

Worcester City Council

Annual Governance Statement 2019-20

1. Introduction

1.1 This section explains what the Annual Governance Statement is and what the scope of responsibility is for corporate governance within Worcester City Council.

1.2 Worcester City Council 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.

1.3 The Council also has a specific 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.

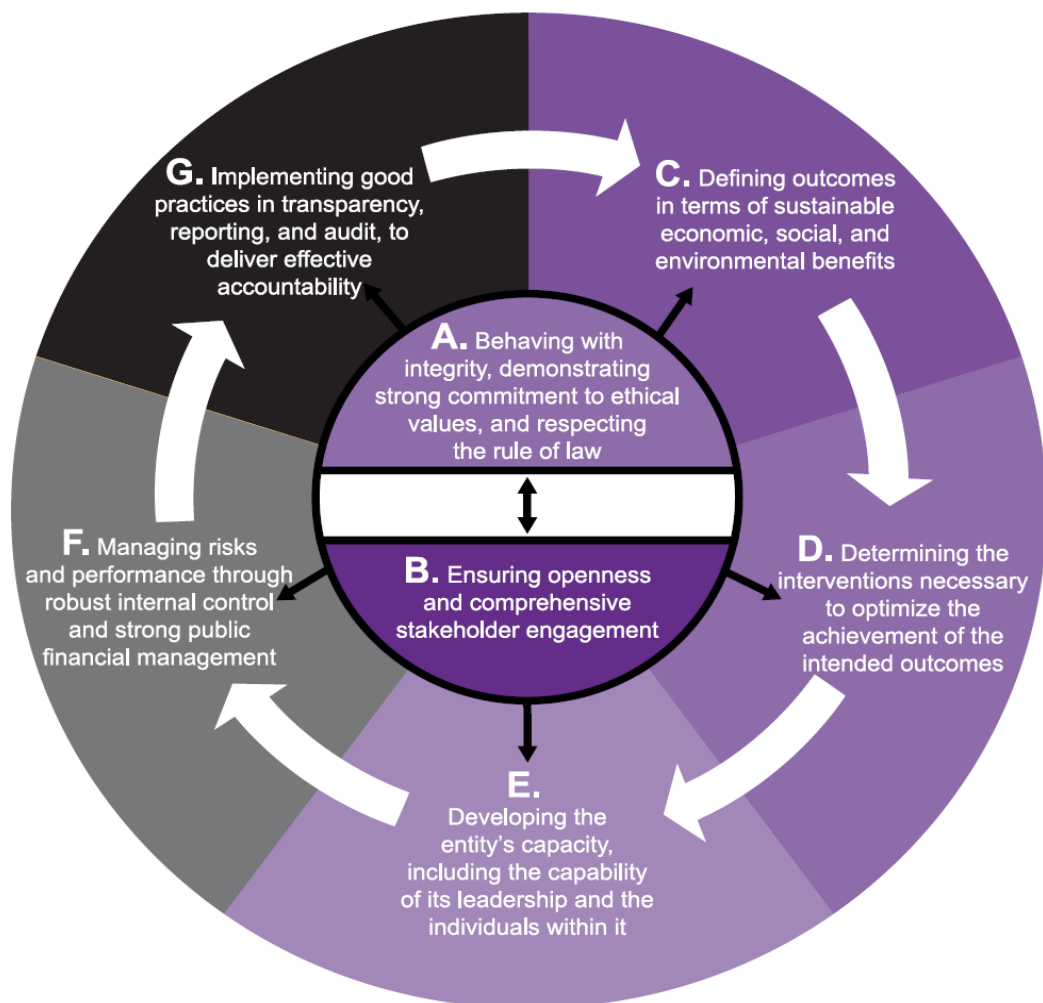
1.4 Worcester City Council has developed a Local Code of Corporate Governance that defines the principles and practices that underpin the governance arrangements operating within the Council. The Code can be accessed on the Council's website.

1.5 The Code is reviewed annually and is built upon seven core principles of good governance. These are taken from 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':

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- B. Ensuring openness and comprehensive stakeholder engagement;
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- D. Determining the interventions necessary to optimize the achievement of the intended outcomes;

- E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it;
- F. Managing risks and performance through robust internal control and strong public financial management; and
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

This diagram illustrates how the seven principles work together. Good governance is dynamic, and the organisation as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review:



1.6 The Annual Governance Statement explains how the Council has complied with the Local Code of Corporate Governance. It is a requirement of the Accounts and Audit Regulations 2015, regulation 6(1) (a) and (b), to conduct an annual review of governance effectiveness and publish this Statement in response.

