

**Worcester City Council  
Annual Governance Statement 2015/16**

**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 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 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 31<sup>st</sup> March 2016 and up to the date of approval of the 2015/16 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 In 2014/15 the Council approved the Worcester City Council Corporate Plan 2015-2020.. It sets out Worcester City Council's vision for shaping Worcester's future – "Proud of our past, focused on our future", and sets out five key themes that will deliver this vision. The five key themes are:

- Increasing prosperity through successful businesses and great jobs;
- Growing a vibrant city with sports, leisure and retail;
- Making the most of our history and heritage;
- Continuing to enhance our city centre and riverside; and
- Ensuring our city is clean green and safe.

The Corporate Plan 2015-2020 also identifies the goals, strategies and measures that will address these themes through continued effective and efficient management of resources and the development of innovative and flexible service delivery. The Corporate Plan 2015-20 sets out the various approaches we will take for example, becoming an enabling authority which sets clear outcomes and identifies the services that it wants to deliver. The Council will continue to focus on core projects as part of the existing transformation plan, to deliver cumulative revenue savings, to deliver co-ordinated business improvement reviews, to ensure that the technology the Council uses is fit for the future and to develop an Organisational Development Plan to identify 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 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.

3.5 **Policy development and Scrutiny**- The Council has two Scrutiny committees:

- Scrutiny Committee
- Performance Management and Budget Scrutiny Committee

In 13/14 it was agreed that in line with CIPFA guidance the Council would review the role of the Audit Committee with a view to it being a Committee of the Council rather than an overview and scrutiny committee. Work to deliver on this has taken place in 14/15 and the Audit Committee is now a committee of the Council.

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. She 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. The previous Managing Director left the authority at the end of May 2015 and the Corporate Director Resources was the Acting Head of Paid Service until the new Managing Director took up post in August 2015.

3.8 **Monitoring Officer** - The Council has designated the Legal Services Manager 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. 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).

3.10 **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
- Social media including Facebook and Twitter
- The annual Council Tax leaflet

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

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. a public private partnership for Revenues and Benefits and the Hub (Customer Services) as well as the creation of the Place Partnership Limited property management company with other Councils, the police and the fire authority.

3.15 **Performance Management** - Performance Management - The Council’s approach to performance management and the Performance Management Framework was reviewed in 15/16, however more work is required to cover the Corporate Plan and organisational improvement objectives. The framework will be aligned with the Council’s priorities as set out in the Corporate Plan 2015-2020 and the Council’s Mind the Gap Programme as these themes become embedded across the Council.

3.16 **Risk Management** - Worcester City Council’s risk management strategy was reviewed in 2014/15. 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 approves 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 Strategy and Transformation Service 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 the Accounts and Audit (England) Regulations 2015.

3.18 **External Audit** – The Council has new external auditors for the 2015/16 financial reporting year onwards. 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. The review has been carried out through the Council's Corporate Governance Assurance Board and has incorporated a review of progress against the areas of continuous improvement and the improvement initiatives identified in last year's annual governance statement.

- 4.2 The Council has identified two categories of actions to strengthen its governance arrangements. These were divided into five areas of continuous improvement as well as five improvement initiatives. These are summarised as follows:

### **Improvement Initiatives**

- 1) Mind the Gap
- 2) Pay review
- 3) S.106 decision making processes
- 4) Grant award processes
- 5) Committee report writing procedures

### **Continuous Improvement**

- 6) Contract and Client management
- 7) Improving Business Continuity Planning
- 8) Value for Money
- 9) Implementing the scrutiny review action plan
- 10) New Partnership arrangements

Overall, the review found that the Council had made progress in all of the areas identified in the 14/15 annual governance statement.

### 4.3 **Mind the Gap**

The target for this improvement initiative in 2015/16 was "To deliver savings targets against Service Plans in 2015-16 financial year."

The overall savings target for 2015-16 was £1.0m. By the end of the 4<sup>th</sup> quarter, the transformation plan had achieved savings of £0.9m. 2016-17 Mind the Gap projects have been incorporated into the service planning process and will be kept under review through quarterly reporting to the Performance Management and Budget Scrutiny Committee and Cabinet. Mind the Gap will continue as an improvement initiative for the year 2016-17.

#### 4.4 **Pay Matters**

The target for this improvement initiative in 2015/16 was "To implement a new pay structure in January 2016".

A Project Board, which includes the Head of Paid Service, the S.151 Officer, the Monitoring Officer, the Service Manager Finance and the Service Manager Human Resources has continued to have oversight of the Pay Matters Project.. The Project Board is also supported by a project officer from West Midlands Employers. Work has continued throughout 2015-16 to identify a suitable job evaluation scheme. Communication with staff has continued through Wider Management Team and via the Council's staff publication "In the Know". The detailed proposal has been passed to the unions and they expect to be in a position to ballot their members with a recommendation to accept in June 2016. The timetable for implementation of the new pay structure is now programmed for September 2016. Pay Matters will continue as an improvement initiative for the year 2016-17.

#### 4.5 **S.106 decision making processes**

The target for this improvement initiative in 2015/16 was "To establish robust decision making processes for identifying suitable s.106 projects and for allocating s.106 monies".

The S106 Programme Board is a quarterly meeting of Service Managers with responsibility for agreeing S106 spending priorities, approving projects to ensure S106 monies are spent in accordance with agreements, agreeing responsibility for delivery of projects and inputting into the development of planning policy to secure developer agreements.

Officers are working to identify how we deal with the changing regulatory landscape. Work is on-going through the Corporate Governance Board to reassess procedures in light of The Community Infrastructure Levy Regulations 2010 (as amended) and issues emerging from the Housing and Planning Bill.

