

## **Worcester City Council Annual Governance Statement 2018/19**

### **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 approved and adopted a Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE guidance. The Code of Corporate Governance, which was in place for 2018/19, is available on the Council's website at [www.worcester.gov.uk](http://www.worcester.gov.uk) or can be obtained from the Monitoring Officer, Worcester City Council, The Guildhall, High Street, Worcester, WR1 2EY.
- 1.4 This statement explains how Worcester City Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, 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 values, systems and processes by which the Council is directed and its activities through which it is accountable 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 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 31 March 2019 and up to the date of approval of the 2018/19 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 In 2016/17 the Council approved the Worcester City Council City Plan 2016-2021. It sets out the City Council's strategic vision for shaping Worcester's future – "Building a successful future on 2,000 years of history", and sets out five key themes that will deliver this vision. The five key themes are:

- Stronger and Connected Communities
- A Prosperous City
- A Healthy and Active City
- A Heritage City for the 21<sup>st</sup> Century
- Sustaining and Improving our Assets.

The City Plan 2016-2021 also identifies the goals, strategies and measures that will address these themes by creating a new relationship with people and partners to build a successful, thriving and welcoming city. The Council will continue to focus on core projects as part of its internal strategies, to deliver cumulative revenue savings, to ensure that the technology the Council uses is fit for the future and to secure the skills, knowledge and attributes that will be required in the Council's workforce to enable the Council to deliver its priorities.

3.3 The Council's approach to corporate governance is underpinned by our values. In 2016, the Council embarked on a new change improvement programme which identified a number of workstreams for improvement under the following five themes:

- Good governance
- Committed People
- Strong Performance
- Customer focussed
- Creative Council.

In 2017, these five themes were adopted as a new set of Council values and are at the heart of the Council's *Achieving Excellence* improvement programme.

- 3.4 **Council Structure** – With effect from Annual Council on 16 May 2017, the Council moved to a Committee model of governance. The new arrangements are now fully embedded. There was a review of the new arrangements during the first half of 2018/19 with recommendations for minor changes to the Constitution as a result.
- 3.5 **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.
- 3.6 **Policy development and Scrutiny**- During 2018/19, the Council had in place the following policy committees, all of which have an externally-focussed scrutiny role.
- Policy and Resources Committee
  - Communities Committee
  - Environment Committee
  - Place and Economic Development Sub-committee
  - Income Generation Sub-Committee
  - Personnel and General Purposes Sub-committee

These committees also receive quarterly performance information and financial monitoring of budgets and services.

- 3.7 **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.
- 3.8 **Head of Paid Service** – The Managing Director is designated Head of Paid Service and has overall corporate management and operational responsibility. The Managing Director 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.
- 3.9 **Monitoring Officer** - The Deputy Director Governance is designated as Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations.
- 3.10 **Chief Finance Officer** – The Corporate Director Finance & 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. The Council's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government* (2010).
- 3.11 **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.

- 3.12 **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.
- 3.13 **Corporate Complaints** – The Council has a complaints policy and procedure which describes how complaints can be made and how they will be monitored.
- 3.14 **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
  - Social media including Facebook and Twitter
  - The annual Council Tax leaflet.

The Council also undertakes consultation exercises: for example, budget consultation.

- 3.15 **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 including for ICT and for Regulatory Services, as well as a public-private partnership for Revenues and Benefits. During 2018/19 the Council reviewed its shared services arrangements and has subsequently decided to change the way in which some of its services are delivered. This has included implementing a decision to terminate its contract with Place Partnership Limited, a property management company, and to bring property management services in-house with effect from 1 April 2019. The Council will also withdraw from the public private partnership arrangement for customer services, the Worcestershire Hub, from April 2020.
- 3.16 **Performance Management** – The Council has reviewed and improved its performance management framework as part of the Achieving Excellence programme, and performance is reported at service, directorate and corporate level using a proprietary software package. Each of the Council’s committees receives performance reports on a quarterly basis through bespoke reports that have been agreed by Members.
- 3.17 **Risk Management** – The Corporate Risk Register is monitored by senior management on a quarterly basis and is also reported to the Policy and Resources Committee for oversight of corporate risks. The Audit and Governance Committee also receives a risk management report annually to provide assurance that the Council’s risk management strategy is being followed.
- 3.18 **Internal Audit** – Worcester City Council’s responsibility for maintaining an adequate and effective internal audit function is set out in the Accounts and Audit (England) Regulations 2015. The Internal Audit function has operated as a shared service since 2010/11. It is hosted by Worcester City, and provides the Internal Audit function for five district councils as well as the Hereford and Worcester Fire and Rescue Service. 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 as well as ensuring there is protection of the public purse.

The Internal Audit Plan for 2018/2019 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 and Governance Committee.

Audits across the corporate spectrum have been undertaken, the outcomes of which have been reported to the Audit and Governance Committee where appropriate.

Based on the audits performed in accordance with the revised audit plan the Head of Internal Audit Shared Service concludes that the Council's governance framework arrangements during 2018/19 have not always provided full assurance but are satisfactory in most areas, with any identified issues being addressed by the management team as part of the process of continuous improvement. The majority of areas returned assurances of moderate or above. Where assurances were limited, e.g. Health and Safety (Training Records - Operations) and Homelessness, a robust action plan has been agreed by management and will be monitored for completion. Although there are controls in place to reduce the potential for fraudulent actions taking place there was an instance that was investigated during 2018/19 the outcome which led to two members of staff leaving the organisation and a verbal report made before the Audit and Governance Committee providing assurance that in this instance the fraudulent activity was low level and there was no material loss to the organisation.

