

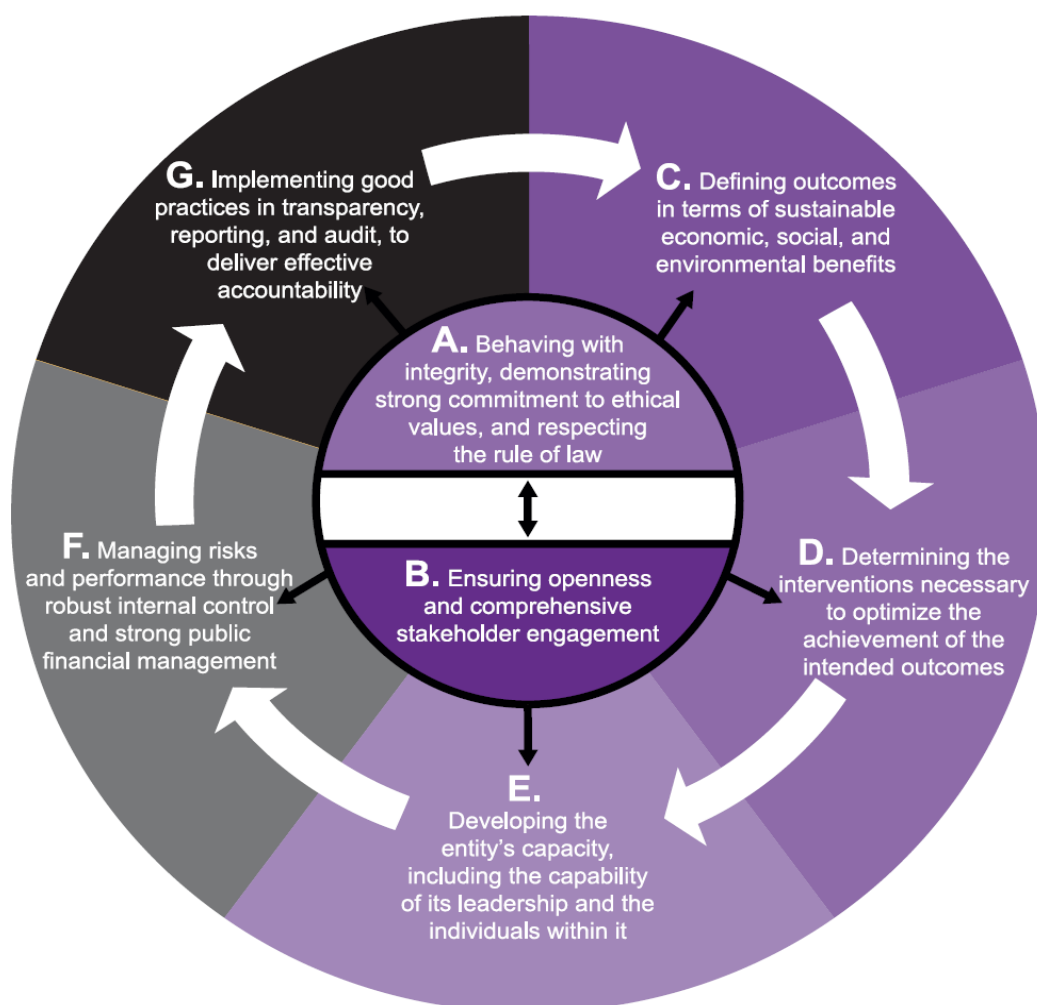
## **Worcester City Council**

### **Annual Governance Statement 2023-24**

#### **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 optimise 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, lies with 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. This year was the last year that councillors were elected by thirds. 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 2023-2024, the Council operated five policy committees and four regulatory committees and a number of sub-committees and the Council had four political groups which agreed to share the responsibilities for chairing committees. The Council had two Joint Leaders, one from the Labour Group and one from the Green Group. The Managing Director and other Council officers operate under a scheme of delegation set out in the Council's Constitution. The Council makes a lot of information available about decisions it has taken or intends to take, including through publication on its website and customer consultation.
- 2.4 The Council has adopted a framework of policies to guide and inform its decision-making across all aspects of its service delivery as well as its general management of its assets, including financial, human and physical resources. Councillors and officers have specific codes of conduct in order to promote high standards of behaviour and public confidence. The Council has a whistleblowing policy and an anti-fraud strategy. both of which were refreshed and updated during December 2022. 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 Focused
  - Committed People
  - Creative Council
  - Strong Performance
- 2.5 The Council has adopted a number of key plans and strategies to ensure that there is a clear direction and vision. These include the Council's City Plan, a 5-year document which was renewed in 2021, the South Worcestershire Development Plan which was under review during this period, a Statement of Licensing Policy, a City Centre Masterplan, a Town Investment Plan, an Environmental Sustainability Strategy and an Equality Diversity and Inclusion Strategy. Each year the Council's committees agree priorities which inform the budget setting process. Progress against performance and management of key risks is reported back to committees through scorecards and risk registers. Risk management is an explicit responsibility of the Council's management teams, with corporate and service level risks being recorded and reviewed through a corporate reporting system and guided by a corporate Risk Management Strategy.
- 2.6 Assurance that the Council's governance arrangements are working properly is the responsibility of the Audit and Governance Committee, supported by the advice of the Chief Finance Officer, Monitoring Officer, internal audit and external audit. The Audit and Governance Committee oversees the Local Code of Corporate Governance and

the work programme of the Committee is informed by reports from these sources as well as an officer working group called the Corporate Governance Board.