1.7 The responsibility for leading 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 Statutory Officers, comprising the Managing Director, Chief Financial Officer (S151) and the Monitoring Officer. When completed, the findings are reported to, and improvement actions identified are monitored by, the Audit and Governance Committee.

2. The Council's governance framework

2.1 This section gives a summary of the Council's governance framework and how it operates. More detail is available in the Council's Local Code of Corporate Governance.

2.2 The Council is a statutory organisation whose powers and duties are set out in legislation and often supplemented by statutory guidance and codes of practice. The Council operates in accordance with the legal framework and its own internal rules of procedure, set out in the Council's Constitution. The Council comprises 35 councillors who are elected by thirds on a four year cycle, led by the Leader of the Council and Deputy Leader of the Council. The Council has a workforce of just over 300 officers, led by the Managing Director (Head of Paid Service) and Corporate Leadership Team. The statutory officer roles of Chief Finance Officer (s151) and Monitoring Officer are members of the Corporate Leadership Team and are responsible for ensuring the financial and legal probity of the decisions that the Council makes.

2.3 The Council has adopted committee arrangements for its decision making. The full Council has responsibility for setting the budget and policy framework and has delegated most of its other functions to three policy committees and four regulatory committees and a number of subcommittees. The Council has three political groups which have agreed to share the responsibilities for chairing committees. The Managing Director and other Council officers operate under a scheme of delegation set out in the Council's Constitution. The Council makes a lot of information available about decisions it has taken or intends to take, including through publication on its website and customer consultation.

2.4 The Council has adopted a framework of policies to guide and inform its decision making across all aspects of its service delivery as well as its general management of its assets, including financial, human and physical resources. Councillors and officers have specific codes of conduct in order to promote high standards of behaviour and public confidence. There are five Core Values which are designed to underpin the behaviour of those working for or representing the Council in order to ensure the best outcomes for the Council's customers. These are:

- Good Governance
- Customer Focussed
- Committed People
- Creative Council
- Strong Performance

2.5 The Council has adopted a number of key plans and strategies to ensure that there is a clear direction and vision. These include the Council's City Plan, a 5-year document, the South Worcestershire Development Plan, a Statement of Licensing Policy and a Masterplan for the City. Each year the Council's committees agree priorities which inform the budget setting process. Progress against performance and management of key risks is reported back to committees through scorecards and risk registers. Risk management is an explicit responsibility of the Council's management teams, with corporate and service level risks being recorded and reviewed through a corporate reporting system and guided by a corporate Risk Management Strategy.

2.6 Assurance that the Council's governance arrangements are working properly is the responsibility of the Audit and Governance Committee, supported by the advice of the Chief Finance Officer, Monitoring Officer, internal audit and external audit. The Audit and Governance Committee has reviewed and updated the Local Code of Corporate Governance and has agreed an annual action plan of corporate governance improvements. These are available on the Council's website. The work programme of the Committee is informed by reports from these sources as well as an officer working group called the Corporate Governance Board.

2.7 The Council's internal audit service is provided through a shared service arrangement with neighbouring local authorities. Each year internal audit work is directed by an Internal Audit Plan, which is approved by the Council's s151 Officer and the Audit and Governance Committee. It is a risk-based plan which takes into account the adequacy of the Council's risk management, performance management, challenges, other assurance processes as well as organisational objectives and priorities. Local knowledge, rolled forward review areas, large spend budget areas are also considered, and direct association is made to the City Plan.

2.8 The Council's external audit service is provided by EY, against an Annual Plan agreed with the Chief Finance Officer and Audit and Governance Committee.

3. Effectiveness of the Council's governance in 2019-20

3.1 This section sets out the evidence which demonstrates how effective the Council's corporate governance has been during the year. It follows the principles set out by CIPFA/SOLACE and in the Council's Local Code.

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

3.2 To give an external perspective on good governance, the Leader and Deputy Leader of the Council decided that the Council should this year undertake a Corporate Peer Challenge. This is a process led by the Local Government Association in which the overall performance, capacity and standing of a local authority is assessed by councillors and senior officers from other local authorities.

3.3 Worcester City Council's Peer Challenge ("CPC") took place in October 2019 and the assessors spent a number of days reviewing the Council's plans and performance information as well as conducting interviews onsite with a range of Council members, officers and partner organisations that the Council works with in the City. The CPC team then provided the Council with a report of findings and suggestions for improvement.

3.4 The CPC team's report says that Worcester City Council is, overall, a good council with no major or obvious areas of concern. They note that this is reflected in the authority's clean audit and value for money opinions, good financial management and strong reserves and contingencies. The report recognises a clear theme of ambition to deliver innovative, commercial projects, and finds that it is clear Council staff are motivated to be part of this process. The report also says that the sharing of roles across different political groups is a good example of the Council's commitment to cross-party, collaborative working. The report notes that it is clear that Members work well together for the benefit of the city.

