

Wolverhampton City Council

**OPEN INFORMATION ITEM**

**Audit Committee**

Date **8 July 2013**

Originating Service Group(s)	<b><u>DELIVERY</u></b>
Contact Officer(s)/	<b><u>Keith Ireland</u> <u>Mark Taylor</u> <u>David Johnston</u> <u>Peter Farrow</u></b>
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Title/Subject Matter	<b><u>ANNUAL GOVERNANCE STATEMENT – 2012/13</u></b>

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**SUMMARY**

That members of the Audit Committee note the Annual Governance Statement for 2012/13.

## **1. PURPOSE AND BACKGROUND**

- 1.1 That members note the content of the Annual Governance Statement for the year 2012/2013 signed by the Chief Executive and the Leader of the Council.
- 1.2 In consultation with the Chair of the Audit Committee, the Annual Governance Statement was submitted to and reviewed by the Chair and Vice-Chair of the Committee prior to its signature.
- 1.3 The Council is required under Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulation 2006 to produce an Annual Governance Statement to be included in the annual statement of accounts, which is signed by the Leader of the Council and the Chief Executive.

## **2. DETAILS**

- 2.1 The Annual Governance Statement draws upon the management and internal control framework of the Council, especially the work of internal and external audit and the Council's risk management arrangements. In compiling the Annual Governance Statement assurance is obtained from a range of sources in order that the signatories to the Statement can assure themselves that the statement reflects the governance arrangements for which they are responsible.
- 2.2 The Annual Governance Statement is a key corporate document that is overseen and approved by the Strategic Executive Board and owned by all senior officers and Councillors. The officer group with responsibility for preparing the Annual Governance Statement. is comprised of;
  - Strategic Director, Delivery
  - Assistant Director, Finance
  - Head of Audit Services
  - Head of Risk Management and Insurance
- 2.3 The format of the Annual Governance Statement has been changed from previous years in line with recent guidance provided by CIPFA and various other accountancy organisations, with regards to it being more open and engaging in a readable user-friendly style, with less process and repetition, while incorporating best practice models identified nationally.
- 2.4 The External Auditors (PwC) in their External Audit Update Report 2012/13, commented on the statement as follows:

<p><b>Risk Management and Annual Governance Statement follow up</b></p> <p>Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: 'Delivering Good Governance in Local Government'.</p> <p>In 2011/12 we identified that the AGS:</p> <ul style="list-style-type: none"> <li>made no reference to the report on the proposed strategic partnership with Axon Solutions Ltd which we considered to have remained a significant governance issue for the Council during 2011/12;</li> <li>lacked a clear action plan for the significant governance matters identified; and</li> <li>lacked a clear statement as to what extent the Council's systems of internal control include Wolverhampton Homes whose significant activity falls within the Council's group boundary.</li> </ul> <p>We agreed with the Section 151 Officer at the time that the Annual Governance Statement, and the underlying process that fed it, should be strengthened.</p>	<p>We reviewed your draft AGS to ensure that the recommendations we made last year had been addressed.</p> <p>We concluded that the AGS, which has been presented in a new format this year, contains both:</p> <ul style="list-style-type: none"> <li>a more detailed action plan for the significant governance matters identified; and</li> <li>a clearer statement as to what extent the Council's systems of internal control include Wolverhampton Homes whose significant activity falls within the Council's group boundary.</li> </ul> <p>We will also understand the risk identification process that was used to produce the statement and considered whether any governance issues appear to have been omitted. We did not identify any significant omissions.</p>	<p>We will reconsider the completeness of the AGS prior to issuing the accounts opinion.</p>
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- 2.5 The Annual Governance Statement provides coverage of the following information:
- Scope of Responsibility
  - The purpose of the governance framework
  - The governance framework and review of effectiveness throughout 2012/13
  - Progress on the governance issues from 2011/12
  - Action plan for significant governance issues identified during 2012/13 which will need addressing in 2013/14

### **3. FINANCIAL IMPLICATIONS**

- 3.1 There are no direct financial implications arising from the recommendation in this report. [GE/24062013/G]

### **4. LEGAL IMPLICATIONS**

- 4.1 There are no direct legal implications arising from the recommendation in this report. [MW/24062013/J]

### **5. EQUAL OPPORTUNITIES IMPLICATIONS**

- 5.1 There are no direct equal opportunities implications arising from this report.

