

**Worcester City Council
Annual Governance Statement 2012/13**

1. Scope of Responsibility

- 1.1 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. Worcester City 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.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 Worcester City Council has previously approved and adopted a Code of Corporate Governance, which was consistent with the principles of the CIPFA/SOLACE Framework for Corporate Governance in Local Government: A Keystone for Community Governance. at the time of its adoption. This framework was revised in 2007 and replaced by the CIPFA SOLACE Framework Delivering good Governance in Local Government. In December 2012 further revised guidance and an addendum were issued and the Council's local code of Corporate Governance has now been reviewed and updated in line with this revised guidance. Once approved the revised Code of Corporate Governance will be available on the Council's website at www.worcester.gov.uk or can be obtained from the Service Manager, Performance, Improvement & Efficiency, Orchard House, Farrier Street Worcester, WR1 3BB.
- 1.4 This statement explains how Worcester City Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. The purpose of the Governance Framework

- 2.1 The governance framework comprises the cultural and values, systems and processes by which the Council is directed and its activities through which it accounts to, engages with and leads its communities. The framework allows the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 A significant part of the framework is the Council's system of internal control which is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, but can provide reasonable, though not absolute, assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Worcester City Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

2.3 The Council's approach to corporate governance is underpinned by our values of delivering the results people want; one Council; challenge to improve and empowerment with accountability. The revised governance framework is built around the following core principles:

- Focus on the outcomes for Worcester City and create a vision for the area which the Council can play a leadership role in helping to implement.
- Members and officers working together to achieve a common purpose with clearly defined roles.
- Promoting values for the Council and demonstrating values of good governance through upholding high standards of conduct.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engage with local people to ensure robust public accountability.

2.4 A Governance framework has been in place at Worcester City Council for the year ended 31st March 2013 and up to the date of approval of the 2012/13 report and Statement of Accounts.

3. The Governance Framework

3.1 The key elements of the systems and processes that comprise the Council's governance framework are described below.

3.2 The **Corporate Plan** is the Council's strategic plan, it sets out Worcester City Council's vision for Worcester - to make it a "First Rank Cathedral and University City". The five key priorities are:

- Cleaner, Greener City
- Safer and Stronger Communities
- Economic Prosperity
- Customer Service and Communications
- Delivering Value for Money

The Corporate Plan also sets out three underlying themes to help the organisation deliver what we want. These are intended to drive change in the way the Council operates and help shape the culture of the organisation. The themes are commissioning quality services, shaping Worcester's future and putting customers first. Delivery against the priorities in the plan is regularly reviewed and cascaded through the Corporate Planning Process into Service Plans, Service Managers' objectives and cascaded to service teams and staff objectives through the appraisal process.

- 3.3 **The Council Constitution** – The Council constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure these are transparent and accountable to local people. The agendas and minutes of all the public meetings of the Council and its committees are available on our website.
- 3.4 **Council Structure** – The Council operates a Leader and Cabinet model with Cabinet members responsible for individual portfolios which align with the corporate plan priorities.
- 3.5 **Policy development and Scrutiny**- The Council has three Scrutiny committees:
- Scrutiny Committee
 - Performance Management and Budget Scrutiny Committee
 - Audit Committee
- 3.6 **The Standards Committee** - This committee's role is to promote and maintain high standards of conduct by Members and to monitor the operation of the Members Code of Conduct.
- 3.7 **Head of Paid Service** – The Managing Director is designated Head of Paid Service and has overall corporate management and operational responsibility. He provides professional advice to all parties in the decision making process and together with the Monitoring Officer is responsible for the system of record keeping for all Council decisions.
- 3.8 **Monitoring Officer** - The Council has designated the Service Manager - Performance, Improvement and Efficiency as Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations.
- 3.9 **Chief Finance Officer** – The Corporate Director Resources is designated as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The S151 Officer has responsibility for establishing sound financial management within the Council and ensuring adherence to the Council's own financial standards and rules.
- 3.10 **Code of Corporate Governance** – The local code sets out the Council's definition of Corporate Governance, the values it stands for and the key principles of corporate governance that it has adopted.
- 3.11 **Anti Fraud and Corruption Arrangements** – The Council continues to review and update its Anti Fraud and Corruption Policy to ensure it demonstrates a commitment to tackling fraud and corruption whether within or external to the Council.
- 3.12 **Corporate Complaints** – The council has a complaints policy and procedure which describes how complaints can be made and how they will be monitored.
- 3.13 **Stakeholder Communication** – The following main methods are used to communicate the Council's objectives and achievements to local people:
- City Life, a quarterly newsletter sent to all households

- The Council Website
- The annual Council Tax leaflet

The Council also undertakes consultation exercises for example, through the Viewpoint satisfaction survey.