S.106 decision making processes will continue as an improvement initiative for the 2016/17 year.

#### 4.6 **Grant award processes**

The target for this improvement initiative in 2015/16 was "To establish criteria and transparent processes for the allocation of grant funding".

A Project Group is meeting regularly. Report prepared for CMT to consider the findings of the review and what the next steps should be to developing the transparent process to awarding the grants.

Grant award processes will continue as an improvement initiative for the 2016/17 year.

#### **4.7 Committee report writing procedures**

The target for this improvement initiative in 2015/16 was "To implement quality standards for committee report writing".

The main objectives of the review have been addressed and appropriate support mechanisms for report authors have been established. The new report template and standards were implemented with effect from the March 2016 Cabinet cycle. The report templates and guidance have been well publicised and the new arrangements will be monitored by Democratic and Electoral Services. This improvement initiative has been completed and this will now become business as usual activity.

#### **4.8 Implementing the scrutiny review action plan**

The target for this continuous improvement initiative in 2015/16 was "To complete all outstanding actions in the scrutiny review action plan during the 2015-16 financial year".

The remaining actions in the scrutiny review action plan have been completed. In particular, a Scrutiny toolkit has been developed and will be signed off by Corporate Management Team in quarter one 2016/17. A version of the toolkit will also be available to Members. This area of continuous improvement has been completed and this will now become business as usual activity.

#### **4.9 New Partnership arrangements**

The target for this continuous improvement initiative in 2015/16 was "To embed best practice in respect of the recording and management of partnership arrangements through the monitoring of the effectiveness of the partnership register and the communication with relevant services during the 2015-16 financial year"

The Partnership Register and framework will be finalised during quarter one 2016-17 by the Senior Management Team and guidance will be rolled out to managers so that they are able to focus on those partnerships/ relationships which have the greatest impact on the Council's Corporate Plan priorities.

This area of continuous improvement will continue for the 2016/17 year.

#### **4.10 Contract and Client management**

The target for this continuous improvement initiative in 2015/16 was "To publish on a quarterly basis a contract register, to monitor the register to ensure that is up to date and to develop staff guidance and provide training on contract management."

The new e-procurement software is now live and training with each service has begun. The existing records are being transferred. The new system will enhance our e-procurement capability and make contract management more efficient. There remains further work to be done in terms of the development of staff guidance and training on contract management which will be progressed during 2016/17 following the approval of a new senior management structure by the Personnel and General Purposes Committee,

the appointment of a new Corporate Director for Commissioning and Delivery and the creation of a new post of Head of Contracts and Performance.

This area of continuous improvement will continue for the 2016/17 year.

#### 4.11 **Improving business continuity planning**

The target for this continuous improvement initiative in 2015/16 was "To achieve final sign off on the BCP during the first half of the 2015-16 financial year."

Training provided to Service managers and identified staff within the organisation. Training for all staff currently being developed on the Learning Lounge to undertake as a mandatory part of induction but then with a requirement to be updated annually.

A training exercise is being prepared by the Emergency Planning Unit for Sept/Oct 2016 to exercise both the Business Continuity and Major Emergency Plan. Work continues to ensure there is ownership of identified Worcestershire risks within the Worcester City Corporate Risk Register.

This area of continuous improvement will continue for the 2016/17 year.

#### 4.12 **Value for Money**

The target for this continuous improvement initiative in 2015/16 was "To monitor Value for Money performance measures in Service Plans during the 2015-16 financial year."

During 2015-16 the Council introduced a Balanced Scorecard approach to the monitoring of service performance measures. This provides an overview of the position of each service with regards to finance, satisfaction, efficiency and employees. The content is under review and some developments are being considered for 2016/17.

This area of continuous improvement will continue for the 2016/17 year.

4.13 In addition to the areas for improvement identified in the Council's AGS action plan the Council has also ensured the effectiveness of governance arrangements through continued improvements in **project management** arrangements. 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. The Council has successfully delivered a range of projects and has ensured that where there have been delays or issues in project delivery that officers have focussed on capturing lessons learned to ensure the Council can continue to improve its approach.

4.14 **Internal Audit** - 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 2015/2016 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 procurement, planning enforcement and economic development 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 2015/2016 have not always provided full assurance but are satisfactory in many areas with any identified issues being addressed by the management team as part of the process of continuous improvement.

## **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.
- 5.2 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. Some of the improvement initiatives for 2015/16 will carry forward to 2016/17. Other improvement initiatives have also been identified, as well as areas for continuous improvement. Under each area, outcomes, measurable targets and any key milestones have been identified, where appropriate, to ensure that future improvement initiatives and areas for continuous improvement achieve the required results. These can be summarised as follows:

### **Improvement Initiatives**

1) Mind the Gap

To deliver savings targets against Business Service Plans in 2016-17 financial year

2) Pay review

To implement a new pay structure in September 2016

3) S.106 decision making processes

To establish robust decision making processes for identifying suitable s.106 projects and for allocating s.106 monies

4) Grant award processes

To establish criteria and transparent processes for the allocation of grant funding

5) Health and Safety compliance

To undertake a review of the governance of health and safety processes during the 2016/17 financial year.

6) Safeguarding compliance

To undertake a review of the governance of safeguarding processes during the 2016/17 financial year.

7) Business Plan

To embed organisational priorities and management competencies across the Council.

**Continuous Improvement**

7) Contract and Client management

To develop staff guidance and provide training on contract management

8) Improving Business Continuity Planning

To test the Council's business continuity plans during the first half of the 2016-17 financial year.

9) Value for Money

To monitor Value for Money performance measures in Service Business Plans during the 2016-17 financial year.

10) New Partnership arrangements

To finalise the partnership register and to roll out to managers to enable them to effectively manage partnership arrangements