

## **Stratford-on-Avon District Council Annual Governance Statement 2015/16**

### **1. Scope of Responsibility**

Stratford on Avon District Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, 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 improvements 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.

The Council has approved and adopted a code for corporate governance, which is consistent with the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*, [2012 edition]. This statement explains how the Council have complied with the code and it also meets the requirements of the Accounts and Audit Regulations 2011, in relation to the publication of a statement of internal control.

### **2. The Purpose of the Governance Framework**

The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2016.

### **3. The Governance Framework**

#### **Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users**

The Council's vision has been reviewed as part of the new Corporate Strategy that was approved by full Council on 23 February 2015. The Council's vision is:

*"Stratford-on-Avon District will be recognised as a place of opportunity and economic prosperity in order to provide a better quality of life for all who live, work and visit."*

The Council has well developed Performance Management arrangements to ensure that the items of the most strategic importance are identified and can be measure in terms of the delivery of the aims and objectives.

### **Reviewing the authority's vision and its implications for the authority's governance arrangements**

The Council adopted a corporate governance code based on the CIPFA/SOLACE model in 2008, which has been reviewed against the 2012 edition. The Code itself is an express commitment to high standards of corporate governance and acknowledges the relationship between the vision and the corporate strategy.

### **Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring they represent the best use of resources**

A detailed action plan for the delivery of the Corporate Strategy during 2015/16 was implemented alongside the overall Strategy document. This action plan provides further information in relation to the specific activities which will be undertaken, date for their completion, identification of any resource requirements and which senior officer is responsible for the implementation. These actions were monitored every six months by the Cabinet.

The Council has a medium term financial strategy (MTFS) which is reviewed annually. This strategy was approved alongside the new Corporate Strategy to ensure that the resource requirements were fully identified and incorporated into the financial plan. Service budgets are delegated to the relevant member of the Management Team with revenue monitoring being undertaken by the Cabinet.

### **Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.**

The roles and responsibilities of the executive, non-executive, scrutiny and officer functions, along with the delegations from Cabinet and the Council are set out in the Council's constitution. With the reduction in the number of Councillors from 11 May 2015 from 53 to 36, a fundamental review of the constitution was been completed during 2015/16.

Under the current arrangements in there are member role profiles and an officer/member protocol that sets out the respective responsibilities and relationships of officers and members. The constitution is kept under regular review under the supervision of the Audit and Standards Committee and the document is fully reviewed every three years.

The detailed review of the constitution has been completed and the revised draft was reported for comment to the meeting of Council on 20 April 2015. The new Council at their meeting on 20 May 2015 approved the revised constitution.

**Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

The Council has set out in the both versions of the Constitution a code of conduct for members and officers and also a member/officer protocol that sets out the expected behaviours and responsibilities of both. Extensive training has been provided on the code of conduct and all members are aware that the Monitoring Officer and other statutory officers will provide advice as and when required.

**Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks**

The Constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure transparency of decision making. The constitution is kept under regular review under the supervision of the Audit Committee (now Audit & Standards Committee).

The financial regulations have not been amended as part of the current review of the constitution. The Council had been working in partnership with Cherwell District Council and South Northamptonshire Council to implement a new financial management system. The review of the financial regulations were planned to be undertaken when this project has been completed with the view of harmonising such regulations across the three authorities as far as possible. However, following Council decision on 29 February 2016 to cease the partnership working with these authorities then the review will be completed in the coming year in isolation.

A risk management framework has been established and in the last year has been supplemented by expert advice from the County Council. The provision of such advice is now built into the service level agreement for audit services. Operational risks form part of the service plans and high level risks are identified in the strategic risk register, which is periodically reviewed by the Management Team. The Cabinet considered the Risk Management Strategy at its meeting on 12 May 2014, and approved this and the current version of the Risk Register.

**Ensuring the authority's financial arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)**

The Assistant Chief Executive, as the nominated section 151 officer, has the delegated responsibility for ensuring there are arrangements in place for the proper administration of financial affairs. The Council meets the five principles laid out in the CIPFA statement.

