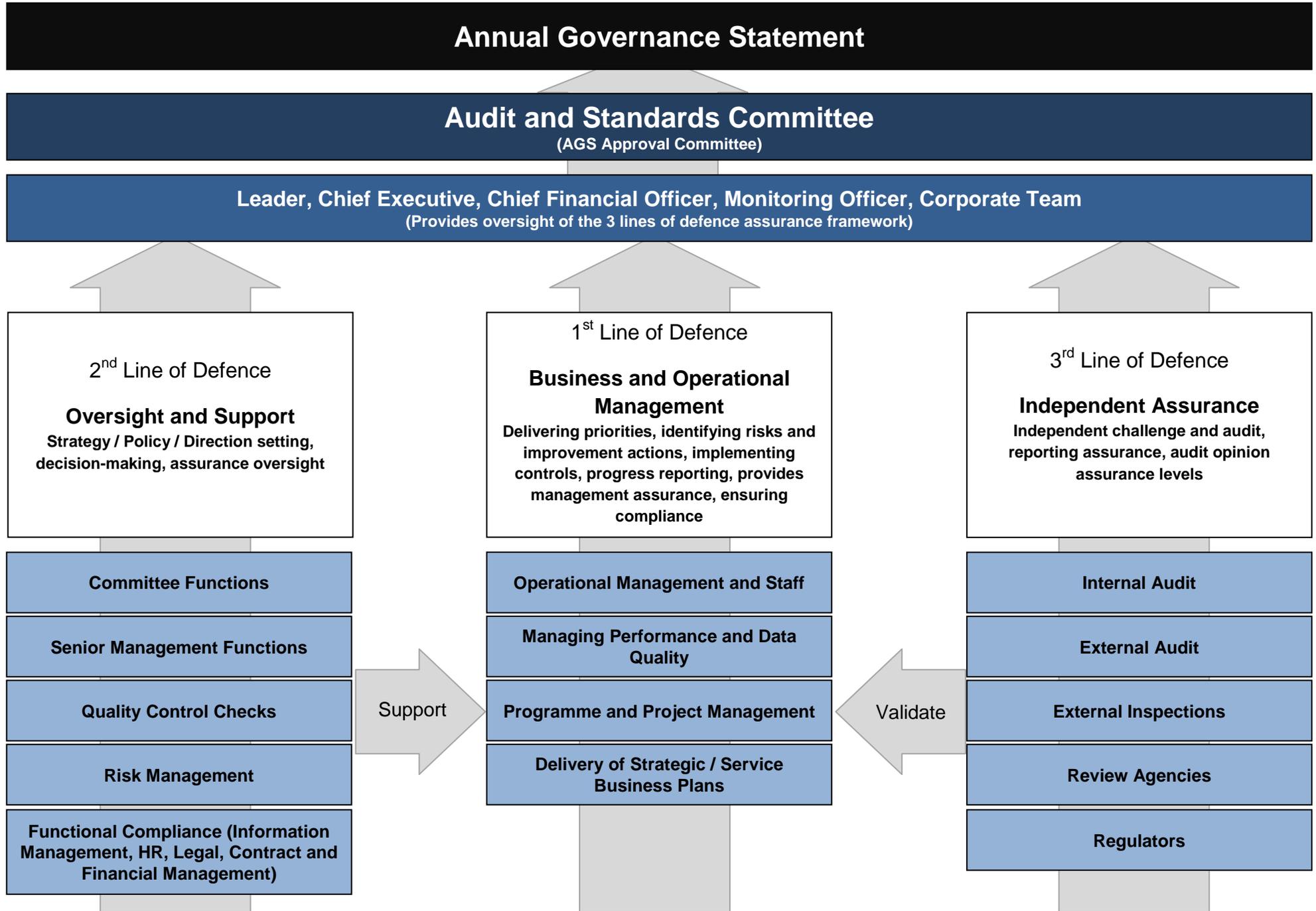
In addition, 'the three lines of defence assurance model' is in place which helps Members and Senior Management to understand where assurances are being obtained from, the level of reliance they place on that assurance and identify potential gaps in assurance.