**6. ENVIRONMENTAL IMPLICATIONS**

6.1 There are no direct environmental implications arising from this report.

**7. SCHEDULE OF BACKGROUND PAPERS**

None

## Scope of Responsibility

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Wolverhampton 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. The 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.

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, which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering *Good Governance in Local Government*. This code is incorporated within the Council's Constitution, which is available for review on the Council's website.

The Council is also responsible for the strategic management and administration of the **West Midlands Pension Fund** with the Council's Chief Executive, Monitoring Officer and Section 151 Officer holding specific responsibilities for supporting the members of the Pensions Committee in their role.

**Wolverhampton Homes** is the Council's Arm's Length (Housing) Management Organisation (ALMO) and is a company wholly owned by the Council. The control of the ALMO is through the Board which has representatives drawn from 1/3 Council, 1/3 tenants and 1/3 independent.

The Management Agreement between the Council and Wolverhampton Homes sets out the contractual arrangements between the parties and the governance arrangements and a new 15 year Management Agreement has recently been approved by both the Council and the Wolverhampton Homes Board for adoption from April 2013.

## **The Purpose of the Governance Framework**

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The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

Risk management and internal control are a significant part of the governance framework and are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The systems of risk management and internal control are based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2013 and up to the date of approval of the annual report and statement of accounts.

## **The Governance Framework and Review of Effectiveness throughout 2012/13**

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The Council has the following Corporate Plan aims and themes: Encouraging Enterprise and Business, Empowering People and Communities, Re-Invigorating the City and Confident, Capable Council, which are underpinned by the governance environment. This environment is consistent with the six core principles of the CIPFA/ SOLACE framework.

The key elements of the systems and processes that comprise the Council's governance framework, and where assurance against these is required, are described below.

Core principles of the CIPFA/ SOLACE framework	Assurances required	Governance framework providing assurance	Review of Effectiveness	Issues identified
<p>Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</p> <p>Members and officers working together to achieve a common purpose with clearly defined functions and roles</p> <p>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p> <p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p> <p>Developing the capacity and capability of members and officers to be effective</p> <p>Engaging with local people and other stakeholders to ensure robust public accountability</p>	<ul style="list-style-type: none"> <li>• Delivery and communication of an agreed corporate plan</li> <li>• Quality services are delivered efficiently and effectively</li> <li>• Clearly defined roles and functions</li> <li>• Management of risk</li> <li>• Effectiveness of internal controls</li> <li>• Compliance with laws, regulation, internal policies and procedures</li> <li>• Value for money and efficient management of resources</li> <li>• High standards of conduct and behaviour</li> <li>• Public accountability</li> <li>• Published information is accurate and reliable</li> <li>• Implementation of previous governance issues</li> </ul>	<ul style="list-style-type: none"> <li>• The Constitution (including Head of Paid Service, Chief Financial Officer and Monitoring Officer)</li> <li>• Council, Cabinet and Committees</li> <li>• Scrutiny function</li> <li>• Audit Committee (and 2 x Sub-Committees)</li> <li>• Standards Committee</li> <li>• Internal and External Audit</li> <li>• Strategic Executive Board</li> <li>• Corporate Development Board</li> <li>• Directors Assurance Statements</li> <li>• Corporate and business plans</li> <li>• Medium Term Financial Strategy</li> <li>• Corporate Risk Register and Risk Strategy</li> <li>• Codes of Conduct</li> <li>• Business Planning and Performance Management Framework</li> <li>• Whistleblowing and other anti-fraud related policies</li> <li>• Complaints System</li> <li>• Governance Statement Working Group</li> <li>• Financial Regulations</li> <li>• Procurement and Contract Procedure Rules</li> <li>• Committee Management Information Systems</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Accounts 2012/13</li> <li>• External Audit Report to Those Charged with Governance (ISA 260) Report 2012/13</li> <li>• Annual Internal Audit Report 2012/13</li> <li>• Annual Audit Committee Report 2012/13</li> <li>• Local Government Ombudsman Report 2012/13</li> <li>• Care Quality Commission Reviews</li> <li>• Safeguarding Children's Board Annual Report 2012/13</li> <li>• Safeguarding Adult's Board Annual Report 2012/13</li> <li>• Quality Assurance and Compliance team reviews</li> <li>• Scrutiny reviews</li> <li>• Annual Governance Statement – follow up of 2011/12 issues</li> </ul>	<ul style="list-style-type: none"> <li>• FutureSpace: Corporate Landlord</li> <li>• Information Governance</li> <li>• Partnership Governance</li> <li>• Contract Monitoring</li> <li>• Procurement</li> <li>• Savings Targets</li> <li>• Resilience function</li> <li>• Equalities</li> </ul>