**Undertaking the core functions of an audit committee as defined in CIPFA's Audit Committees – Practical Guidance for Local Authorities**

As discussed above the Council's Audit Committee operates to agreed terms of reference, which define its functions and responsibilities. These are published in the Constitution.

For the municipal year 2015/16, the responsibilities of the Audit Committee were merged with the Standards Committee and a new Audit

and Standards Committee formed. The fundamental terms of reference in relation to governance matters are consistent with the current arrangements.

**Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful**

Key compliance roles are played by the Monitoring Officer and Assistant Chief Executive. All reports with legal or financial implications are checked by a member of the legal and finance teams, and those with the most significant implications are checked by the Monitoring Officer and the Assistant Chief Executive.

The Council has improved its resilience through its internal audit function being provided by the County Council. A programme of risk based audits is carried out by the Risk and Assurance Service and a summary of work and the detail of unsatisfactory audits are reported to the Audit Committee.

**Whistleblowing and receiving and investigating complaints from the public**

The Council has a whistleblowing code that has been benchmarked against the best practice recommended by Public Concern at Work. This is publicised throughout Elizabeth House. A confidential register of complaints received and their outcome is held by the Monitoring Officer and an annual report is considered by the Standards Committee, any such reports during 2015/16 will be considered by the Audit & Standards Committee.

Complaints from members of the public are addressed according to the corporate complaints procedure and a summary of complaints made to the Ombudsman are reported to the Standards Committee, any such reports during 2015/16 would have been considered by the Audit & Standards Committee.

**Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

Although no longer in existence the Council performs to the standards of the West Midlands Local Government Association Member Charter as a reflection of the high quality of training. Each member undergoes an induction programme and there is a programme of training structured to meet member needs in their different roles.

For 2015/16 the Chief Executive received an appraisal from a cross party member panel. All of the Heads of Service (except the Head of Legal and Democratic Services) receive appraisals from the Assistant Chief Executive which set out their development needs for the forthcoming year. Key training needs are set out in the corporate Training Plan.

The Chief Executive would then undertake the annual appraisal for the Assistant Chief Executive and the Head of Legal and Democratic Services.

The Council implemented new Senior Management arrangements on 1 April 2016, the roles of Chief Executive and Assistant Chief Executive were deleted and replaced by two Executive Directors.

**Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

The Council has mapped its stakeholders and forms of consultation through the Community Engagement Strategy. The Council also runs specific consultation programmes to ascertain the views of residents and the business sector, and targeted consultation programmes on matters such as tourism.

Structured engagement is undertaken through the Community Fora. In 2013/14 the Council has withdrawn support for the Local Strategic Partnership. The Council continues to support the development of the Health and Wellbeing agenda within the district and county, and is represented on the County board.

The Council also has a Forward Plan, which complies with the legal requirements, that allows interested parties to express views on Key Decisions. The arrangements were reviewed as a result of the legislation implemented by Central Government in September 2013.

**Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements**

Any partnership that involves a financial commitment or a formal decision making arrangement is reviewed by legal and financial officers, and any proposal to delegate decision making is reported to the Leader of the Council (in his report to Annual Council) or the Cabinet. However the Council does not apply the Audit Commission guidelines in their entirety and further consideration is needed as to whether this is feasible within the resources available to the Council.

**4. Review of Effectiveness**

The Council has responsibility for conducting at least annually a review of the governance framework including the system of internal control. The review of effectiveness is informed by the work of the members of the Management Team who have responsibility for the development and maintenance of the governance environment, internal audit reports and reports from the external auditor and other review agencies and inspectorates.

The review of effectiveness was co-ordinated by the members of the Management Team who assessed the following:

- (i) The approach of the Council to establishing its principal statutory obligations and organisational objectives;
- (ii) The approach of the Council to identifying principal risks to the achievement of those obligations and objectives;
- (iii) The key control frameworks that the Council has in place to manage its principal risks;
- (iv) The results of external and internal audits and inspections;
- (v) Identified areas of weakness stemming from the above analysis.

