

Worcester City Council

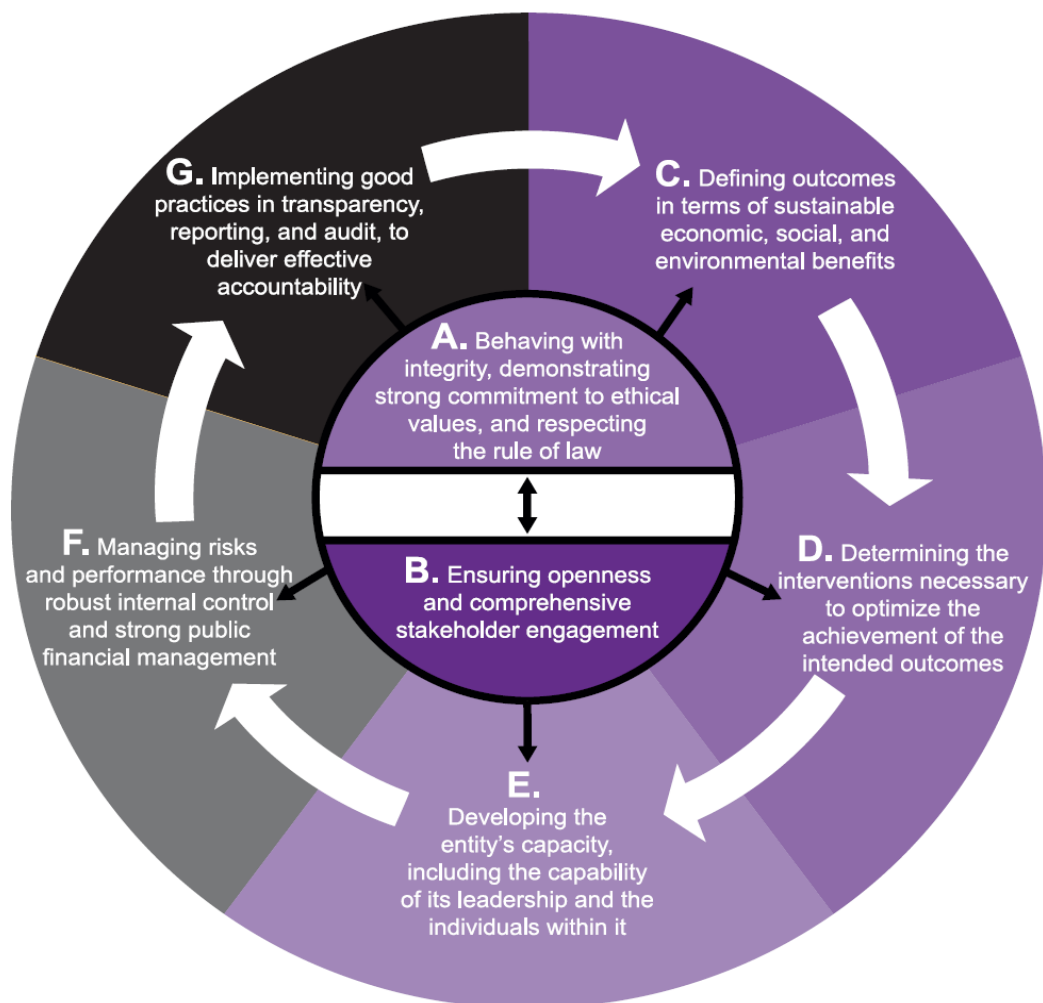
Annual Governance Statement 2022-23

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, during 2022-23, by the Joint 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 committees. During the year 2022-2023, the Council operated five policy committees and four regulatory committees and a number of subcommittees and the Council had four political groups which 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. The Council has a whistleblowing policy and an anti-fraud strategy, both of which were refreshed and updated during this year. 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 which was renewed in 2021, the South Worcestershire Development Plan which was under review during this period, a Statement of Licensing Policy, a Masterplan for the City, an Environmental Sustainability Strategy and an Equality Diversity and Inclusion Strategy. 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 oversees the Local Code of Corporate Governance and 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 public-sector organisations. 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, and 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 during the year 2022-23 was provided by EY, against an Annual Plan agreed with the Council's s151 Officer and Audit and Governance Committee.