## **West Midlands Pension Fund**

The West Midlands Pension Fund have completed their own “Assurance Framework – Supporting the Annual Governance Statement” which identified that there had been no adverse matters arising from the work behind their assurance framework.

## **Wolverhampton Homes**

Wolverhampton Homes have included a Statement of Corporate Governance within the Company’s Financial Statements for 2012/13. This states that the control framework has been reviewed by the Company’s Audit Committee on behalf of the Board of Wolverhampton Homes and found to be effective. The review included an assurance statement from the Company’s internal auditors.

In reviewing the Council’s priorities and the implications for its governance arrangements, the Council carries out an annual review of the elements that make up the governance framework to ensure it remains effective.

The key changes to the governance framework during the year include:

- The transition of Public Health Services to the council from 1 April 2013 and the appointment by the Council of the Director of Public Health.
- The establishment of the Health and Well Being Board as a committee of the Council which has responsibility for tackling local health inequalities.
- A Councillor review group looked at the relationship between the Executive and Scrutiny. Receiving all party support it developed the role of scrutiny helping to shape policy development as well as holding the Executive to account. It has been supported by Councillor and Officer training as well and the production of a scrutiny handbook and practice notes on the way scrutiny is undertaken.

The 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 Councillors and senior officers within the Council who have responsibility for the development and maintenance of the governance framework, Internal Audit’s annual report, the Scrutiny function and also by reports made by the Council’s external auditors and other review agencies and inspectorates, as noted above.

Internal Audit has concluded that based on the work undertaken during the year of areas key risk, the implementation by management of the recommendations made and the assurance made available to the Council by other providers as well as directly by Internal Audit, it can provide reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes”. Key areas of concern have been included within the governance issues noted below.

There is a requirement to report in this Statement that the authority is not fully compliant with CIPFA’s Statement on the Role of the Section 151 Officer in Local Government (2009) as the Section 151 Officer post is not at the same level in the Authority as members of the Corporate



Management Team and they do not report directly to the Chief Executive. However, alternative arrangements are in place whereby the Section 151 Officer attends meetings of the Corporate Management Team and has direct access to the Chief Executive when required.

A number of issues were identified in the 2011/2 Annual Governance Statement and an update of the progress made in implementing the actions to improve these areas is included below. Where sufficient progress has not been made, the issues have been included in the 2012/13 issues.

### Progress on the Governance Issues from 2011/12

The table below describes the governance issues identified during 2011/12 and the progress made against these during 2012/13.