In carrying out their review the management team considered the following:

- (1) Internal Audit reports for 2015/16 with a 'limited' opinion
- (2) Annual Audit Letter 2014/15 (November 2015)
- (3) Strategic Risk Register
- (4) Corporate Strategy Priorities
- (5) Major Change Initiatives

## **5. Analysis**

At its meeting in September 2014 the Audit Committee considered an updated Annual Governance Statement for 2013/14. This identified areas for improvement in regards to governance matters which needed to be addressed during 2014/15. As part of producing the 2014/15 governance statement these areas of improvement have been reassessed. Where addressed these areas can be removed from the annual governance statement. Any issues which are still valid are carried forward and included within the draft statement for 2014/15

### **a) Issues Removed from the Annual Governance Statement**

#### Development of Core Strategy

Significant progress has been made during 2015/16 in relation to the development of the Core Strategy. Following the Examination in Public additional evidence and amendments have been made to the plan. The Strategy is currently out to consultation on the major modifications. It is expected that the final plan will be approved by Council in July 2016.

#### Review of Strategic Vision for Shared Services

This item related to the work being undertaken with Cherwell and South Northamptonshire Councils in relation to developing shared working proposals and the consideration of the "confederated approach". At the respective meetings of Council in February 2016 the decision from all three authorities was to cease the partnership arrangements which were in place. A review exercise was undertaken by the Overview and Scrutiny Committee on the learning points from this partnership and these were presented to the Council in April 2016. A review of Sourcing Strategy will be undertaken during 2016/17.

#### Determining Approach to Combined Authorities and Devolution

In October 2015 the Council determined to not join the West Midlands Combined Authority (WMCA). However, the position was reviewed by Council in January 2016 and the decision was overturned. The Council has therefore applied to become a non constituent member (NCM) of the West Midlands Combined Authority. A review of all of the workstreams associated with the WMCA is being undertaken collectively by the NCMs to ensure that all have suitable representation.

#### Transfer of Greig Site to Council Ownership

Following the valuation of the Greig Site by valuers appointed by the Greig Trustees in April 2015, the Trust determined that they were unable to transfer the site to the ownership of the Council. In response the Council withdrew the financial support that had been provided to the Greig

Trustees. The charges remain in place on the site and in the event that leisure activities cease on the site then action will be taken to secure the value of the outstanding charges.

**b) New Issues**

There are new issues to address identified in the plan. Further details are set out in the draft statement in relation to:

- Implementation of the Core Strategy;
- Managing the separation of shared working arrangements
- Review of the Sourcing Strategy
- Strategic Review.

**c) Emerging Issues**

There are a number of emerging issues which are not sufficiently developed for the Council to determine the extent to which they represent areas for improvement in governance. These are:

Financing of Local Government

The Council has seen a reduction of over 60% of the funding which it receives from central government over the last five years. The Council has moved quickly to make necessary reductions in expenditure, which were identified as part of the Spending Review 2013 which place even greater pressure upon the on-going sustainability of the Council, this will be reviewed following the budget announced for July 2015. The Strategic Review will consider the funding of the authority within its considerations and therefore at this stage this item will not be included in isolation on the Annual Governance Statement.

Response to Internal Audit Reports

During 2015/16 "Limited" assurance internal audit reports were issued in relation to the process for Freedom of Information requests and in relation to Business Continuity arrangements. Whilst serious in nature there are specific recommendations which are in the process of being implemented and therefore do not reach the threshold of severity required for inclusion on the Annual Governance Statement.

**d) Litigation**

There are no significant litigation issues affecting the Council during 2015/16.

**6. 2015/16 Governance Issues**

Issues to Address	Plans and Progress	Responsible
<b>(i) Impact of Planning Appeals</b>		<b>Management Team</b>
Following the delay in the approval of the Core Strategy and in the absence of an approved document and a five year supply of housing (as required by the NPPF) the Council has had difficulty in defending planning appeals.	The trend started in 2014/15 of fewer costs being awarded against the Council has continued in 2015/16. The total legal costs spent on appeals which were lost amounts to £4,210 during 2015/16. The position for the Council will be strengthened when the Core Strategy is approved in July and therefore should result in the removal of this issue from the Annual Governance Statement.	

