

# Audit and Risk Committee

23 January 2023

<b>Report title</b>	Annual Governance Statement 2021-22 – Mid-term report
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<b>Originating service</b>	Strategic Finance
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<b>Report has been considered by</b>	Claire Nye, Director of Finance

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## Recommendations for noting

The Audit and Risk Committee is asked to:

1. Review and comment upon the contents of the mid-year update regarding the Council's Annual Governance Statement for 2021-22 and in particular the information provided about actions and improvements made so far during 2022-23.

## 1.0 Purpose

- 1.1 That Councillors review and comment upon the content of the mid-year Annual Governance Statement (AGS) for the year 2021-22 and in particular the information provided about actions and improvements made so far during 2022-23.
- 1.2 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2015, 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. Mid-year reports are produced in order to give assurance to Councillors on the direction of travel.
- 1.3 This report is intended to provide an update on the progress of the issues raised in the AGS for 2021-22, and any other significant matters that may have arisen.

## 2.0 Background

- 2.1 The AGS 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 AGS assurance is obtained from a range of sources in order that the signatories to the statement can assure themselves that it reflects the governance arrangements for which they are responsible.
- 2.2 The update below identifies a significant amount of work that has and continues to take place, and which contributes to the Monitoring Officer's confidence that the Council is operating good governance arrangements. Since the last AGS was approved by the Committee in July 2022 external auditors have also concluded their work in relation to the Audit of the Council's accounts for 2021-22 and anticipate producing an unqualified opinion, and carried out an additional piece of work into the Civic Halls project.
- 2.3 The AGS identified the following areas which required additional measures to be started or continued, over and above the Council's usual governance framework, for effectiveness to be assured:
  - **MTFS** – Cabinet in October 2022 received the proposed approach to the MTFS and budget for 2023-24, it is anticipated that the Council will be able to set a balanced budget for 2023-24. Work continues towards ensuring that the Council addresses the budget deficit over the medium term.
  - **Procurement and Contract Monitoring** – In July 2022 Council endorsed the report and Action Plan prepared by the Wolverhampton Pound Select Committee. The Action Plan sets out 20 recommendations to ensure inclusivity, equality and value for money, and to make sure that all contracts reflect the Council's values in areas such as climate change, diversity, and retaining and growing local wealth. In relation to the Procurement Bill specifically mentioned in the AGS, this is currently going through Parliament

but is not yet in its final stages. Government has advised that it will give a minimum of 6 months' notice before "go live" which will give the Council time to respond to the changes necessary to its rules and procedure.

A detailed report on the improvements taking place on contract management and procurement was taken to the Council's Resources and Equality Scrutiny Panel on 13 October 2022. The Council has had a peer review exercise to assess the level of readiness for the changes, in which the Council scored the highest among the cohort for the Pipeline work being undertaken. The presentation given also updated on the training of staff in contract management and developing a streamlined contract process.

- **Civic Halls** – Since the AGS in July 2022 the Civic Halls project has been the subject of a number of further reports and meetings including a report to Cabinet in September 2022, a report to Scrutiny Board in October 2022 and a detailed report on the project to the Audit and Risk Committee in November 2022.

In addition, external auditors have concluded their work on the project and have concluded that whilst it has been a challenging project there have been no failings by the Council which have led to the delay/budget increase which have taken place.

Critically the Civic Halls have now been handed over to the operator, AEG, and a series of opening events have been scheduled for the formal opening in June. AEG are currently working on their arrangements for the opening of the venue including recruitment of staff and the fitting out of the bars.

- **Implementation of Special Educational Needs and Disability (SEND) reforms** – this is being tackled through additional ring-fenced funding approved by Council in early 2022, and the Written Statement of Actions (WSoA) and proposals for implementation are being monitored by a newly formed Cross Party Scrutiny Review Group which sits under the Children and young People Scrutiny Panel. The Panel held its first meeting in September 2022 and second in November 2022. Since the WSoA there have been two monitoring visits by DfE, the last in November 2022, and on both occasions the Council was found to have in place effective strategic leadership, partnership working and co-production to support the actions.
- **Strategic Asset Plan** – in line with the commitment in the AGS preparatory work has been taking place to produce a new Strategic Asset Plan, with a view to the formal plan being approved in 2023.
- **General compliance with rules (Information Governance) including avoiding errors** – the Information Governance team have introduced 5 new

policies (to replace the previous 19) which reflect changes to legislation and working practices. Improvements have also been made which address document duplication and consistency in formatting and approach. The changes are being followed up with training which all staff are required to undertake.

Further proposed actions to mitigate risks are identified in the Strategic Risk Register which includes rolling out more specialist training to certain staff, creating more detailed procedures and guidance and collaborating with Audit Services on reporting functions and compliance assurance. A detailed update was given to the Governance and Ethics Committee on 12 January 2023, this included details of the levels of compliance and matters reported to the Information Commissioners Office.