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

Oversight and Support
Strategy / Policy / Direction setting, decision-making, assurance oversight

Committee Functions
Senior Management Functions
Quality Control Checks
Risk Management
Functional Compliance (Information Management, HR, Legal, Contract and Financial Management)

Support →

1st Line of Defence

Business and Operational Management
Delivering priorities, identifying risks and improvement actions, implementing controls, progress reporting, provides management assurance, ensuring compliance

Operational Management and Staff
Managing Performance and Data Quality
Programme and Project Management
Delivery of Strategic / Service Business Plans

← **Validate**

3rd Line of Defence

Independent Assurance
Independent challenge and audit, reporting assurance, audit opinion assurance levels

Internal Audit
External Audit
External Inspections
Review Agencies
Regulators

7

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 2017/2018, 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 2017/2018;

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

❑ Any other review agencies and inspectorates.

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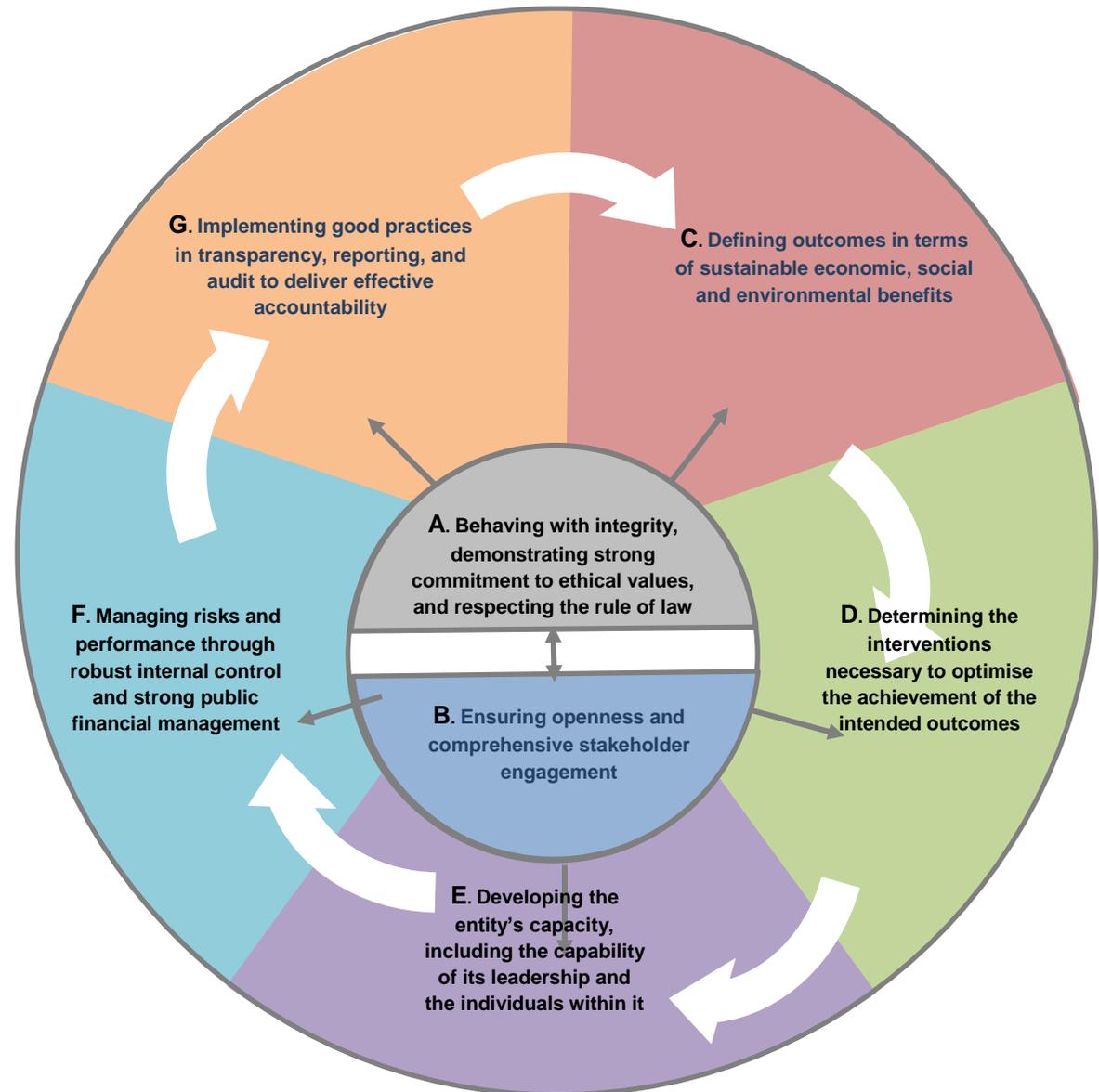
The following pages provide a summary of actions and behaviours taken by the Council in relation to each of these seven core principles and associated sub principles.