3.5 A copy of the CPC team's report was provided to all external stakeholders that participated in the review. In order to reinforce the importance of the recommendations, the report was also sent to all Members with a personal message from the Leader and Deputy Leader. The report was also shared with staff via our internal web site and made publicly available via our external web site.

B. *Ensuring openness and comprehensive stakeholder engagement*

3.6 The Council undertook its Annual Residents Survey and received over 1,000 responses. The format of the survey asked about satisfaction across service areas and specific projects which were delivered against City Plan themes. Overall, satisfaction rates in the Annual Survey were good and had increased from last year. A number of respondents

expressed an interest in joining specific focus groups to help inform the Council's response and make the customer feedback process more dynamic.

- 3.7** The Council has undertaken public consultations this year on a number of specific issues including on the introduction of a Public Spaces Protection Order for the City centre, changes to the Additional Licensing Scheme for Houses of Multiple Occupation and future amenities that could be provided within Perdiswell Park. The results of these consultations have been reported back to the relevant Council Committees to inform the decisions on any changes made. The Council has also reviewed the equalities monitoring information it captures through surveys.
- 3.8** The Council has successfully managed an exceptionally high number of elections this year - 5 elections - including the UK Parliamentary Election and the European Parliamentary Election. The Council actively seeks feedback from key stakeholders following all elections and received a number of particularly positive comments this year, in responding to the challenges raised.
- 3.9** The Council continues to be a member of shared service delivery arrangements where that is a best value solution. The Council understands the value of collaboration with other local authorities and Members and officers are involved in networking and multi-agency work. In terms of governance matters, all three of the Statutory Officers have regular dialogue with their peers across Worcestershire to share issues of common concern where appropriate.

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

- 3.10** The Council has continued to make strong progress in developing and communicating its vision for the City in terms of redevelopment and urban renewal. In July the Council approved a Masterplan, setting out clear aims and objectives for development in the City, to guide future planning allocations and economic development projects. The work the Council has done, in consultation with stakeholders, to produce an evidence base leading to the Masterplan has already helped the Council attract external funding for some major development aspirations in the City.
- 3.11** The Council's City Plan informs the priorities for investment in the City and further allocations were made to the fund for City Plan projects this year so that good progress could be made against a number of projects including the renewal of the City's CCTV system, the acquisition and refurbishment of temporary accommodation for housing customers and the preparations for demolition and remediation of a former swimming pool site.

3.12 The Council passed a climate emergency resolution in July 2019 to become a carbon neutral City by 2030. A wide ranging consultation on an Environmental Sustainability Strategy has now been developed in response to this climate emergency resolution. The Council has also been working with businesses and residents to gain a better understanding of the strategy for managing the impact of seagulls which is a subject of much local interest.

D. *Determining the interventions necessary to optimize the achievement of the intended outcomes*

3.13 The Council has made progress in delivering service improvements to its own ways of working, all with the common purpose of delivering services in accordance with the Council's Values. These service improvements, monitored through the Council's Business Excellence programme, have included the improvement of the Council's capability both in terms of ICT hardware and software, improvements to staff welfare arrangements, increased use of project management methods and a review of the Council's business continuity and emergency planning arrangements.

3.14 The Council's customer contact centre service was successfully transferred back in house from an external provider, in order to provide a more cost effective but also customer-focussed service. New investment was made in Council face to face facilities for customers with general enquiries as well as housing specific needs.

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

3.15 To ensure that Council staff were clear on the priorities for the year, the Corporate Leadership Team produced a Business Plan which brought together the City Plan and Business Excellence priorities, the Council's Values and the key financial and performance targets. This Business Plan was communicated to staff including through the annual staff conferences.

3.16 The leaders of the Council's three political groups joined the annual staff conferences this year to give their support to the Managing Director and Corporate Leadership Team's key messages about the priorities of the Business Plan. The emphasis was on continuous improvement and the contribution of that every individual can make to the Council's success.

3.17 The Council introduced specific training on customer service skills to its training programme this year. New face to face training also was delivered in response to other specific identified service improvements; this included health and safety and report writing for committees. The Council continued delivery of its officer Leadership Programme, building on previous years' programmes and further inculcating the Council's Values within the management team.

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

3.18 The Council achieved an unqualified audit from its external auditors for the preceding year and has continued to apply the same rigour to its financial management during the year 2019-20. Building on improvements made in the previous two years, further work has been undertaken this year to strengthen the policy framework and processes the Council uses to guide its financial decisions and manage its investments. The Council has adopted an Asset Management Strategy , revised its Capital and Investment Strategies, increased the borrowing capacity of its development fund and continued to manage risk reserves in order to meet the immediate priorities of the Council as well as plan for its medium term financial position.