- 2.7 The Council's internal audit service is provided through a shared service arrangement with neighbouring local public-sector organisations. Each year internal audit work is directed by an Internal Audit Plan, which is approved by the Council's s151 Officer and the Audit and Governance Committee. It is a risk-based plan which takes into account the adequacy of the Council's risk management, performance management, challenges, and other assurance processes, as well as organisational objectives and priorities. Local knowledge, rolled-forward review areas, large spend budget areas are also considered, and direct association is made to the City Plan.
- 2.8 The Council's external audit service during the year 2023-24 is being provided by Azets. Following an exercise undertaken by Public Sector Audit Appoints (PSAA), Azets were appointed as the Council's external auditors in October 2022 and since that date have been working to establish their role as the Council's auditors for the 2023/24 audit year. This has included the publication of an Annual Plan, which was agreed with the Council's s151 Officer in December 2023 and presented to the Audit and Governance Committee in March 2024.
- 2.9 During 2023-24, the previous external auditors, EY, continued to prepare audit work for the 2021/22 and 2022/23 audit of accounts while managing the handover to Azets. The audit of these years' accounts has not been completed at the date of this statement and are subject to a process which is being agreed between the Government and external auditors for all councils affected by the delays. The Government has consulted on a final date for completion of these accounts to be 30 September 2024 and has proposed that they are completed using a 'disclaimer' opinion rather than through full audit work being undertaken by the auditors, leading to a conclusion on the accounts for both years.

### **3. Effectiveness of the Council's governance in 2023-24**

- 3.1 This section sets out the evidence which demonstrates how effective the Council's corporate governance has been during the year. It follows the principles set out by CIPFA/SOLACE and in the Council's Local Code.
- 3.2 During the year 2023-24, the Council successfully delivered all of its statutory services as well as progressing the other services and projects that its Councillors have agreed it should prioritise. The Council operated with a balanced budget and funded its work through a combination of different sources. The Council managed to complete all of its own planned audit work. However, as noted above, the Council's external auditors were not able to complete their work due to their own resource pressures.
- 3.3 The Council considers that its corporate governance arrangements have been effective this year. This is with the exception of the significant delay in receiving external audit clearance, which is of concern to the Council but regrettably not within the Council's ability to influence.
- 3.4 Detailed examples of the effectiveness of the Council's corporate governance during the year 2023-24, are given below.