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

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

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

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

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

B. Ensuring openness and comprehensive stakeholder engagement

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

Principle A

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

Supporting Principles:

Behaving with integrity

How we do this:

- ❖ The Council has an **Audit and Standards Committee** and Monitoring Officer promote the duty of the Council to encourage and maintain high standards of member conduct. The Council has a Member **Code of Conduct** plus various good conduct practice guides to strengthen the Council's ethical framework. The framework is regularly reviewed.
- ❖ In upholding high standards, investigations are undertaken and reports submitted to the Audit and Standards Committee and the independent standards panel. 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.

Demonstrating strong commitment to ethical values

- ❖ 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 Statutory registers of interests;
  - o Requirements to declare conflict of interests and refrain from participating in relevant matters; and
  - o Employee Registers of gifts and hospitality.
- ❖ A **customer feedback / Complaints Policy** exist to receive and 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 Council's competency framework seeks to promote good 'behaviours'.

Respecting the Rule of Law

- ❖ The **Constitution** sets out the decision making responsibilities of the Council, its Committees and officers and associated decision making procedures.
- ❖ The Council's in house legal team identifies and advises the Council (including its committees and officers) on key elements of the law and their application, also providing training and guidance notes where there are capacity or skill shortages. All committee reports include legal implications.
- ❖ 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 & 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:

Openness

❖ 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.

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

❖ 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.

Engaging comprehensively with institutional stakeholders

❖ Elected members are democratically accountable to their local area and this provides a clear leadership role in building sustainable communities.

❖ The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.

❖ Formal Public Consultation arrangements and public meetings held to ascertain stakeholder views prior to developing and implementing key policy changes.

❖ Developed and implemented alternative service delivery models, where appropriate, to allow for resources to be used more efficiently and effectively.

Engaging stakeholders effectively, including individual citizens and service users

❖ The long-term vision for the Council is set out in the Corporate Delivery Plan 2017-2021 which is informed by public consultation.

❖ Annual resident/business council satisfaction surveys are received from the local communities.

❖ 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.

❖ 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 2017-2021.

❖ 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**

How we do this:

❖ 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. ❖ 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. ❖ 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.	❖ The Council has developed and implemented a Budget and Medium Term Financial Plan (MTFP). ❖ The financial plans demonstrate how the Council's financial resources will be deployed over the next four years to deliver declared aims and priorities. ❖ 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. ❖ 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 management development programme for senior managers to enable and encourage increased knowledge and skills.
- ❖ Access to a separate programme through the Institute of Leadership and Management is also provided.
- ❖ Sometimes, people want to expand their skill set beyond those used in their usual role and gain an insight into other parts of the Council. 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 who 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 corporate competency framework for all employees, managers and Leadership Team, 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.
- ❖ 121's are held to monitor staff performance and identify learning 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

How we do this:

- ❖ 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.
- ❖ Business Continuity arrangements should be in place for critical services to ensure they can continue to operate in an emergency.
- ❖ The Audit and Standards Committee monitor the adequacy of the risk identification, monitoring and control of strategic and operational risk within the Council.

