

Audit and Risk Committee

6 December 2021

Report title	Annual Governance Statement 2021 – 2022- mid year report	
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Originating service	Audit	
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Report to be/has been considered by		

Recommendation for decision:

The Audit and Risk Committee is recommended to:

1. Review and comment upon the contents of the mid-year update re the Council's Annual Governance Statement for 2021-2022.

1.1 Purpose

- 1.1 That Members review and comment upon the content of the mid-year Annual Governance Statement (AGS) for the year 2021 - 2022.
- 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. In the AGS for 2020-2021 it was agreed that a mid-year report be provided to provide assurance on the direction of travel.
- 1.3 This report is intended to cover the main aspects identified in the 2020-21 AGS and report on progress and any other issues that may have arisen.

2.0 Background

- 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 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. The Monitoring Officer is confident that good governance is in place for the Council and assurance is given by the work below.
- 2.3 The 2020-21 AGS identified a number of areas of work in 2021-2022 these included:
- **External Audit** – It is important to note that the Council's statement of accounts for 2021-2022 were audited without any qualification by external audit with the audited accounts being published on 11 October 2021. It should be noted that as at 24 November 2021 only 23% of audit opinions had been delivered. The Value for Money assessment is due to be published on or before 11 January 2022 and an update will be brought to Committee shortly.
 - **Internal Audit** – As set out in the update report from Internal Audit while there has been one limited assurance report to date (and it is likely that there may be another), at this stage of the year there has been nothing of such significance that it would impact on our end of year opinion, or in our ability to give reasonable assurance that the Council has an adequate and effective internal control, governance and risk framework
 - **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 including:

- **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.
- **Wolverhampton Housing Company Limited** – this is a wholly owned trading company set up under the powers in the Local Government Act 2003 and is known as WV Living 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.
- **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. There is a shareholder agreement in place between the Council and Yoo Recruit and the Business Plan has to be approved by the Council and compliance with that business plan being monitored by the Council.
- **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 accounts for WV Living have recently been audited and the auditors' opinion for 2020-21 are attached, which is without any qualification.

The 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.

- **Corporate Code of Governance** - The Council is updating its Local Code of Corporate Governance, in 2021-2022 in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government, this is expected to go to the Council's Governance and Ethics Committee in January 2022 for approval.

2.5 Key areas of work identified in the 2020-2021 AGS –

“Savings Targets

In March 2021 the Council approved a balanced budget for 2021-2022 without the use of general reserves.

It is important to note that the financial implications of the pandemic have significantly distorted the budget and Medium Term Financial Strategy. Current projections indicate that having taken into account additional government grant, there is a net cost pressure of over £6 million in 2021-2022 as a result of Covid. In order to set a balanced budget, this cost pressure has been met from other efficiencies identified across the Council. During 2021-2022 work will continue to monitor the financial impact of Covid to both inform the in year budget position and to inform medium term forecasts.

Looking forward it is estimated that further savings of £25.4 million are required in 2022-2023 rising to £29.6 million in 2023-2024 in order to set balanced budgets. These forecasts take into account the potential ongoing impact of Covid in addition to the underlying budget pressures that face the Council.

In addition to the impact of Covid, there continues to be significant uncertainty about future funding streams for local authorities. At the time of writing it is unclear when the Government will undertake the Comprehensive Spending Review, Fair Funding Review, Business Rates Reset and Business Rates Retention Review.

Work has started to address the budget deficit over the medium term and updates will be brought to Cabinet throughout the year.”

Update - Cabinet in October 2021 received the proposed approach to the MTFs and budget for 2022-23, it is anticipated that the Council will be able to set a balanced budget for 2022-23. Work continues towards ensuring that the Council addresses the budget deficit over the medium term.

“Procurement

In December 2020 the Government published a Green Paper on ‘Transforming public procurement’ which proposes a number of changes which would impact on the Council. Work will be undertaken to monitor the progress of this paper and to respond appropriately to any resulting changes in legislation.”

Update – A significant amount of work is taking place to ensure that the Council is ready for changes to the procurement rules and the Council is also working to ensure that it takes the opportunities that are presented to ensure that as much of its spend, and that of other key partners, is spent within the city, as part of the

Council's key work on Wolverhampton Pound – which is currently being examined by the Council Select Committee.

“Contract Management

Contract management practises across the Council have been found to be inconsistent. The Council also utilises a contract management system which is a central repository database that has a record of those contracts that have been procured, but not those that have been commissioned locally. Consequently, the Council has decided to transform how contract management is delivered and contracting process are measured to generate economic and efficiency benefits aligned to the Council Plan and other relevant strategies, such as Wolverhampton Pound and Relighting Our City.”

The Council plans to have a one council approach to contract management. The intention is to develop a contract management framework, establish external contract management training for officers and procure a contract management software system. The system will provide greater visibility of contract performance and a strategic oversight of contracts. These identified areas will provide a consistent and efficient method where possible and contribute to continuous improvement whilst obtaining value for money. These improvements will also prepare the Council in good stead for the forthcoming new procurement regulations as the Government's green paper, 'Transforming Public Procurement', identified contract management and commercial life cycle as key areas which will form part of the new procurement regulations.

Update – contract management training is already underway as is the other work described above. A detailed paper was taken to the Our Council Scrutiny Panel in September 2021.

Strategic Asset Plan

We have made progress on reviewing and challenging the Council's asset portfolio as part of the Our Assets Programme (formally referred to as Our Space programme), particularly in light of how services will operate moving forward as part of Relighting our City. This has included developing six workstreams Asset Data, Asset Review, Retained Estate, Civic Centre, Surplus Assets and Asset Disposals. The Strategic Asset Plan and Action Plan will be updated following completion of this programme.

Update – work continues in relation to strategic asset plan. A detailed paper was taken to the Our Council Scrutiny Panel in September 2021 on Our Assets programme and an update on Relighting Our Council in November 2021.

Civic Halls

Delivery of the Civic Halls in accordance with any set budget and in line with the set timeline will continue to be closely monitored by the Council throughout, and the Council will ensure that the contracts in place are complied with.

Update

A detailed update on the Civic Halls project is already on the agenda for the Committee.

Constitution Review Conclusion

Completion of the review of the constitution including revision of financial procedure rules, employment procedure rules, officer delegation and adoption of a new Corporate Code of Governance.

Update

A number of revisions to the Constitution have been taken to the Governance and Ethics Committee and to Council. A further set of revisions will be taken to the Governance and Ethics Committee and to Council in January 2022.

3.0 Progress, options, discussion

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

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendation in this report.
[CN/03122021/T]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendation in this report.
[DP/02122021/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 Environmental implications

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

8.0 Human resources implications

- 8.1 There are no human resources implications arising from the recommendation in this report.

9.0 Corporate landlord implications

- 9.1 There are no corporate landlord implications arising from the recommendations in this report

10.0 Schedule of background papers

- 10.1 Annual Governance Statement 2021-2022

11.0 Appendices

- 11.1 Appendix 1 – Audited Report for WV Living 2020 - 2021