The Internal Audit Shared Service was subject to an external assessment during 2017/18 in regard to compliance with the Public Sector Internal Audit Standards. The Standards require all Internal Audit Services to undergo an independent assessment every five years. Completed in October 2017 the assessor confirmed the Service was solid and reliable and reported in the formal report that there were "no areas of non-compliance with the standards that would effect the overall scope of the internal audit activity". Several recommendations were made which will enhance the Service and these have been completed. A further independent assessment will take place before October 2022.

#### **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 Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. Senior management oversight of corporate governance is carried out through the Council's Corporate Governance Board which has reviewed a number of governance themes during 2018/19 and reported where appropriate to the Audit and Governance Committee.

4.2 During 2018/19 the following matters have been considered by the Audit and Governance Committee:

- Approval of annual statement of accounts for 2017/18
- Approval of Annual Governance Statement for 2017/18
- Internal Audit progress reports
- The Council's anti fraud and corruption policy
- The decision-making processes supporting the decommissioning of a former swimming pool in the Council's ownership.

4.3 In addition, during 2018/19 the Corporate Governance Board has reviewed the following matters:

- Training for Members on treasury management in local government
- Ongoing compliance with core legal requirements relating to information law, equalities and health and safety
- Progress of internal audit work
- The development of a new Corporate Governance Code and Corporate Governance Action Plan.

4.4 The Council has embedded the Achieving Excellence improvement programme during 2018/19 and progress on key projects is reported to the Policy and Resources Committee on a quarterly basis. The areas of improvement are structured under 5 themes as follows:

- Customer Focused - customers at the heart of everything we do
- Good Governance - effective decision making and balanced risks
- Committed People - agile, talented, and inspired people
- Creative Council - being innovative in our use of resources
- Strong Performance - delivering what we set out to achieve.

4.5 The following improvements have been achieved during 2018/19:

#### **Customer Focused**

- We have adopted a new customer service strategy.
- We have decided to bring our customer contact centre in-house to provide an improved level of service delivery and enable us to get better access to feedback from our customers.
- We have listened to customer feedback in areas of frontline service delivery and made specific changes to services based on that feedback.

## **Good Governance**

- We have put in place a suite of policies relating to capital investment strategies, capital asset management and acquisition and development of property. This overall framework enables the Council to better manage its existing assets and make investments, ensuring a secure financial future.
- We have embedded project management into the organisation. Project gateway approvals processes are used to ensure that project scope remains clear and that significant risks are managed and appropriately escalated.
- We invited an external review of our Development Management Service and we are using the feedback to implement a number of service improvements.
- We have undertaken a review of the effectiveness of the new Committee system of decision-making.
- We have decided to introduce a rolling annual plan of specific corporate governance improvements in an action plan that we will deliver under the oversight of the Audit and Governance Committee.

## **Committed People**

- We have published and begun to implement the People Strategy and rolled out the new performance development review process.
- We have enhanced our training offer for all employees through an online Learning Lounge.
- We have taken feedback from the staff survey and staff conferences to help us understand the sort of organisation that our employees want to work for.

## **Creative Council**

- Under our new framework for investment, we have completed our first major real estate acquisition.
- We have developed and reviewed a range of income streams which are delivered using our existing assets, knowledge and skills, under the oversight of the Income Generation Sub-committee.
- We have brought Property Services back in-house from a previous shared services arrangement.

## **Strong Performance**

- The new Performance Framework has been rolled out across the Council.

- The Council's Transformation Programme has been translated into the Council's Income and Efficiency Plan which was approved as part of the Council's budget in February 2019.
- New investments in ICT are being delivered as part of the ICT Strategy published in 2018.
- We undertook a significant business continuity exercise and are taking the learning from it to develop improved responses with our partner organisations in the City.

4.6 The following improvements which form part of the Achieving Excellence Programme will be carried forward to 2019/20:

#### **Customer focused**

- We will be bringing back in-house our customer contact services by 1 April 2019. This is a significant change project for the Council and will bring us closer to our customers.
- We will ensure our stakeholder management plan is implemented and is a useful tool for communicating and working with stakeholders.

#### **Good governance**

- We will review, streamline and simplify our policy framework.
- We will continue to review and exercise our emergency response and business continuity arrangements to ensure that we are able to effectively contribute to a multi agency response to potential incidents and emergencies.

#### **Committed People**

- We will continue to deliver the new People Strategy to ensure that we can attract, retain, recognise and develop our people resource and enable our workers to achieve excellence in everything we do

#### **Creative Council**

- Income Generation: Deriving new and sustainable sources of income for the Council continues to be a priority for us. We will ensure that our income and investment activities are appropriate and well managed

#### **Strong Performance**

- We will continue to monitor service standards and make service improvements in response to customer feedback.



- A new capital asset management plan, on a three year basis, will ensure that we have a planned programme of re-investment in our assets.

## **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 to any improper practices, financial imprudence or problems with the systems of internal control. No significant weaknesses or issues have been identified.
- 5.2 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. We are open to challenge and invite external assessors to work with us as we continuously improve.
- 5.3 The Achieving Excellence improvement programme will continue in 2019/20, now entitled "Business Excellence". The Council's top priorities for delivery against City Plan and achieving excellence are identified and will be disseminated to staff through a Business Plan. Some of the improvement initiatives for 2018/19 will also carry forward to 2019/20 and will be incorporated into a revised Business Excellence Programme which will be finalised in the first quarter of 2019/20.
- 5.4 In summary the Council has maintained a clear focus on its corporate priorities during the year 2018/2019 while also ensuring that high standards of corporate governance were maintained. From a financial perspective, the Council set a balanced budget which was successfully agreed on a cross-party basis through the Council's Committee system and the Council has achieved a positive financial outturn against this budget.



Sian Stroud  
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