

Worcester City Council

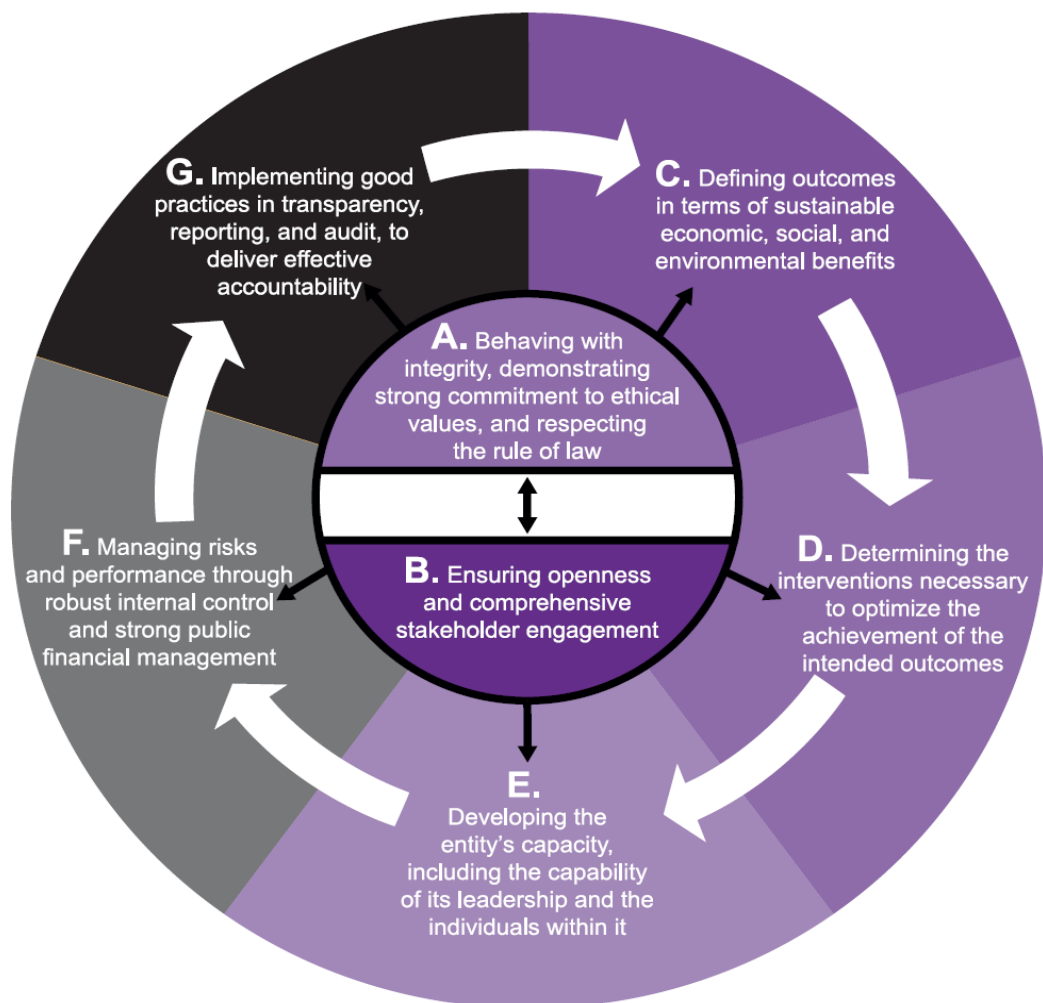
Annual Governance Statement 2021-22

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 2021/22, by the Leader of the Council and Deputy Leader of the Council. The Council has a workforce of just over 300 officers, led by the Managing Director (Head of Paid Service) and Corporate Leadership Team. The statutory officer roles of Chief Finance Officer (s151) and Monitoring Officer are members of the Corporate Leadership Team and are responsible for ensuring the financial and legal probity of the decisions that the Council makes.
- 2.3** The Council has adopted committee arrangements for its decision making. The full Council has responsibility for setting the budget and policy framework and has delegated most of its other functions to committees. During the year 2021-2022, 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. 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, a Statement of Licensing Policy, a Masterplan for the City and the Environmental Sustainability 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 has agreed that the Monitoring Officer will oversee an annual action plan of corporate governance improvements, reporting progress to the Committee. These documents are available on the Council's website. The work programme of the Committee is informed by reports from these sources as well as an officer working group called the Corporate Governance Board.