2011/12 - Key areas for Improvement	Update on position and implication for the 2012/13 Annual Governance Statement
<p><b>Partnership governance</b> arrangements include responsibility for monitoring performance and managing risk. Improvements are required to the Risk Management arrangements within the major partnerships, in order to ensure that the risks associated with joint working are adequately identified and managed by the Council in conjunction with the appropriate partner. A Partnership Protocol has been agreed. Work continues in collating a partnership register and a reporting mechanism whereby the status of partnerships in which the Council is involved at a significant level are monitored. This is to ensure that adequate risk management arrangements are in place.</p>	<p>While a partnership protocol has been agreed, progress in the completion of a partnership register and the management and reporting of partnership risks continues and is therefore work in progress.</p> <p><b>Carried forward to 2012/13</b></p>
<p>The Council still has to implement <b>Single Status</b>, a national agreement between the National Joint Council (NJC) for Local Government and Signatory Trades Unions made on 1 April 1997. The Council has a dedicated project team to implement and govern this process. During the year the Cabinet has developed and approved a strategy for addressing the risks relating to historic Equal Pay Claims and has commenced a process of implementing this and also meeting the requirements under the Single Status agreement.</p>	<p>The Council implemented a collective agreement on 1 April 2013. The potential for re-introducing pay inequalities is being managed by the Pay Strategy Board who have management oversight of the Wolverhampton Pay and Conditions strategy. The Equal Pay Claims strategy continues to be implemented and is progressing well within the agreed governance arrangement so is therefore no longer considered a governance issue.</p>

<p>The Council invited the Information Commissioner's Officer to carry out a consensual audit in order to provide the basis for an improvement plan. Basic frameworks are now in place and additional resources are being targeted at <b>Information Governance</b>. However, detailed policies, process and training need to be embedded to reduce the profile of this on-going governance issue.</p>	<p>While action has commenced, the Council did receive critical in-year reviews by the Information Commissioners Office in August and December 2012. Therefore, this area has been carried forward while the recommendations from these reviews are implemented.</p> <p><b>Carried forward to 2012/13</b></p>
<p>Elections are due in November for <b>Police and Crime Commissioner</b>. There are currently many uncertainties around the likely impact on local issues, but there are likely to be significant governance issues around proper scrutiny and appropriate representation on the Police and Crime Panel, as well as ensuring local democratic accountability.</p>	<p>Officers of the Council have been in regular contact with the new Police and Crime Commissioner and proposals have been put forward by the PCC for the development of Local Police and Crime Boards (LPCB) to significantly increase the role of communities.</p>

**Action Plan for the Significant Governance Issues identified during 2012/13 which will need addressing in 2013/14**

Based on the Council's established risk management approach, the following issues have been assessed as being "significant" for the purpose of the 2012/13 annual governance statement. Over the coming year appropriate actions to address these matters and further enhance governance arrangements will be taken. These actions will address the need for improvements that were identified in the review of effectiveness and their implementation will be monitored as part of the next annual review and risk management arrangements in place

2012/13 - Key improvement areas and actions for Implementation	Responsibility and expected implementation date
<p><b>FutureSpace: Corporate Landlord</b>            The management of and responsibility for the Council's property assets is currently split between two directorates. Several initiatives and proposals for maintenance programmes and better targeted use of properties have been put forward. It is necessary that clarity of ownership and control of decision making is determined to ensure effective progress is made. Also work is on-going to improve the co-ordination of responsibilities as the Council develops the role of a 'Corporate Landlord' between the Directorates, along with the continued development of a 'One Council' approach to the use of land and assets and the development of options and a strategy to utilise available properties for community use that are not Council owned property.</p>	<p>Strategic Director – Delivery            Strategic Director – Education and Enterprise            31 March 2014</p>

### **Information Governance**

Following critical in-year reviews by the Information Commissioners Office in August and December 2012, the Council is putting in place a robust framework and effective working practices, including:

- An established and operational Information Governance Board
- Mapped out work programme and resources
- A new Information Governance structure
- Information Governance policies have been approved
- Training programmes are underway

Strategic Director –  
Delivery  
Chief Legal Officer (SIRO)  
Head of Policy  
31 December 2013

### **Partnership Governance**

Partnerships are increasingly common and increasingly important to the Council, in order to deliver the corporate plan and respond to the Localism agenda. These partnerships take many forms. For example, formal arrangements such as strategic service delivery partnerships, statutory partnerships and looser, informal relationships with community groups or the ‘third sector’. Although each of these partnerships is formed to generate beneficial outcomes they also carry different types of risks and governance can be problematic.