3. Effectiveness of the Council's governance in 2022-23

- 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.
- 3.2** During the year 2022-23, the Council successfully delivered all of its statutory services as well as progressing the other services and projects that its councillors have agreed it should prioritise. The Council operated with a balanced budget and funded its work through a combination of different sources. The Council managed to complete all of its own planned audit work. However, the Council's external auditors were not able to complete their work due to their own resource pressures.
- 3.3** The Council considers that its corporate governance arrangements have been effective this year. This is with the exception of the significant delay in receiving external audit clearance, which is of concern to the Council but regrettably not within the Council's ability to influence.
- 3.4** Detailed examples of the effectiveness of the Council's corporate governance during the year 2022-23, are given below.

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

- 3.5** This year the Council reviewed policies and arrangements which support good governance and compliance with the law. These included the whistleblowing policy, the anti-fraud and corruption policy, processes for the administration of grants and the record keeping of health and safety records. In keeping with previous years, the Council reviewed parts of its Constitution to ensure good governance; this year this included the Planning sections and the procedure for bringing Notices of Motion. The Constitution was also strengthened to ensure a right of response to members of the public who attend Council meetings to speak.
- 3.6** The Standards Committee continued to oversee the ethical values and behaviour of councillors. There were no complaints upheld against councillors under the Members Code of Conduct. A small number of complaints about councillor conduct were recommended for informal action including advice and guidance. Training for new councillors on standards matters was provided in May. The Council approved an updated version of the Members Code of Conduct, an updated list of standing declarations of interest, and updated procedures for the investigation of complaints.

- 3.7** The Standards Committee continued to oversee complaints made to the Local Government Ombudsman. There were no complaints upheld against the Council by the Ombudsman in this year. The Council is continuing to develop its learning from complaints, through an internal staff excellence programme and improved management information reporting. Complaint statistics are reported to Policy and Resources Committee during the year.
- 3.8** The Council expects the same high standards of service delivery whether a service is delivered in-house, or through a contracted service to a third-party supplier. The Council has had one significant contractual dispute this year, with its car parking machines supplier. This was a service failure of major significance, causing a temporary but very distressing financial impact for thousands of Council customers whose bank card transactions were taken multiple times, due to the supplier's software error. As a result, the Council gave notice to terminate the contract with this supplier and appointed a new supplier to provide and operate new car parking machines. All affected customers have been reimbursed and provided with apologies. The Council expects to recover its own financial losses from the outgoing supplier. The new supplier's machines have been installed in the Council's car parks.
- 3.9** One significant legal action has been commenced against the Council during this year. This relates to the Council's Planning functions; an application for judicial review has been brought by the local NHS Acute Trust against three south Worcestershire district councils which granted planning consent for a major new residential site in the locality. The case is ongoing and is part of a national debate about the Government's model for providing NHS funding to respond to increased development, and local councils' obligations to deliver through the planning system other forms of infrastructure investment and affordable housing.
- 3.10** There were no significant health and safety concerns raised which caused the Council to change its policies or working practices. As part of continuous improvement, a whole set of health and safety guidance documents were progressed during this year, as well as updating to systems for reporting health and safety concerns and inspecting premises and undertaking risk assessments.

B. *Ensuring openness and comprehensive stakeholder engagement*

- 3.11** This year the Council continued to take actions under its new Equality Diversity and Inclusion Strategy with the aim of becoming an excellent local leader in this. The work of officers was overseen by Committee and also the Member Champion for Equality Diversity and Inclusion. The work is guided by the Local Government Association's framework for equalities and is organised into four workstreams: Communities, Customers, Leadership and Workforce. This year the Council also started to consider the demographic information emerging from the 2021 Census.

3.13 The Council undertook its Annual Residents Survey and received 1,092 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 increased this year and there was increased satisfaction in specific areas.