- **Individual occasions of non-compliance with rules (publication of certain Council decisions in error)** – The Individual Executive Decision Notice process has been updated and shared with relevant officers, and an internal audit review of the process has now taken place and found substantial assurance.
- **Review of Linked Bodies** – significant work continues to take place on a regular basis, as set out in the AGS, to provide assurance on the work and performance of bodies the Council owns or has potential liability for and to ensure that there is good governance in respect of these other bodies – the most relevant bodies are listed in the AGS.

A review is currently being undertaken of these CWC linked bodies to ensure they align with the Council's new Code of Practice on Governance of Council involvement in linked bodies approved by the Governance and Ethics Committee in November 2022. This and other regular monitoring of these bodies gives no cause for concern, indeed it indicates that there is good governance in place for each of these bodies.

- **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. There is a Management Agreement between the Council and Wolverhampton Homes which sets out the contractual and governance arrangements between the parties. The contract with Wolverhampton Homes is due to expire in 2028 and Council will be updated in relation to its continuation. The Management Agreement has recently been reviewed to identify where clarification of the responsibilities and rights of each party might be needed when the opportunity arises to make changes. This is scheduled to be reported to the Residents, Housing and Communities Scrutiny Panel in March 2023.

- **City of Wolverhampton Housing Company Limited (“WV Living”)** – this is a wholly owned trading company set up under the powers in the Local Government Act 2003 and is focused on developing properties within the City to meet the Council’s aspirations in terms of available housing. There is a shareholder agreement in place between the Council and WV Living with WV Living’s Business Plan having to be approved by the Council and compliance with that business plan being monitored by the Council. The accounts for WV Living have recently been audited and the auditors’ opinion for 2021-22 which is without any qualification.
- **Yoo Recruit Limited** – this is a wholly owned trading company set up under the powers in the Local Government Act 2003 and provides staffing to the Council and other bodies. The overall operation is in the process of being reviewed. The company’s accounts are audited separately by external auditors and their opinion for 2021-22 is without any qualification.
- **Help 2 Own** – this is a limited liability partnership that was jointly established with the West Midlands Combined Authority in 2021 to pilot an affordable housing product that helps to address the issue that many potential buyers who are in work have in raising the deposit to secure a mortgage. This is the subject of a number of legal agreements which sets up the contractual and governance arrangements between the relevant parties. The operation and governance of Help 2 Own continue to be reported on regularly to Cabinet member and the Leader of the Opposition.
- **Redesign of Adult Services** – The Council agreed with the Department of Health to be one of a handful of early adopters of legislative reforms which would require Councils to broker all care for those with an assessed need if requested. Funding was considered and approved by Council in May 2022 for the new operating model including methods of managing demand which was due to start in 2022. The Government subsequently delayed reforms to October 2025 “to allow local authorities to provide more care packages”, so the proposed changes are on hold.

2.4 The following updates are also provided in relation to other matters of significance which have arisen during this interim period:

- **Special Severance Payments** – new rules including approval procedures have been developed following the statutory guidance on the making and disclosure of such payments by local authorities.
- **Corporate Code of Governance** - the Council has updated its Local Code of Corporate Governance in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government, this was adopted by Council at its meeting on 12 September 2022.

- **Code of Practice on Governance of Council involvement in linked bodies** – guidance was introduced to help employees and others in relation the law, the way in which the Council wishes to organize its company interests and how those interests should be governed according to a set of principles, this was approved by the Council’s Governance and Ethics Committee at its meeting on 25 November 2022.
- **Exempt reports** - new guidance to officers on exempt reports (including the process to be followed) has been produced to ensure that it is only used in limited circumstances.
- **Procedural and other changes to the Constitution** – various changes to the Constitution continue to be made in relation to the procedure and administration at meetings (questions by members of the public, motions, voting, ordinary and other meetings, the report of the Leader and right of reply, extensions of time, voting) and clarifications made on Councillor Conduct. Work will shortly be concluded on officer delegation.

### **3.0 Progress, options, discussion**

- 3.1 Progress on the implementation of the actions required in the key areas will be monitored and reported to the Audit and Risk Committee, where appropriate, during the year.

### **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendation in this report. [CN/16012023/J]

### **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendation in this report. [DP/17012023/A]

### **6.0 Equalities implications**

- 6.1 Whilst there are no direct equalities implications arising from the recommendation in this report there are a number of equalities issues that are addressed in the relevant reports for each of the activities taking place.

### **7.0 All other implications**

- 7.1 There are no other implications arising from the recommendation in this report.

### **8.0 Schedule of background papers**

- 8.1 Appendix 1 - Annual Governance Statement 2021-22.