Managing Performance

- ❖ 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, Health and Wellbeing and Delivery.
- ❖ 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.
- ❖ Priorities are monitored through our performance, programme and project management framework.

Robust internal control

- ❖ There is an Internal Audit (IA) function (100% compliant with Public Sector Internal Audit Standards 2017) which has provided, with the exception of the matters relating to the ICT service, a satisfactory independent opinion on the effectiveness of the Council's control environment comprising, risk management, control and governance.
- ❖ 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.
- ❖ Audit and Standards Committee monitor and review all of the above.

Managing Data

- ❖ Data is managed in accordance with the law. Key information management policies e.g. [freedom of information](#) and data protection. The Council has information champions who help to promote effective management of information across the Council.
- ❖ Information Sharing protocols are in place when sharing data with third parties.
- ❖ [ICT Infrastructure Investment Plan 2017/18 to 2019/20](#).

Strong public financial management

- ❖ Robust budget management arrangements are in place including monitoring and review by all Committees.
- ❖ [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).
- ❖ 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**

How we do this:

❖ [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. ❖ 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). ❖ 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. ❖ 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. ❖ 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. ❖ 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. ❖ Risk based internal auditing provides ongoing assurance that the key risks material to achieving the Council's objectives are being managed. ❖ 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?

Role	Responsibilities
The Council	- Adopting and making substantive changes to the Constitution. - Approving or adopting the annual budget. - 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. - Promotes high standards of member conduct. - 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. - 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. - 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. - Delivers an annual programme of risk based audit activity, including counter fraud and investigation activity. - 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).
Directors/Managers	- Responsible for developing, maintaining and implementing the Council's governance, risk and control framework. - Contribute to the effective corporate management and governance of the Council.

How has the Council addressed the governance improvement actions from 2016/17?

The Annual Governance Statement 2016/17 contained the following key improvement actions. Details of the issues and how they have been addressed during the year have been reported to the Audit and Standards Committee at their meeting on 6th February 2018. Please note that where actions are ongoing they have been carried forward into the 2017/2018 Action Plan.

2016/17 Review Reference	Action	Current Status
Chief Financial Officer Assurance Statement	Future Financial Sustainability	C/F into the 2017/ 2018 AGS Action Plan
Corporate Team Review	ICT Strategy / Infrastructure Investment Plan 2017/18 to 2019/20	C/F into the 2017/ 2018 AGS Action Plan
Directors Composite Assurance Statement	Multi Service Contract	C/F into the 2017/ 2018 AGS Action Plan
Directors Composite Assurance Statement	Council Tax and Business Rates Direct Debit issues Internal Audit to review the outstanding recommendation relating to Business Continuity arrangements to verify implementation.	C/F into the 2017/ 2018 AGS Action Plan
B/F from 2015/16	HRA balances investigation	Completed
B/F from 2015/16	Procurement Action Plan	Corporate actions completed early 2017/18. Any ongoing work is part of routine business and effective management.
B/F from 2015/16	Business Continuity and Disaster Recovery	C/F into the 2017/ 2018 AGS Action Plan

What are the key 2017/18 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 2018/19, which includes the carried forward actions from 2016/2017.

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
Chief Financial Officer Assurance Statement	**Future Financial Sustainability** The 2018/19 Medium Term Financial Plan identified core deficit of £1.5m by 2021/22. **Actions:** Work is currently underway with senior officers and key members of the administration to produce a balanced savings plan that addresses the funding shortfall. The 2017/18 Medium Term Financial Plan (MTFP) identified a core deficit of £3.4m by 2020/21. At the time the MTFP was published in February 2017, there was not a balanced and proportionate savings plan in place to mitigate the reliance on reserves and balances. During 2017/18, a Savings Plan was produced that reduced the reliance on reserves and balances significantly. The 2018/19 MTFP (as published in February 2018), showed that the Core Deficit had reduced to £1.222m by 2020/21, rising to £1.526m by 2021/22. The Savings Plan does include a number of assumptions and savings targets, which will need to be monitored closely in 2018/19 to ensure these, can be delivered in accordance with the plan. Further savings will be required over the MTFP to address the remaining core deficit, given the risks inherent in the MTFP around funding, the attainment of savings targets and the cost pressures facing the Council particularly around Waste Management.	Ongoing	Chief Financial Officer (S151)