Service	Satisfied 2022 %	Satisfied 2022 No.	Satisfied 2021 %	Annual Trend
Rubbish collection and recycling	89.72	977	85.89	↑ UP
Garden waste collection	82.44	446	81.36	↑ UP
Trade waste collection	40.98	50	41.67	↓ DOWN
Street cleaning	55.79	602	62.31	↓ DOWN
Car parking and parking enforcement	34.74	355	40.92	↓ DOWN
Planning and planning enforcement	20.11	143	23.10	↓ DOWN
Support for local businesses and getting people back into work	23.98	135	26.15	↓ DOWN
Support for housing and homelessness	17.40	118	22.95	↓ DOWN
Customer Service Centre	43.86	125	36.08	↑ UP
Council Tax billing, housing benefits and other payments	49.24	487	65.82	↓ DOWN
Sports and leisure activities and facilities	53.26	457	51.44	↑ UP
Arts and culture events and facilities	65.52	593	63.37	↑ UP
Parks and play areas	70.85	695	75.04	↓ DOWN
Cemeteries and the crematorium	60.27	355	63.24	↓ DOWN
Licensing	36.32	215	32.52	↑ UP
Environmental Health	40.04	362	39.03	↑ UP

- 3.14** More work will be done to improve response rates. The Council has reviewed its approach to consultation and engagement to ensure that it is responsive to the changing behaviours and requirements of its customers. The City Plan, reset from April 2022 includes a commitment to develop an 'annual conversation' within the city. In 2022/23 this included a series of workshop-style discussions with stakeholders on matters relating to the 'cost of living crisis'. This brought together a range of organisation and individuals from across the city that can provide support to those struggling with financial hardship. The process was overseen by a Task and Finish Group of Members from all four Groups and reported to the Policy & Resources Committee.
- 3.15** The Council also undertook its first seminar on the development of the Environmental Sustainability Strategy, which supported the development of an Action Plan and hosted a symposium sponsored by the Arts Council and the Government's Department for Levelling Up, Housing and Communities to share best practice under the Cultural Development Fund. This supported an ongoing legacy development programme for the Arches Worcester project. Thousands of citizens have been directly engaged in the Worcester Lives oral history project, which culminated this year in a night-time illuminated trail of video projections around heritage city centre buildings and drew large crowds.
- 3.16** The Council continues to make its public buildings accessible and open for general enquiries and visits. The Mayor's Office and the calendar of civic events this year reached out to celebrate and connect different communities, business, residents and visitors in the city. On a day to day basis, the Council continues to operate face to face customer services as well as telephone and web-based customer contacts. The Council has provided translation of information, on request, and has provided assistance to customers with particular access needs.
- 3.17** During this year, the Local Government Boundary Commission for England continued its electoral review of Worcester City. The outcome of this process is currently awaited. The Council has contributed to this review by making submissions about its preferred size and also, following a period of public consultation, the Council resolved to move to whole-Council elections with effect from May 2024. The Council has responded to each stage of the Commission's consultation on warding patterns, providing evidence to demonstrate where ward boundaries should be drawn to ensure the Commission's 3 objectives are met:
- (i) Delivering electoral equality for local voters;
 - (ii) Reflecting the interests and identities of local communities;
 - (ii) Promoting effective and convenient local government.
- 3.18** The Council continues to recognise the value of collaboration with other local authorities and Members and officers are involved in networking and multi-agency work, including within Worcestershire and also Local

Government Association programmes and the District Councils Network. The Council remains part of shared services arrangements for regulatory services, the administration of revenues and benefits and ICT and continues to host the Worcestershire Internal Audit Service, which included overseeing the County Council's internal audit function this year.

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

3.19 Building on its adopted Masterplan and City Plan, the Council was successful in its bids for capital investment into the city through the Government's Towns Fund and Future High Streets Fund programmes, which include job creation, physical regeneration and social capital. The Council was awarded £19.6m through the Towns Fund and £17.9m through the Future High Streets Fund, as well as £922,000 through the Green Homes Grant. These programmes have continued to be progressed during the year 2022-23.

3.20 The Council has continued to bring detailed work through the Sustainability Strategy action plan. This included in 2022-23:

- The Council's first ever Sustainability Summit, hosted in the Guildhall and attracting 130 attendees;
- Adoption of a Biodiversity Action Programme;
- Delivery of home energy improvements to 24 private homes;
- Planted 8,000 trees.

3.21 The Council continues to work with its two neighbouring district councils to review the South Worcestershire Development Plan which will guide planning policy for the coming years. During this year, the three councils undertook a public consultation on the draft Plan and received over 3,395 responses from 975 consultees. These responses are carefully collated and presented to the Planning Inspectorate when the draft Plan is submitted for Examination, which is the process by which an independent expert will determine whether the draft Plan is legally sound and can be adopted by the councils as their new main planning policy.

3.22 During this year the Council undertook a wide-ranging consultation aimed at children, young people and their carers, to understand their needs for play space in the city. This has led to the development of a Worcester Play Plan which is expected to deliver social benefits to the youngest generations of Worcester residents and their families.

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

3.23 The Council uses the strategic documents identified above to determine the actions needed to achieve its corporate goals. The City Plan contains a series of actions which are defined in terms of outcomes and a set of

measures which will enable progress to be charted. There is an annual 'State of the City' review to assess progress against these measures.

3.24 The Future High Streets Fund bid and the Town Improvement Plan include a range of interventions designed to implement key elements of the City Plan and the Masterplan as well as deliver the core vision of a city that is prosperous, accessible, diverse and inclusive; with great opportunities for work, leisure, sport and tourism alongside a quality of life that is attractive to all. The Council has continued to deliver the projects which are funded through these external Government programmes. In particular, five of the unused railway arches along Cherry Tree Walk were brought into use and let to tenants for creative uses, bringing significant economic benefits and increased footfall to an under-developed area of the city.

3.25 A major area of development during 2022-23 was to increase the provision of affordable housing in the city and to reduce homelessness. An Enabling Housing Strategy was commissioned to examine ways in which the Council can bring forward development and secure increased affordable housing in the city. This identified a series of areas for development including:

- Developing a policy framework
- Organising and resourcing the enabling function
- Securing land supply and planning effectively
- Developing approaches
- Working with partners – particularly Registered Providers of social housing
- Increasing supply through various initiatives

The Council also worked with partners in the development of a Worcestershire-wide Housing Strategy and consulted on a Worcestershire Homelessness and Rough Sleeper Strategy and Action Plan. The Single Person and Childless Couples Homeless Prevention Service contract was renewed. An Action Plan was developed to meet new requirements relating to energy efficiency in rented accommodation and the licensing scheme for houses in multiple occupation was extended, alongside a refreshed private rented sector strategy.

Alongside these major developments in housing strategy the Council supported a number of families of refugees from Afghanistan, Syria and Ukraine, amongst others. The Local Authority Housing Fund (LAHF) of £1.1m was received to provide units of affordable accommodation for refugees through the Afghan Resettlement Scheme, the Ukraine Family Scheme, the Homes for Ukraine and Extension Schemes.

3.27 The cost of living summits outlined above were supplemented by the introduction of schemes to deploy further Government support for those on low incomes through Council Tax Support extension and also support for energy costs through specific grants.

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

3.27 The annual survey of staff showed improvement on the previous year's assessment as the Council returned to its 'One to watch' status, with improvements in all areas. Staff conferences, however, highlighted the need for strengthening mental health support during the post-pandemic recovery period. Accordingly training budget was set aside to support team activities and the procedures governing working arrangements were revised, including the deployment of ICT equipment and software application such as Microsoft Office 365 and Teams to enhance communications across a more dispersed workforce.

Complementary to this, significant work has been undertaken to increase cyber security to reduce threats and a suite of training deployed to develop understanding of the need for good practice in the management of data.

3.28 A review was undertaken of corporate mandatory learning, and a cohort of aspiring managers were given access to local government leadership programmes run nationally. Senior Council Members and the Managing Director attended the Local Government Association Annual conference as a working group and several engaged in peer reviews at other councils, bringing back valuable learning experiences.

3.29 The Council approved a new parental leave policy for councillors, as a measure to support prospective and serving councillors to balance their family and councillor commitments. The policy acknowledges that the current legal framework nevertheless still stipulates a set level of councillor attendance at meetings.

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

3.31 The Council has continued to apply a high degree of rigour to its performance and financial management during the year 2022-23 including meeting all reporting deadlines. The completion of the external audit was delayed by the pandemic because of resourcing pressures on the external auditors. The auditors did not complete the certification of the 2020/21 accounts until May 2023 and have indicated that work on the 2021/22 accounts will not commence before the summer of 2023. As a result the council was not able to publish a draft set of accounts for 2021/22 or 2022/23. These will be published by September 2023. New external auditors have been appointed and an early engagement achieved to help prepare for the next financial year's audit.

3.32 The Council was able to set a balanced budget for the year 2022-2023. 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 was voted by a majority of Members at Full Council.

The 2022/23 outturn was stronger than anticipated, concluding in a break-even position. However, the budget-setting process highlighted a number of inflationary pressures, including an average pay increase of 7.5% and inflation of up to 10%. This resulted in a need to draw from reserves to close a budget gap of £1.7m. The MTFP indicates that this gap will grow in 2024/25 to £2.2m. Therefore, a detailed budget review process was developed at the end of the financial year in preparation for the following year's budget. The external auditors and the Government Department have been advised of this process which will be undertaken openly. The Policy & Resources Committee's performance scorecard for the new year will include a regular quarterly update of progress towards meeting the target.

All Committee performance scorecards were revised during the year to take account of new objectives and challenges. The risk registers continue to be reviewed with risk scores being revised as necessary. A further review of the corporate risk register will be undertaken in 2023 to revise, in particular, any risks remaining in relation to the Covid pandemic and the prevailing economic conditions.

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

3.34 The Council's leadership welcome the role of the Audit and Governance Committee and the Internal Audit service in providing scrutiny and identifying areas for improvement. Internal Audit completed 22 reviews of varying scope during the year. Various recommendations came from the independent reviews by Internal Audit and were owned by management along with an agreed action plan and timeline.

3.35 To ensure good governance all recommendations are followed up by Internal Audit on an evidence basis to ensure timely implementation. 3 follow up reviews were undertaken this year in addition to core financial areas. Those reviews that were followed up during the year did not identify any material exceptions where no action had been taken.

3.36 Vigilance is a key action of mitigating potential fraudulent transactions. By using this method throughout the year no material loss was identified. A £30k external fraud was identified, investigated and reported during the year regarding the High Street Fund Grant. Since the incident, there has been a review and change of process to reduce the risk of a potential repeat. Remedial work to recover the loss is continuing regarding this

event. Regular and independent checks took place during the year using a national matching and checking service to identify potential high-risk applications.

3.37 Based on the reviews performed in accordance with the revised audit plan and actions taken throughout the 2022-23 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 summary the key governance implications that the Council faced during the outgoing year were:

- (i) The Council continued to manage its core services alongside specific Government-sponsored priority initiatives, as well as major capital schemes;
- (ii) The Council's external audit was delayed for a significant time due to resourcing pressures on the external audit team, resulting in delays to the publication of statements of accounts;
- (iii) The cost of living pressures had a significant impact on the Council's finances and those of other organisations which the Council works closely with to deliver services and community impact across the city.

4.3 Looking ahead, the priority areas for governance identified in 2022/23 include:

- (i) The Council's success in attracting funding – primarily capital funding – to deliver Government initiatives has created a set of delivery programmes. The governance arrangements for the oversight of major programmes are now well established but the programmes are challenging in terms of revenue and staffing as well as cost pressures, which are becoming more acute.
- (ii) The Council's financial future continues to be very challenging. Driven by the Council's Medium Term Financial Strategy, savings of £1.7m are being planned in the current year, with further savings required in subsequent years. Unless the funding model for local

government is reviewed, this is likely to have a significant impact on many aspects of Council service delivery going forwards.

- (iii) It continues to be of concern to the Council that the external audit work programme is now significantly behind the Council's annual reporting cycle, meaning that there is no external audit opinion given of the Council at the end of the municipal year.
- (iv) The distribution of grants to third parties (residents and/or businesses) is a prominent feature of the response from central Government to a range of local challenges and so the Council will need to continue to be vigilant to guard against fraud and ensure best value through its grant application and payment processes.
- (v) The Council will need to respond this year to the outcome of the review by the Local Government Boundary Commission for England. This review will definitely result in changes to the electoral boundaries and compositions of wards within the city, to take effect from 2024. The changes will require preparations for the election of all Council seats in 2024.
- (vi) The Council has set itself an ambitious work programme through its committee system. The governance challenge is to ensure there is the capacity to keep this work programme on track through the stages of decision-making and scrutiny and conversion into deliverable and measurable outcomes.
- (vii) The South Worcestershire Development Plan review is due to complete and be submitted to the Planning Inspectorate for Enquiry before the end of the current year. Reaching this milestone will provide the Council and the other South Worcestershire Districts Councils with a significant degree of control over the major developments within their local area.

5. Conclusion and 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 Lynn Denham and Cllr Majority Bissett
Joint Leaders of the Council

David Blake
Managing Director

Approved: July 2023