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

- 3.5 This year the Council reviewed policies and arrangements which support good governance and compliance with the law. These included the Employees' Code of

Conduct and the Member-Officer Protocol. In keeping with previous years, the Council reviewed parts of its Constitution to ensure good governance.

- 3.6 The Standards Committee continued to oversee the ethical values and behaviour of councillors. There was one complaint upheld against a councillor under the Members Code of Conduct, relating to the principles of Respect and Equality; this complaint outcome was published in accordance with the Council's procedures. A small number of complaints about councillor conduct were recommended for informal action including advice and guidance. Face to face training for councillors on standards matters and civility in public debate, was provided in the summer of 2023.
- 3.7 The Standards Committee continued to oversee complaints made to the Local Government Ombudsman. There were two complaints upheld against the Council by the Ombudsman in this year; one complaint related to the proactiveness of a private sector housing investigation, the other complaint related to the customer appeals process at the Council's leisure centres which are operated by the provider Freedom Leisure. In both cases, changes were made to policies as a result, and staff training provided. The Council is continuing to develop its learning from complaints, through an internal staff excellence programme and improved management information reporting. Complaint statistics are reported to Policy and Resources Committee during the year.
- 3.8 The only significant legal action against the Council during this year was the application for judicial review which was brought by the local NHS Acute Trust against three south Worcestershire district councils which granted planning consent for a major new residential site in the locality. The case was dismissed by the High Court and the Council was found to have acted lawfully.
- 3.9 New legislation this year which required specific actions or planning from the Council included the Elections Act 2022, the Environment Act 2021 (air quality and biodiversity) and proposals for Martyn's Law (public safety at events). Actions taken in response to these legislative changes was reported to the relevant committees during the year.
- 3.10 Health and safety compliance, incidents and continuous improvement projects are reported to the Council's lead councillors and trade union representatives through the year. Similarly, an annual safeguarding report was made to Committee and training refreshed.

### ***B. Ensuring openness and comprehensive stakeholder engagement***

- 3.11 This year the Council successfully conducted its own annual elections, as well as two separate by-elections which arose during the year. The Council's Elections Service publicised the preparations being made for changes to voting under the new Elections Act, including changes to rules on voter ID.
- 3.12 The Council undertook its Annual Residents Survey. 1,102 residents and 101 businesses undertook the survey. The aims of the survey were to:
- Assess resident views and priorities for the level and cost of services
  - Raise awareness of the Council's finances and spend for key services
  - Inform the Council's Business Plan annual iteration and City Plan.
- 3.13 The survey findings were reported in detail to Policy & Resources Committee. Overall, satisfaction rates in the Annual Survey increased again this year and there was

increased satisfaction in specific areas. The most popular City Plan theme, by a significant margin, is still “Enhancing and Sustaining our Beautiful City for Future Generations”. The survey showed which services or priorities respondents felt the Council should invest in more, and less. These results were shared with Committee in time for the Council’s annual budget setting process. A key action from the survey is responding to the low scores that respondents gave about their ability to influence Council decisions and their awareness of where Council meetings can be viewed.

3.14 Aside from the survey, specific engagement and consultation exercises this year included:

- Two proposed projects under the Worcester Play Plan;
- Arts stakeholder engagement exercise to identify a new operating model for the Scala as a cultural venue;
- Review of Public Spaces Protection Orders;
- Review of charging rates for community infrastructure level (CIL);
- “Speak Up” campaign inviting people to challenge discriminatory language.

3.15 The Council continues to make its public buildings accessible and open for general enquiries and visits. The hiring policy for the Guildhall was reviewed this year. The Mayor’s Office and the calendar of civic events this year reached out to celebrate and connect different communities, business, residents and visitors in the city. On a day to day basis, the Council continues to operate face to face customer services as well as telephone and web-based customer contacts. The Council has provided translation of information on request and has provided assistance to customers with particular access needs.