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
2017/2018 Limited Assurance Internal Audit Review (Fundamental Financial System)	**Capital Programme Management** A capital programme is a set of capital projects that a council plans to undertake within a given timetable and should be based on an approved Capital Strategy, which in turn should be linked to the council's Asset Strategy. The development of a capital programme, as per Chartered Institute of Public Finance and Accountancy (CIPFA) best practice, involves the following key activities: (1) Setting the parameters; (2) Identifying and developing project proposals; (3) Evaluating and prioritising project proposals; and (4) Finalising and approving the programme and confirming the funding. The council's medium term General Fund capital programme has planned expenditure of approximately £20m for the period 2017-18 to 2020-21. Due to the significance of the budget, Internal Audit undertook a review of the systems and processes relating to the General Fund capital programme, which resulted in a limited assurance opinion provided on the control environment. The outcomes of the review have been reported to Audit and Standards Committee on 10th April 2018. **Actions**: Management attendance at the Audit and Standards Committee on 26th July 2018 to provide an update as to the progress made in implementing the recommendations and an Internal Audit follow up review included as part of 2018/2019 Internal Audit Plan.	26th July 2018 Management update 31st March 2019	Chief Financial Officer (S151) (Management Actions) Chief Internal Auditor (Follow Up Review)

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
AGS Assurance Framework	**Risk Management Framework** Following the Council's fundamental review of its Risk Management framework, a new Policy Statement and Strategy was adopted by the Audit and Standards Committee in April 2017. Guidance and training was provided to all Directors and heads of service / managers in 2017/18 and the strategic risk register updated. Relevant responsibilities are clear within the policy. Further compliance with the policy is now overseen and reviewed by the Audit and Standards Committee at each meeting as a result of which in recent months, the committee has taken a more active role in ensuring compliance with the policy, particularly within the context of management of the strategic risk register, which identifies key issues of concern for the Council which if not managed effectively will have significant adverse effects on the Council's ability to operate. **Action:** Audit and Standards Committee to continue to monitor and challenge key risk controls identified by the Corporate Team and actions across the Council in line with adopted policy including discussing pertinent issues direct with Corporate Team to ensure that the principles of effective risk management are fully embedded into the Council's day to day business activities.	Ongoing during 2018 / 2019	This function affects all elements of the Council and as such lead officers comprise all members of Corporate Team. The framework is administered by Monitoring Officer's team.

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
Director Of Tenant and Corporate Services Review	**ICT Strategy / Infrastructure** Socitm Advisory Ltd was commissioned by the Director Of Tenant and Corporate Services to assist in reviewing Stroud District Council's ICT Service, specifically in relation to: ➢ Whether the Council's current ICT provision is suitable to meet current and future needs of the council; ➢ Advise whether the ICT service has the right management and technical skills, staff numbers and budget to meet these needs; ➢ Explore potential partnership working opportunities; and ➢ Investigate the seeming disconnect between the ICT service and the business. The review confirmed that SDC required significant ICT change and that this change would need to be in two steps i.e. over 2/3 years to complete foundation work and remedy major issues, and implement. Detailed recommendations were made which related to (1) Leadership and Governance, (2) Vision and Strategy, (3) Options assessment (e.g. how ICT service will be delivered) and (4) Infrastructure; Staffing; Ongoing Funding; Service Management; Business Change Capability; Business Focus; Communications; Security and Business Continuity.	Action Plan implemented over a 2 / 3 Year Period	Director: Tenant and Corporate Services, Head of Business Services Planning and Head of IT.

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
	Action: The Leader has confirmed full support from both Members and Officers requesting that a formal Task and Finish Group is set up, whose role would include determining the role of Strategy and Resources (S and R) Committee and Audit and Standards Committee in monitoring the progress made with the implementation of the recommendations. This group would be set up through May 2018 S and R Committee.		