2.7 The Council's internal audit service is provided through a shared service arrangement with neighbouring local 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 is 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 2021-22

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 This year was still impacted by Covid. Government restrictions were still in place, in a variety of different forms, for the whole of this year, although after Christmas 2021, the restrictions did not make much appreciable impact on Council operations. Safe working arrangements were still maintained throughout the whole of the year for staff and customers in order to minimise the risks of Covid transmission.

3.3 During the year 2021-22, the Council successfully delivered all of its statutory services as well as 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, including Government grant awarded directly to local authorities to support the impact of Covid. The Council managed to complete all of its own planned audit and decision-making activities against published timescales. However, the Council's external auditors were not able to complete their work due to their own resource pressures.

3.4 In time for its May 2021 Annual Council meeting, the Council moved back to holding its committee meetings in person. This was because the legislation which had permitted remote meetings during the Covid lockdown period, was withdrawn by the Government. The Council introduced its new video broadcasting system for committee meetings. This enabled members of the public to watch the meetings being streamed on the internet rather than attend in person if they preferred.

3.5 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.

3.6 Detailed examples of the effectiveness of the Council's corporate governance during the year 2021-22, are given below.

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

- 3.7** 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 resolved through informal action including advice and guidance. Training for new councillors on the Members Code of Conduct was provided in May.
- 3.8** 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.
- 3.9** There were no significant incidences of litigation against the Council during this year. There were no significant health and safety concerns raised.
- 3.10** The Council adopted a new Corporate Health, Safety and Welfare Policy to update its existing arrangements for staff, customers and contractors and put in place a number of continuous improvement actions in relation to health and safety across the Council.

B. *Ensuring openness and comprehensive stakeholder engagement*

- 3.11** This year the Council adopted a new Equality Diversity and Inclusion Strategy, informed by the results of the Council's self- assessment of its own performance in this area, using standards set out by the Local Government Association. The Strategy recognises that the Council shows many good examples of its commitment to equality, diversity and inclusion but there are a set of specific actions that the Council can take to ensure that it becomes excellent. The Council also appointed its first Member Champion for Equality Diversity and Inclusion.
- 3.12** The Council adopted clear terms of reference for its Member Champions, who serve as an important link with particular interest groups or communities and/or raising the profile of certain issues that have cross cutting relevance to the Council's work programmes. There are Member Champions appointed for the Armed Forces, Children and Young People, Equality Diversity and Inclusion, Health & Safety and Heritage.
- 3.13** The Council undertook its Annual Residents Survey and received 968 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 decreased this year but there was increased satisfaction in specific areas. This showed a significant change in focus from 'internal' domestic issues to broader interests in the external environment. This reflects the transition from

the concerns of 'lockdown' where there was a natural tendency to consider issues such as homelessness and business recovery to engagement, leisure recreation and enjoyment of the City as a community and shared space. Table 1 reflects this change:

Table 1: Satisfaction scores improved for 7 services in 2020 and 2021

2020	2021
Rubbish Collection and recycling	Parks and play areas
Garden waste	Arts and cultural activities & facilities
CT billing and HB	Cemeteries and Crematorium
Street cleaning	Sports & leisure activities & facilities
Trade Waste collection	Trade Waste collection
Support for housing and homelessness	Environmental Health & regulation
Support for local businesses	Customer Service Centres

- 3.14** More work will be done to improve response rates; the Council is renewing its approach to consultation and engagement to ensure that it is responsive to the changing behaviours and requirements of its customers.
- 3.15** The Council continues to operate face to face customer services as well as telephone and web-based customer contacts. Additionally, the Council supported the national 2021 Census during this year, opening the customer services front desk during a period of Covid restrictions in order that members of the public who needed help completing the Census could receive advice from a member of Council staff face to face.
- 3.16** A set of local government elections, for the City Council, County Council and Police and Crime Commissioner were successfully delivered during May 2021, notwithstanding the extensive Covid restrictions that were in place at this time.
- 3.17** During this year, the Local Government Boundary Commission for England commenced a periodic electoral review of Worcester City. 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.
- 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.

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

3.19 The 5-year City Plan was refreshed this year and the new version was supported by all the Political Groups on the Council. The new version was informed by public consultation and feedback from councillors. The City Plan sets out clearly what the Council's objectives are and how they will deliver sustainable economic, social and environmental benefits. The revised themes in the City Plan are:

- Stronger and Connected Communities
- A Prosperous City
- A Healthy and Active City
- A Heritage City with a 21st Century culture
- Enhancing and sustaining our beautiful City for future generations

3.20 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.