3.16 During this year the Local Government Boundary Commission for England completed its electoral review of Worcester City. The outcome of this process was that the Council retained a size of 35 councillors and a number of the wards have been changed to achieve the Boundary Commission’s preferred outcomes as regards electoral equality. Alongside this process, the Council took the decision to move to whole-Council elections (a four-yearly cycle) with effect from May 2024. The Parish Councils’ electoral cycles were also reviewed and, following a consultation, were aligned with the City Council’s.

3.17 The Council continues to recognise the value of collaboration with other local authorities and Members and officers are involved in networking and multi-agency work, including within Worcestershire and also Local Government Association programmes and the District Councils’ Network. The Council remains part of shared services arrangements for regulatory services, the administration of revenues and benefits and ICT and continues to host the Worcestershire Internal Audit Service, which included overseeing the County Council’s internal audit function this year.

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

3.18 Building on its adopted Masterplan and City Plan, the Council was successful in its bids for capital investment into the city through the Government’s Towns Fund and Future High Streets Fund programmes, which include job creation, physical regeneration and social capital. The Council was awarded £19.6m through the Towns Fund and £17.9m through the Future High Streets Fund, as well as £922,000 through the Green Homes Grant. These programmes have continued to be progressed during the year 2023-24. The Council successfully bid for a grant from the Salix decarbonisation fund and was awarded £1.55m to spend on replacing gas for electric cremators at the Council-owned crematorium site. The Council was also awarded funding to support a Heat Network

Survey, installation of solar PV arrays at Perdiswell Sports Centre and installation of new EV charging points in car parks. The Council was also invited to bid for £5m Levelling Up Fund for culture projects with defined outputs and outcomes to be agreed with the Department of Levelling Up.

3.19 The Council has continued to bring detailed work through the Sustainability Strategy action plan. This included in 2023-24:

- A new biodiversity action plan and funding for an expert biodiversity resource;
- Development of the new cycle hire scheme bringing electric bikes to the city;
- Delivery of EV charging points;
- Development of proposals for photovoltaic panels on Council buildings;
- Commitment to move to electric cremators instead of gas, subject to funding.

3.20 The Council continues to work with its two neighbouring district councils to review the South Worcestershire Development Plan which will guide planning policy for the coming years. During this year, the three councils submitted their draft Plan to the Planning Inspectorate and a date for Examination is awaited. Under this process an independent expert will determine whether the draft Plan is legally sound and can be adopted by the councils as their new main planning policy.

3.21 This year the Council continued to take actions under its Equality Diversity and Inclusion Strategy with the aim of becoming an excellent local leader in this. The work of officers was overseen by Committee and also the Member Champion for Equality Diversity and Inclusion. The work is guided by the Local Government Association's framework for equalities and is organised into four workstreams: Communities, Customers, Leadership and Workforce. The outcome of year 2 was reported to Committee and an action plan for year 3 was set.

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

- 3.22 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. A 'State of the City' review is undertaken during the lifetime of the Plan to assess progress against these measures. The Census data is now also used to better understand the demographics of Worcester.
- 3.23 The Future High Streets Fund bid and the Town Improvement Plan include a range of interventions designed to implement key elements of the City Plan and the Masterplan as well as deliver the core vision of a city that is prosperous, accessible, diverse and inclusive; with great opportunities for work, leisure, sport and tourism alongside a quality of life that is attractive to all. The Council has continued to deliver the projects which are funded through these external Government programmes.
- 3.24 Two of the major projects being progressed during 2023-2024 were:
- Future High Streets Fund regeneration projects in the city centre- ongoing public realm and business premises improvements schemes. Ongoing work developing construction programme and operating model for a proposed new Scala Arts Centre.
  - Shrub Hill regeneration zone – ongoing development of a large repurposed building for office uses; approval to progress a compulsory purchase order to create a new pedestrian route through to the city centre; development of special planning policies to stimulate investment and promote sustainable design.
- 3.25 The Council also worked with County Council and/or district partners in the development of the following strategies:
- Air Quality Action Plan
  - Worcestershire Housing Strategy
  - Worcester City Centre Transport Strategy
- 3.26 The Council's regulatory committees Planning, and Licensing and Environmental Health, conducted a regular series of meetings to ensure that local business and resident issues were concluded swiftly and fairly, while also reviewing some key policies including the Statement of Licensing Policy, rules on taxi licensing, and the Planning Enforcement Policy.
- 3.27 A new Strategic Play Area Development Plan was approved by the Place and Economic Development Committee in March 2023 following a wide-ranging consultation with local people. This was followed by approval of the Worcester Play Plan in July 2023 which sets out actions to deliver against the Strategy.
- 3.37 Councillors responded to the priorities of residents and businesses through the agenda-setting process in Committees as well as the bringing of Motions at meetings of the full Council. Those approved priorities then became actions within officer workplans with progress reports back to councillors.

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

- 3.28 Chairs and Vice Chairs of Committees are involved in agenda planning and Group Leaders receive monthly face to face briefings on agenda items coming through. The



Council continues to have a number Member Champions and this year agreed a new role for Personal Safety and Civility.

- 3.29 Councillors undertook mandatory training in planning and licensing functions. The overall level of attendance by councillors at formal Council and Committee meetings was 86% for this year. Individual records of councillor attendance are publicly available on the Council's website. Councillors were offered training in a range of other topics during the year, through online and in person seminars.
- 3.30 The annual survey of staff showed improvement on the previous year's assessment as the Council maintained its 'One to watch' status, with improvements in all areas. The Council's wide range of wellbeing initiatives were rated as popular and overall staff turnover levels remain relatively low. Staff conferences and feedback highlighted the following areas for priority in the next year: leadership vision, manager feedback, team communication and personal development.
- 3.31 The ongoing review of all of the Council's HR policies continued this year and included: capability, family friendly policies, alcohol and drugs, employee code of conduct, flexitime, regrading. A new cohort of staff volunteered as mental health first aiders and received training. To support staff and councillors, a new policy on Unreasonable Customer Behaviour was implemented. The Council's Hybrid Working policy was reviewed as working practices continued to develop following the implementation new forms of technology including Microsoft 365 and Teams which allows access to Council systems from remote locations.

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

- 3.32 The Council has continued to apply a high degree of rigour to its performance and financial management during the year 2023-24 including meeting all reporting deadlines, with the exception of the deadline for publication of accounts by 31 May 2024. This is due to the delay in completion of the external audit for prior years which meant that audited balances could not be brought forward at least until the completion of the 2020/21 audit opinion. During this year, the 20/21 external audit was finally issued, with an unqualified opinion. The outcome of the 2021/22 and 2022/23 external audits are still awaited. New external auditors, Azets, have been appointed for 2023/24 onwards.
- 3.33 The Council was able to set a balanced budget for the financial year 2023/24. The budget setting process was informed by the priorities set out in the City Plan and as further refined during the course of the year by the Council's policy committees. The Council's Policy and Resources Committee was able to recommend to Council a proposed budget which was voted by a majority of Members at full Council.
- 3.34 The budget-setting process during 2023/24 highlighted a number of inflationary pressures, including an average pay increase of 7.5% and inflation of up to 10%. This resulted in a need to draw from reserves and implement a savings plan in order to arrive at a balanced budget. During the year, the Council and its Committees worked through a new Savings plan which included a programme of voluntary redundancies, reductions to service budgets and increases to fees and charges. The achievement of this plan contributed to the reduction of the 2024/25 budget gap from £2.250m (assuming no reduction in core spending power) as in the MTFP approved by Council in February 2023, to £0.388m by the time the next budget was set. The re-set MTFP

suggests that further efficiencies and/or income growth will be needed to achieve a balanced budget in future years.

- 3.35 All committee performance scorecards were revised during the year to take account of new objectives and challenges. The new reporting regime of the Office for Local Government was noted with the agreement that OFLOG measures should start to be included in the new scorecards. The risk registers continue to be reviewed with risk scores being revised as necessary.
- 3.36 The Audit and Governance Committee requested reports from the Council's statutory officers about the circumstances in which local authorities may be subject to intervention from the Secretary of State. The Committee noted that the Council was not facing a current risk of issuing a s114 notice. It was agreed to start collecting and monitoring key indicators of financial health and good governance at regular meetings of the Committee, in a new "Are We Safe?" report.

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

- 3.37 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 12 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.
- 3.38 The Head of Internal Audit's overall opinion for 2023/24 provides **Reasonable assurance** that there is an adequate and effective governance, risk and control framework in place, designed to meet the organisation's objectives. All of the 12 graded assignments completed in 2023/24 resulted in an opinion of either Substantial or Reasonable assurance. The progress made by management in implementing the actions arising from audits has been good. Follow up work completed by Internal Audit has not highlighted any overdue High or Medium priority actions. Implementation of agreed control improvement actions strengthens the organisation's framework of governance, risk management and control. The Corporate risk register was last reviewed and updated in early 2024, and in the opinion of the Head of Internal Audit is well structured with a focus on mitigating actions.
- 3.39 The Policy and Resources Committee commissioned a "lessons-learned" report into the Scala development project. This report followed the National Audit Office's framework for the evaluation of major programmes. Recommendations from it were implemented in the ongoing project. The Audit and Governance Committee requested to review the same report and sought answers to further questions, which were provided. The Committee asked the full Council to note its comments.
- 3.41 Annual reports of the activities of the regulatory committees, Planning, Audit and Governance, and Standards, are published and presented to full Council.

## **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 All of key governance implications that the Council anticipated it would face, during the outgoing year, did transpire to be the key issues. In summary they were:

- (i) The Council's externally funded capital programmes were challenging in terms of revenue and staffing as well as cost pressures which are becoming more acute.
- (ii) The Council's financial future continues to be very challenging. The required in-year savings were made but there are recurring budget pressures. Unless the funding model for local government is reviewed, this is likely to have a significant impact on many aspects of Council service delivery going forwards.
- (iii) It continues to be of concern to the Council that the external audit work programme is now significantly behind the Council's annual reporting cycle.
- (iv) The Council needs to continue to be vigilant to guard against fraud and ensure best value through its grant application and payment processes to third parties.
- (v) The Council had to respond to outcome of the review by the Local Government Boundary Commission for England which happened close to the May elections.
- (vi) The Council has set itself an ambitious work programme through its committee system. The governance challenge is to ensure there is the capacity to keep this work programme on track through the stages of decision-making and scrutiny and conversion into deliverable and measurable outcomes.
- (vii) The South Worcestershire Development Plan review was delayed by the Planning Inspectorate which has requested that transport modelling and evidence studies be updated before the Plan can be subject to Examination.

4.3 The identified governance challenges and governance priorities in the year ahead are:

- (i) The Council's financial position and the need to make further savings to achieve another balanced budget and sustain the Medium Term Financial Plan;
- (ii) Ongoing delivery, budgeting and risk management related to the major capital programmes;
- (iii) Implementing any changes arising from the Council's forthcoming review of how its committee system is working in practice;
- (iv) Updating the Local Code of Corporate Governance;
- (v) Renewing the City Plan;
- (vi) Welcoming a Corporate Peer Challenge from the Local Government Association;
- (vii) Responding to any new legislation or proposals from Government which affect local authorities;
- (viii) Replacing the Section 151 Officer and Returning Officer as the current postholder will be retiring from both roles during 2024/25.

**5. Conclusion and signatures 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.

**Councillor Lynn Denham**  
**Leader of the Council**

**David Blake**  
**Managing Director**

Approved: [ ]