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
Director's Composite Assurance Statement	**ICT Back Up and Disaster Recovery Arrangements** ICT back up and disaster recovery arrangements are where the council needs to be more reassured that a critical service can be restored. A programme of work has been identified by the Socitm Advisory Ltd review requiring managers, services and ICT to define the prioritisation and realistic targets of service delivery in a Business Continuity Management / Disaster Recovery emergency. **Action:** This substantial programme of work will be led by Corporate Team as part of the wider governance changes required, which have been identified in recent internal audit reviews as well as the SOCITM external review.	September 2019	Lead Officers: Corporate Team (to initially define recovery times for their critical services) Action Owner: Head of ICT (based on the above, ICT to review design options and costs and report back to Corporate Team, prior to agreeing final design options and subsequent implementation).

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
Brought forward from 2016/2017	**Multi Service Contract** The multi services contract provides for the provision of waste and recycling, street cleaning, grounds maintenance, fleet management and maintenance services. There has been a significant increase in costs of the new waste and recycling service which has resulted in additional resources allocated in 2018/2019 Medium Term Financial Plan. **Actions:** A full service management review was undertaken in early 2017/2018 which included detailed resource analysis. In addition, Internal Audit provided support and made a number of recommendations to the assist the development of a control framework to effectively manage and monitor the contract. Internal Audit will undertake a follow up review during 2018/2019 to establish progress to date with the agreed recommendations and report these outcomes to the Audit and Standards Committee.	9th October 2018 Audit and Standards Committee	Director of Customer Services (Management Actions) Chief Internal Auditor (Follow Up Review)

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
Brought forward from 2016/2017	**Procurement Action Plan** The Council fully appreciates that an appropriate corporate framework for procurement and contract management is key to effectively managing risks of legal challenge and not securing best value goods, works and services. In 2017/18 the final elements of the corporate action plan to address weaknesses in the corporate framework identified in 2014/15 were completed i.e. a comprehensive programme of corporate procurement training was delivered to improve staff procurement competency levels. As part of the corporate oversight of procurement, the Principal Procurement Officer with the support of the Legal team is continuing to advise and oversee the application of the framework. As a consequence issues have been brought to the attention of relevant heads of service and directors to improve their teams' forward planning of procurement activities. **Action:** To continue to develop officer procurement competency and forward planning, procurement and associated governance issues (e.g. risk management) are included within the staff induction day; further regular updates and reports to committee and Corporate Team are provided on procurement activities including consolidation projects.	Ongoing	Principal Procurement Officer and Monitoring Officer

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
Revised CIPFA Audit Committees: Practical Guidance	**CIPFA Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition)** Audit Committees are a key component of corporate governance. They provide a high-level focus on assurance and the Council's arrangements for governance, managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance. This revised edition updates the core functions of the audit committee in relation to governance, risk management, internal control and audit. This includes new legislation affecting audit committees in combined authorities and updates to regulations and statutory guidance. The updates to the Public Sector Internal Audit Standards and Delivering Good Governance in Local Government: Framework and associated guidance are also considered for their impact on the work of the audit committee.	31st March 2019	Chief Internal Auditor

2017/2018 Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
	There are significant changes to the core functions of the committee in relation to external audit, reflecting the new arrangements for auditor appointment and new guidance on ethical standards for auditors issued by the Financial Reporting Council. Both developments require greater attention to be given to this important area.

The audit committee role in relation to counter-fraud has also been updated to reflect the Code of Practice on Managing the Risk of Fraud and Corruption.

The guidance continues to include a strong focus on the factors that support improvement. These include the knowledge and skills that audit committee members require and a focus on where the audit committee adds value.

Action: The Chief Internal Auditor will review the guidance (when published) and will provide support to the Audit and Standards Committee to enable the evaluation of the Council's Committee against the revised guidance, making recommendations for improvement where necessary. | | |

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: **18 June 2018**

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 19-28 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:

| **Doina Cornell** | **David Hagg** |
| **Leader of the Council** | **Chief Executive** |

Date: **18 June 2018**   **18 June 2018**