In addition, some of the Council’s partnerships have been in place for a number of years and the ‘health’ and governance arrangements of these partnerships have not been systematically reviewed to ensure they continue to contribute effectively to the corporate priorities. Therefore, the Council is to adopt a revised systematic and consistent approach to identifying its significant partnerships. Once the significant partnerships have been identified, a systematic review of the governance arrangements and the ‘health’ of each partnership will be carried out to ensure they continue to contribute to the corporate priorities and provide value for money. The findings of the reviews and the risks associated with these partnerships will then be reported to officers and Councillors with portfolio responsibilities.

Strategic Director –  
Delivery  
Chief Legal Officer  
March 2014

### **Contract Management and Monitoring**

The Council has historically had an inconsistent approach to its contract monitoring. New processes are being put in place to ensure that contracts can be monitored and reviewed on an on-going basis for value for money in the future.

Strategic Director -  
Delivery  
Head of Procurement  
31 December 2013

<p><b>Procurement</b></p> <p>The Interim Head of Procurement had raised concerns over past tendering processes and the failure to follow the Council's Contract Procedure Rules. Following an independent review, these concerns were supported by the findings of Internal Audit who identified a number of cases of inconsistencies and ambiguities at various stages of the procurement processes. The recommendations arising from the audit review were agreed with the Interim Head of Strategic Sourcing, who is putting in place a whole range of improved working practices over the coming months.</p>	<p>Strategic Director - Delivery Head of Procurement 31 December 2013</p>
<p><b>Savings Targets</b></p> <p>While the Council's current and historical savings targets have been largely delivered, there are still a limited number of such targets that have not yet been and also some, where proposals are yet to be developed. A failure to meet these targets will adversely impact upon the Council's ability to meet its objectives. Close monitoring of the situation continues at both senior officer and Councillor level.</p>	<p>Strategic Director – Delivery Assistant Director - Finance 31 March 2014</p>
<p><b>Resilience Function (Emergency Planning and Business Continuity)</b></p> <p>The Council has identified issues in its ability to respond fully to its responsibilities under the Civil Contingencies Act. The Cabinet has approved the creation of a new Resilience Team in 2013/14 to bring together the separate Emergency Planning and Business Continuity functions. This is to underpin the delivery of the new Major Incident Plan and suite of subsidiary plans. The Resilience Team will operate within new governance arrangements and report to a Board. . The Board will oversee the delivery of the adopted project plan for Resilience that will be reviewed monthly by the Strategic Executive Board. Annual audits will also be conducted to validate progress against the project plan.</p>	<p>Strategic Director – Delivery Assistant Director - Delivery 31 March 2014</p>
<p><b>Equalities</b></p> <p>The Council has identified issues in its ability to respond fully to its responsibilities in respect of equalities and consultation. An Equalities Project Board has been formed and approved an equalities work programme. This programme identifies ways of mainstreaming and promoting best equalities practice. Appropriate measures will be implemented during 2103/14.</p>	<p>Strategic Director – Delivery Head of Policy 31 March 2014</p>

**Future Assurance**

Regular progress reports on the implementation of the above actions from these key improvement areas will be produced by Audit Services and reported to the Audit Committee throughout 2013/14.

In addition the following two areas, while not identified as significant governance issues during 2012/13, do represent key challenges to the Council for the year ahead and their success will play an important role if the Council is to achieve its key aims:

### **Confident, Capable Council**

Achieving the Confident, Capable Council objective depends on the creation of a strong corporate core for the organisation and on delivering high quality, cost-effective services. There is a large transformational programme the Council is undertaking in order to deliver this, and the good governance of this programme will be key.

### **FutureWorks Programme**

The Council is currently involved in the procurement of a substantial new IT system that will also support the required business transformation in order to help it achieve its objectives. The Council will need to continue to manage the risks around the general governance and structure of this programme and through the general programme controls it will bring.

### **Certification**

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To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year with the exception of those areas identified as requiring improvement. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our annual review.



**Roger Lawrence, Leader of the Council:**

Date:



**Simon Warren, Chief Executive:**

Date: