

# Worcester City Council

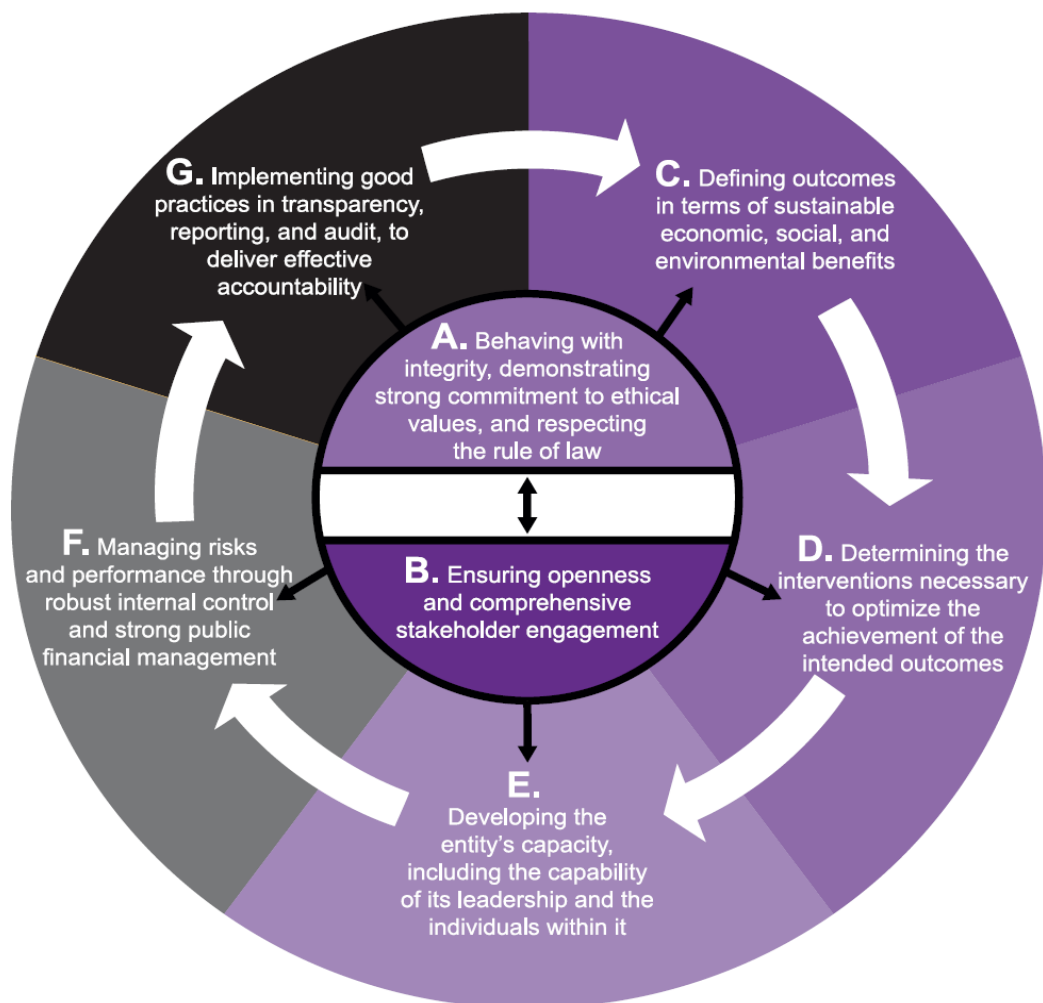
## Annual Governance Statement 2020-21

### 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 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 2020-2021, the Council operated three policy committees and four regulatory committees and a number of subcommittees and the Council had three 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, the South Worcestershire Development Plan, a Statement of Licensing Policy and a Masterplan for the City. 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 in 2019 reviewed and updated 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, 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 2020-21**

- 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 has been dominated by the management of the response to the Covid-19 pandemic. Being a provider of statutory services to communities in Worcester, many of which require onsite delivery, the Council had an obligation to maintain key service delivery while following all best practice and guidance on Covid secure working, to ensure that customers and staff remained safe.
- 3.3** The Council moved into emergency response mode from 16 March 2020 which meant that the Council's staff management teams were closely involved, on a daily basis, in managing the strategic and tactical actions required to keep Council service delivery at required standards while also supporting other major Government initiatives related to Covid. Decisions taken to ensure continuation of services and meet the needs of customers and staff were recorded in reports to the Policy and Resources Committee and a Covid-specific risk register compiled to help foresee and manage potential problems.
- 3.4** The Council operates a Committee system of governance and, facilitated by a swift move to remote meetings, the work programme of the Committees was largely unaffected by the pandemic restrictions. The 35 elected councillors who comprise Worcester City Council continued to take the Council's significant decisions and offered their community leadership throughout the year. There were no local government elections in 2020 because of the pandemic and so a number of councillors served for an additional year's term until the elections in May 2021.

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

- 3.5** The Council moved to holding its scheduled Committee meetings remotely (i.e. by electronic means) at the first opportunity, when the law changed in April 2020. The meetings were held on the "Zoom" platform and audio-broadcast live via the Council's website. The first meeting held this way was the Planning Committee. This was observed by the independent national organisation, the Planning Advisory Service, which praised the conduct of the meeting. Following that, the Annual Council meeting was held on its scheduled date, so that appointments could be made and the municipal and civic year could begin as planned.

- 3.6** The Council's Policy and Resources Committee met at the end of May and received a detailed report on the Council's management of the Covid emergency. This report included the Council's Covid risk register and a log of all decisions taken under the Managing Director's urgency powers in consultation with the Chair and Vice Chairs of the Committee.
- 3.7** The Council's Policy and Resources Committee continued to receive reports on the management of the Covid response at subsequent meetings; because of the frequency of meetings and regular dialogue with councillors, the use of the Managing Director's urgency powers was largely confined to scenarios where an immediate decision was required on the allocation of Government Covid grant allocations.
- 3.8** The Council's Standards Committee responded to the Local Government Association's consultation on changes to the Model Code of Conduct for Members in July. The Standards Committee continued to oversee complaints made under the Members Code of Conduct and councillors were invited to participate in a refresher training session on ethical standards in local government
- 3.9** The Standards Committee continued to oversee complaints made to the Local Government Ombudsman. There were 5 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. There were no significant incidences of litigation against the Council during this year. There was one incidence of intervention by the Health and Safety Executive, relating to risk assessments in place in Environmental Operational Services, but following remedial actions taken by the Council, the Executive resolved to take no further regulatory action.

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

- 3.10** This year the Council had the opportunity to bid to Government for a major funding programme, the Towns Fund. A new Board of representatives from major city organisations, voluntary and community groups was created, called the Town Investment Board. All of the Board's meetings were held online because of the Covid restrictions, but agenda and minutes were published. There was a full public consultation process to develop Town Fund proposals, including an open website called "My Town", inviting suggestions from the public and from local organisations for areas for investment. This was then supplemented by an open invitation to join online seminars to discuss proposals shortlisted by the Town Investment Board before a detailed submission to Government was approved by the Council's Policy and Resources Committee and published on the Council's website.

- 3.11** The Council undertook its Annual Residents Survey and received over 500 responses. The survey was supplemented by two 'customer engagement' events which were designed to understand more fully some of the issues being raised and to support the City Plan Refresh which is due in 2021. 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 increased again this year. There was a relatively small sample size represented at these events, which is partially due to Covid although the Council recognises that more can be done to achieve wider participation in Council feedback, through its refresh of a equality, diversity and inclusion strategy.
- 3.12** The Council continues to be a member of shared service delivery arrangements where that is a best value solution. The shared services arrangements for Worcestershire Regulatory Services have been at the forefront of Covid regulatory and trader advisory work this year and behind the scenes, the shared services for ICT have supported the Council's office-based workforce to remain at home as required by Government rules.
- 3.13** The Council understands the value of collaboration with other local authorities and Members and officers are involved in networking and multi-agency work. Much of the Covid response work has been undertaken with other local and regional organisations and this has involved lead Members and senior officers. In terms of governance matters, all of the chief officer leadership team have regular dialogue with their peers across Worcestershire and the wider local government environment to share issues of common concern where appropriate and lead Members participate in the Local Government Association programmes and District Councils Network.

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

- 3.14** Building on its adopted Masterplan and City Plan, the Council set out to define specific outcomes for city investment and regeneration through the Government's Towns Fund and Future High Streets Fund programmes, including job creation and social capital. The Council was successful this year in securing £17.9m for the regeneration of the northern gateway in the city centre through the Future High Streets Fund and an additional £19.6m from the Worcester bid to the Towns Fund, which will support a number of projects across the city through the Town Investment Board. The Council was also successful in attracting funding of £920,000 for Green Homes Grant which will improve affordable warmth for 40 homes in Worcester, reduce carbon emissions and generate savings on energy bills for households on low incomes.
- 3.15** Notwithstanding some interruption caused by the pandemic, 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.

**3.16** Building on its adopted Sustainability Strategy, the Council has approved a detailed sustainability action plan. During this year the Sustainability Strategy has influenced the design and delivery of a new housing scheme on the site of a former swimming pool and also the design and delivery of the other initiatives in the city including the Worcester Arches project.

**3.17** During the year the Council adopted the Economic Recovery Strategy and the Community Recovery Strategy, with the aim of ensuring that existing Council resources are targeted at parts of the community hardest hit by the pandemic.

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

**3.18** A number of innovations to service delivery were necessitated by the pandemic. The Government's commitment to bring rough sleepers off the streets during the first lockdown has meant the Council's Homelessness service has successfully worked with local accommodation providers and charities to provide an ongoing and popular scheme of accommodation and personalised support for a significant number of vulnerable people in the city. Similarly, the Council's Bereavement services have responded to the needs of families and funeral directors to make changes and improvements to our crematorium and burial grounds which have taken on a heightened significance during the past year.

**3.19** The Council has responded rapidly to the substantial challenge of distributing Covid business support grants during the year, setting out accessible and reasonable criteria for the application and assessment of grant funding in the region of £38m. A similar process has been applied for the distribution of social isolation grants in the region of £0.3m.

**3.20** The Council's senior management team reviews progress against existing priorities regularly resets priorities for the organisation in the spring of each year. In 2020/21 the list of priorities was expanded to include the Future High Street Fund and Town Investment Plan projects as major actions to achieve desired outcomes for the city and its residents. Post-Covid Economic and Community Recovery Plans were also developed and two new asset specific projects were initiated: Commissioning Council-led Housing Delivery and Bereavement Services- Facilities improvements.

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

**3.21** 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 Covid response the Council's work programme.



- 3.22** Immediately the March 2020 lockdown commenced, the Council put in place a new staff policy on the delivery of services during the Covid pandemic. This helped set clear expectations as regards service outcomes but also supported employees manage their own health and domestic situations. A number of staff were trained and redeployed into different areas of the Council's activities during the year, including for example to support frontline services and to distribute Covid grant support.
- 3.23** This year the Council has begun a complete review of its approach to equality, diversity and inclusion, assessing its current performance against the Local Government Association's Equalities Framework.
- 3.24** A wide range of on-line training facilities were put in place to support staff working remotely, including advice and support for those affected by self-isolation, and virtual Wider Management Team events were introduced to replace staff conferences that could not take place due to COvid-19 restrictions.

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

- 3.25** The Council achieved an unqualified audit from its external auditors for the preceding year and has continued to apply the same 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.
- 3.26** The Council was able to set a balanced budget for the year 2020-2021. 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, for the third consecutive year, the budget was approved unanimously by Council.
- 3.27** 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 provision of accommodation for rough sleepers and a huge reduction of income from car park fees. The Government responded with one-off grants of £5.6m, which ultimately led to the Council ending the year with a budget surplus of £0.9m.
- 3.28** The Head of Internal Audit was tasked with leading the Council's risk management response to the Covid pandemic. This included the establishment, review and reporting of a specific risk register for Covid-

19 risks as they might impact on the Council's ability to deliver services and meet its legal duties.

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

**3.29** 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 14 reviews of varying scope during the year.

**3.30** Various recommendations came from the independent reviews by Internal Audit and were owned by management along with an agreed action plan and timeline.

**3.31** To ensure good governance all recommendations are followed up by Internal Audit on an evidence basis to ensure timely implementation. 9 follow up reviews were undertaken this year. Those reviews that were followed up during the year did not identify any material exceptions where no action had been taken.

**3.32** Vigilance is a key action of mitigating potential fraudulent transactions. By using this method throughout the year no material loss was identified. Two instances of attempted fraud in relation to business grants were identified and reported to the relevant government department as required.

**3.33** Based on the reviews performed in accordance with the revised audit plan and actions taken throughout the 2020/21 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** The management of the Council's response to the Covid-19 pandemic has undoubtedly been the most significant governance issue for the Council this year. In summary the key governance implications for the outgoing year are set out below:

- (i) The Council's capacity to deliver its usual functions was inevitably impacted by the diversion of resources towards managing the

ongoing emergency incident. However, statutory services were maintained throughout and many new initiatives and service improvements were actually achieved;

- (ii) Operating some services in a fully remote environment was initially challenging for the organisation but settled quickly with the use of technology. The number of face to face customer interactions was significantly reduced this year;
- (iii) The Council's external audit is delayed for the second year, due to resourcing pressures on the external audit team;
- (iv) The pandemic had a significant effect on the Council's finances. The Government provided over £5m of 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 2021/22 include:

- (i) The Council's success in attracting funding – primarily capital funding – to deliver Government initiatives has created a new set of delivery programmes. A Major Programmes Steering Group has been established to provide oversight and working groups to manage delivery. An overall resource plan is being developed to help ensure that there is capacity to deliver the schemes.
- (ii) The Council's financial future continues to be challenging. A healthy level of reserves means there are no immediate concerns. However, the Government's Fair Funding Review and the potential reset of Business Rates both provide significant threats to the current level of funding while reliance on income from local sources presents an increased risk in the post-Covid recovery period and the current macro-economic instability.
- (iii) 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.
- (iv) In response to the health service reforms, the Council may be able to play a significant influencing role in the new Integrated Care System for Worcestershire.
- (v) The South Worcestershire Development Plan review is due to complete and be submitted to the Planning Inspectorate for Enquiry.

- (vi) The City Plan is due to be refreshed in 2021 which will require the reset of the existing outcome measure. A timetable has been drawn up for the process along with key stage for engagement with stakeholders.

## **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**  
**Leader of the Council**

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

[date]