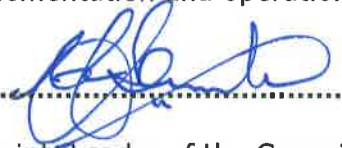
Issues to Address	Plans and Progress	Responsible
<b>(ii) Impact of Welfare Reform</b>		<b>Executive Director (Head of Paid Service)</b>
The Government is committed to reforming the welfare system including issues such as the under occupation charge, Universal Credit and Council Tax Reduction scheme.	This area will continue to remain under review. The Executive Director (Head of Paid Service) will be bringing forward proposals in the coming year related to the Council Tax Reduction Scheme for the Council. This follows a decision by Cabinet in November 2015 to retain the current scheme for 2016/17, however, acknowledged that the scheme should be amended in 2017/18.	
<b>(iii) Implementation of the Core Strategy</b>		<b>Executive Director (Head of Paid Service)</b>
The Core Strategy is scheduled to be adopted by Council in July 2016, Following the adoption of the Core Strategy the Council must be in a position to facilitate its implementation.	The approval of the Core Strategy will strengthen the Council's position in relation to the consideration of planning applications. Associated to the Core Strategy the Community Infrastructure Levy arrangements will be considered for approval in December 2016. Within the budget approved by Council in February 2016 allowance was made for £100,000pa to assist the planning service to implement the Core Strategy. The progress of the implementation will be monitored.	
<b>(iv) Managing the Separation of Shared Working Arrangements</b>		<b>Executive Director (s151 Officer)</b>
At the meeting of Council on 29 February 2016 it was agreed that the existing shared working arrangements with Cherwell (CDC) and South Northamptonshire (SNC) Councils should be terminated. It is therefore necessary that the arrangements which were in place are separated in a timely and managed approach.	Following the meeting of Council termination of the arrangements were issued to CDC & SNC, under the provisions of the s113 agreement. The two substantive shared services related to ICT and Legal services. In both of these areas temporary interim structure serving the needs of the Council have been developed and have either been implemented or will be by 4 <sup>th</sup> July 2016. In addition to the staffing, the Council had implemented joint systems in	



Issues to Address	Plans and Progress	Responsible
	<p>relation to the main financial ledger, the cash management system and the legal case management system.</p> <p>Arrangements are in had to separate each of these systems in advance of the 6 month notice arrangements contained within the s113 agreement.</p>	
<p><b>(v) Review of the Sourcing Strategy</b></p>		<p><b>Executive Director (s151 Officer)</b></p>
<p>Following the Council decision to terminate the Joint Working with CDC/SNC the OSC undertook a review of the lessons learnt from the exercise. One of the recommendations which was supported by Council was that the current Sourcing Strategy should be reviewed</p>	<p>The review of the Sourcing Strategy will be undertaken in the next six months and will be reported to the Cabinet/Council by December 2016.</p>	
<p><b>(vi) Strategic Review</b></p>		<p><b>Executive Director (s151 Officer)</b></p>
<p>Included within the report to Council in relation to the budget it was suggested that given the reductions in funding from central government a Strategic Review of the Council should be undertaken. The review will consider issues including the vision for future service delivery, options for income generation and how services are to be delivered. The review will inform the next version of the Medium Term Financial Plan</p>	<p>The terms of reference for the Strategic Review were approved by Council in April 2016. The group will include members of the Cabinet/OSC/Audit &amp; Standards along with the Management Team. The initial results of the Strategic Review will be ready in time to inform the next budget cycle, in November/December 2016.</p>	

**7. Conclusion**

It is proposed 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 as part of our next annual review.

Signed.....

Cllr Chris Saint, Leader of the Council

Signed.....

Dave Webb, Executive Director (Head of Paid Service)