3.14 Partnership Governance – Partnerships are a key component of service delivery. The Council is engaged in a wide range of partnerships including shared service arrangements with other Councils.

3.15 Performance Management - The Council's approach to performance management and the Performance Management Framework was revised in 2011/12. The framework now aligns performance management with the Council's priorities as set out in the Corporate Plan, it is intended to:-

- Enable Managers and Members to keep track of the overall performance of the Council and its services, adjust priorities and resources and direct improvement actions accordingly.
- Better integrate financial and performance reporting in order that resources are effectively aligned to priorities.
- Support effective scrutiny, with the opportunities to take a more in depth look at a service or function
- Provide Managers and Members with current and relevant data to support informed decision making.

3.16 Risk Management - Worcester City Council's risk management strategy has been refreshed to reflect the Council's re-structure and the changed Local Government environment, it was approved in January 2012. The Corporate Risk Register is monitored by management on a quarterly basis, with Cabinet asked to review the register on a six monthly basis, Audit Committee also receive a risk management report on a six monthly basis. Cabinet will approve the Management Action Plan each year, with risks and progress to date reassessed in all the areas. The Corporate Risk Register is designed to be a live document, therefore any risks that are brought to CMT's attention as being strategically important will be added to the register. The Performance, Improvement and Efficiency Manager has responsibility for corporate risk management.

3.17 Internal Audit – Worcester City Council's responsibility for maintaining an adequate and effective internal audit function is set out in Regulation 6 of the Accounts and Audit (England) Regulations 2011. The Council's External Auditor will assess Internal Audit against these regulations and the United Kingdom Public Sector Internal Audit Standards.

4. The Review of Effectiveness

4.1 Worcester City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Service Manager of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

- 4.2 The review processes that have been applied in maintaining and reviewing the effectiveness of the governance framework are outlined below in relation to the following areas:
- 4.3 **The Council Constitution** - During 2012/13 the Council adopted the revised constitution which was reviewed in 2011/12 and has continued to act on the recommendations of the Constitution Working Group. A review of Scrutiny arrangements was carried out by the Centre for Public Scrutiny, in the coming year the Council will consider how to address the issues raised and action the recommendations in the report.
- 4.4 **Leadership Team** - In 2012/13 The Council restructured the Leadership team in line with a new target operating model, this re-structure was approved at full Council in November 2012 and implemented in February 2013. The re-structure created a new Director of Resources post and aims to ensure the Council has sufficient senior technical skills in Finance to handle our own transformation programme, commissioning and national changes such as Local Government Resource Review (LGRR), Welfare to Work and Universal Credit. The revised structure adds an additional post into the senior financial service area to deal with funding system volatility and assist with the transformation of services. It puts commissioning and place shaping at the centre of the organisation and refocuses our existing resources functions into a single resources directorate that is adequately resourced to deal with both the current systemic and funding changes and the need to continue to transform current practice. It addresses the need to focus resources through the localities and members to ensure our place vision is developed and we commission outcomes to support this and allows us to ensure quality delivery and excellent customer services for any service we choose to deliver directly, or not, both now and into the future.
- 4.5 **The Audit Committee**- Played a key monitoring role by reviewing and monitoring internal control issues throughout the year. This included reviewing the work of internal audit and the outcomes of their work, ensuring recommendations are put into place by management and requesting follow up audits to areas of concern. In addition, the Audit Committee considered reports by the external auditor, as well as the Council's action plans in response to recommendations made. In 12/13 the Audit Committee received reports in line with the Council's refreshed approach to risk management; other issues reviewed include the Council's approach to the management and monitoring of S106 agreements.
- 4.4 **The Corporate Governance Assurance Board** - in 12/13 the Corporate Governance Assurance Board has made good progress in addressing the issues identified for improvement as set out in the annual governance statement action plan. The Action plan has been regularly reviewed and updated throughout the year. Key actions include:

- A revised whistleblowing policy has been drafted and will be subject to formal consultation and approval in 13/14.
- The Council's Partnership register has been reviewed and refreshed.
- Significant progress has been made in implementing and embedding the Council's approach to Project Management.
- The Council has taken steps to improve its approach to Freedom of Information requests and Data Protection, the quality and timelines of responses to requests is now monitored and regularly reviewed.
- An action plan has been developed to address the recommendations set out in the Zurich report in relation to risk management.
- The Civil Emergency Plan has been updated.
- Practice in relation to Health and Safety has improved significantly.
- Financial controls and financial management has been improved and new monthly reports are in place.
- Following a terms and conditions review the Council has addressed any potential issues in relation to equal pay.

4.5 **The Strategic Programme Board** – in 2012/13 the Strategic Programme Board has supported effective project delivery through robust overview of delivery of corporate projects. Project delivery has also been incorporated into quarterly performance reporting to ensure there is visibility of delivery against key corporate plan projects.

4.6 **Performance Management** - in 2012/13 the Council has continued to implement and embed the Performance Management Framework, the key focus for 13/14 is to complete the data collection for reporting against the Value for Money measures.

4.7 **Internal Audit** - The Internal Audit function has operated as a shared service since 2010/11 and is hosted by Worcester City, for five district councils. The shared service operates in accordance with the Institute of Internal Auditors International Standards and the United Kingdom Public Sector Internal Audit Standards (PSIAS) and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.

The Internal Audit Plan for 2012/2013 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system, which is embedded in the methodology, and was approved by the Audit Committee. It included:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion';
- other corporate systems for example governance and a number of operational systems for example Waste and Recycling, Garden Waste and Community Grants were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.

The 2012-2013 audit plan agreed by Committee was delivered providing sufficient coverage to assist in arriving at the audit opinion. Audits across the corporate spectrum have been undertaken, the outcomes of which have been reported to Audit Committee where appropriate. Core financial audits provided overall reasonable assurance.

Based on the audits performed in accordance with the audit plan the Worcester Internal Audit Shared Services Service Manager concludes that the Council's governance framework arrangements during 2012/2013 have not always provided full assurance but outstanding issues were being addressed as part of the process of continuous improvement.

- 4.8 **Accommodation Board** - During 2012/13 the Council's Accommodation Board has overseen the rationalisation of office space in the Orchard House complex, the Customer Service Centre move to the Hive and a review and rationalisation of the use of off site storage facilities. These have contributed to improved efficiencies, reduced costs, improved customer service and more effective use of assets.
- 4.9 **Risk Management** – Since Cabinet approved the Risk Management Strategy in January 2012, a number of actions have been taken which are summarised below;
- risk diagnostic exercise run by Zurich Municipal;
 - revision to risk management strategy and toolkit based on recommendations from Zurich's review of the Council's approach to risk management;
 - amendment to project documentation to reflect risk management approach;
 - defined process for escalation and monitoring of project risks;
 - liaison with Health & Safety team to ensure health & safety risks and risk management strategy are aligned and support each other; and
 - revision of service improvement plan template in line with agreed risk management approach.

The next phase will be embedding risk management across the organisation, with plans to roll out risk management training for senior managers, members and appropriate officers over the next year.

- 4.10 **Complaints** – in 2012/13 the Council has developed a new complaints system which will offer more effective reporting and a more efficient way of managing and dealing with complaints. The enhanced data capture in the system will ensure that the Council can be more effective in learning from complaints.
- 4.11 **Anti Fraud and Corruption** – in 2012/13 revised policies have been drafted for anti-fraud and corruption and for Whistleblowing, these will be subject to consultation and approval in 13/14.
- 4.12 **Partnership Governance** – significant progress was made in 12/13 in improving shared service governance arrangements ensuring that roles and responsibilities of Officers and members are clear and that the Council is clearer about what it wants Shared Services to deliver.

5 Significant Governance Issues

- 5.1 The statutory duties of the Monitoring Officer and the Section 151 Officer require them to draw to members' attention any improper practices, financial imprudence or problems with the systems of internal control. No significant weaknesses or issues have been identified.
- 5.3 However, Worcester City Council seeks to strengthen its governance arrangements by monitoring internal and external assurance gathering throughout the year as outlined in paragraph 2. During 2013/14 the Council will be focusing on the following areas of improvement.
- 1) Anti-Fraud and corruption, including whistleblowing
 - 2) Partnership Governance
 - 3) Contract and Client management
 - 4) Information governance and the role of the chief Information Officer
 - 5) Embedding Risk Management
 - 6) Improving Business continuity Planning
 - 7) Decision Making
 - 8) Hopmarket
 - 9) Workforce Development
 - 10) Value for Money