3.19 The Council was able to set a balanced budget for the year 2019-2020. The budget setting process was informed by the priorities set out in the City Plan and as further refined during the course of the year by the Council's policy committees. The Council's Policy and Resources Committee was able to recommend to Council a proposed budget which had the support of all political groups and as a result, for the second consecutive year, the budget was approved unanimously by Council.

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

3.20 The Council's leadership welcome the role of internal audit in providing scrutiny and identifying areas for improvement. The internal audit service was commissioned by the Audit & Governance Committee this year to work with the Monitoring Officer to undertake a detailed "lessons learned" review of an earlier phase of an ongoing capital project, the demolition and redevelopment of a former swimming pool site. The outcome of that review has informed the next phases of the project, particularly in terms of project management and risk management.

3.21 Internal Audit completed fourteen reviews of varying scope during the year. These included core financials, ICT, health and safety, procurement along with other key risk areas. The assurances provided for the reviews ranged from 'moderate' to 'full' assurance. There were no 'limited' or 'no' assurance reviews reported during the year. A further "lessons learnt" review to that of the former swimming pool site was in regard to the implementation of the new IT system of the Property Service which was re-established in-house from April 2019.

3.22 Various recommendations came from the independent reviews by Internal Audit and were owned by management along with an agreed action plan and time line. Some of the recommendations reported within the reviews included, for example, project implementation, testing of system, training, security, fees and charges, loaned items, compliance and suspense account usage.

- 3.23** To ensure good governance all recommendations are followed up by Internal Audit on an evidence basis to ensure timely implementation. Those reviews that were followed up during the year did not identify any material exceptions where no action had been taken.
- 3.24** Vigilance is a key action of mitigating potential fraudulent transactions. By using this method throughout the year no material loss was identified.
- 3.25** Based on the reviews performed in accordance with the revised audit plan and actions taken throughout the 2019/20 year, the internal control arrangements managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Council's corporate purposes were met.

4. Significant governance issues

- 4.1** This section sets out any significant governance issues which have been addressed during the year or require attention in the next year.
- 4.2** In terms of governance challenges, the early part of the year was relatively stable. The Council has not been involved in any significant litigation. The Monitoring Officer reported to the Standards Committee on customer complaints where maladministration had been found and remedies directed by the Local Government Ombudsman. The lessons learned from these complaints were shared with the senior management team and all relevant service level officers with the objective that similar mistakes will not be made in the future.
- 4.3** Preparations for the Corporate Peer Challenge helped to bring a number of Council policies and processes under review. The CPC Peer Feedback has made nine specific recommendations which the Council will incorporate into this year's Business Plan as priorities for improvement. These can be viewed in the CPC report; they include ensuring that the skill sets of officers and members are fit for the challenging financial and commercial environment of the local authority and the production of a new Homes and Communities Strategy. The CPC team also identified the need for a clear communications plan with key stakeholders, which the Council itself has already identified on its corporate governance action plan.
- 4.4** The final part of the year was dominated by the sudden impact of two emergencies; firstly the City floods and latterly the Covid pandemic. The Council's emergency planning and business continuity arrangements have supported the Council well in ensuring that services continue to be delivered and the Council continues to be effectively managed. The Council had undertaken a test exercise in March 2019 based on a flu pandemic scenario and made some service improvements as a result of

that exercise. However inevitably those two emergency incidents, created a very significant impact on available Council resources. The majority of the Covid related activity occurred after 31 March and so it will be more substantively reported in the next Annual Governance Statement.

- 4.5** The Council has managed to make progress on a number of the Corporate Governance Action Plan priorities but there is still work to be done. For example, the Audit & Governance Committee and Standards Committee have received reports respectively on Member training and members' participation on outside bodies but no changes have been implemented yet. Similarly progress has been made to move toward paperless working for committees but there is still work to fully roll this out. The development of a new procurement strategy has been deferred until the next year which will enable it to be informed by the Council's Covid recovery plans, the refresh of the City Plan and the Council's consultation on an Environmental Sustainability Strategy. The Council's approach to equality and inclusion will also be refreshed.

5. Signature of the Leader and Managing Director

- 5.1 To the best of our knowledge, the governance arrangements, as described above and detailed within the Council's Local Code of Corporate Governance, have been operating effectively during the year.
- 5.2 Areas for improvement that were identified in our review of effectiveness will be progressed; we will monitor their implementation and operation during the year and report as part of our next annual review.

Cllr Marc Bayliss
Leader of the Council

David Blake
Managing Director

[date]