3.21 Following the adoption of the Council's first Sustainability Strategy in the previous year, the Council has continued to bring detailed work through the action plan. This included:

- Installation of EV charge points in one of its car parks
- Delivery of the Green Homes Grants which will see 160 Homes have improved energy efficiency by mid-2022
- Supporting 22 community organisations through grant funding small environmental sustainability projects
- Planting nearly 2000 trees

3.22 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.

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.
- 3.25** During 2021/22 the Council also restructured services to support its target outcomes, including the creation of a Health & Wellbeing Committee to steer action to address social developments and the recruitment of a number of Heads of Services roles. This provided an opportunity to refresh the strategic and operational direction of services in key areas such as Operations, Homes and Communities, Economic Development and Planning.
- 3.26** The Council also sought to distribute government funding to support its overall aims where local discretion was allowed. Altogether £3.7m was distributed between June 2020 and March 2022 in ways that best supported local businesses in accordance with Council priorities. For each tranche of funding a Discretionary Grant Scheme was established to enable these resources to be targeted towards local priorities, especially small businesses, and help to secure the wellbeing of the City through the Covid pandemic.

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

- 3.27** The Managing Director has provided a weekly communication to all staff and to all councillors to ensure that a detailed level of information is shared every week, on the Council's work programme. Training and staff wellbeing was prioritised following the lifting of all Covid lockdown restrictions.
- 3.28** The Council has made good progress with an ambitious digital transformation programme which has enabled a flexible office workforce, able to work effectively from a variety of locations. Utilising Microsoft Teams, and moving towards cloud-based applications, access to colleagues and information has been enabled from any location.
- 3.29** The Council has refreshed its People Strategy for the next four years and reinforced its commitment to attract, retain, recognise and develop excellent people. The stated Corporate Values remain unchanged and form a critical and familiar common thread to the Council's work. Together with the Competency Framework, the Values maintain a common purpose and language for how the Council goes about delivering all of its services and they will remain a key part of performance management.

3.30 The Strategy has five themes of Smart working; Inclusive Practices, Connected Thinking, Caring Behaviours, and Sustainably Driven. We continue to emphasise a thriving workforce in a modern digitally-supported environment that values diversity, collaboration and connection, emphasising the importance of staff mental wellbeing.

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 financial management during the year 2020-21 including meeting all reporting deadlines. The completion of the external audit was delayed by the pandemic because of resourcing pressures on the external auditors and is not now expected to be finalised before September 2022.

3.32 The Council was able to set a balanced budget for the year 2021-2022. The budget setting process was informed by the priorities set out in the City Plan and as further refined during the course of the year by the Council's policy committees. The Council's Policy and Resources Committee was able to recommend to Council a proposed budget which had the support of all political groups and as a result the budget continued to be approved unanimously by Full Council.

3.33 The Covid pandemic and the resultant lockdown had a significant effect on the Council's finances through an increase in operating costs and a reduction in income. Examples of these include the continued provision of accommodation for rough sleepers and a 20% reduction of income from car park fees. The Government continued to provide support to Councils with one-off grants and income from other sources ultimately led to the Council ending the year with a small budget surplus of £27K but without the need to take a planned £747k from reserves. This has been retained for future financing.

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 16 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. 6 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. Regular and independent checks took place during the year using a national matching and checking service to identify potential high risk applications. Two instances of attempted fraud in relation to business grants were identified and reported to the relevant government department as required.

3.37 Based on the reviews performed in accordance with the revised audit plan and actions taken throughout the 2021-22 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 Covid responses projects 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;
- (iii) The pandemic had a significant effect on the Council's finances. The Government provided one-off grant funding to mitigate the shortfall. However it remains to be seen how long it will take for the Council's income to return to pre-pandemic levels.

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 new 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 potential cost pressures.

- (ii) The Council's financial future continues to be challenging. The Council's current level of reserves means there are no immediate concerns. However, the longer-term funding model for local government is not settled and so this remains a significant risk area for the Council.
- (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 Council will continue to respond this year to the review being undertaken by the Local Government Boundary Commission for England. This review is likely to change the electoral boundaries and compositions of wards within the city, to take effect from 2024.
- (v) 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.
- (vi) 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 Marc Bayliss

David Blake

Joint Leader of the Council

Managing Director

[date]