

AGENDA MANAGEMENT SHEET

Name of Committee **Audit and Standards Committee**

Date of Committee **16 June 2008**

Report Title **The Annual Governance Statement**

Summary This report sets the conclusions of the review of internal control carried out as part of the overall process that fulfils the Authority's statutory obligations to publish an Annual Governance Statement. It presents a draft Annual Governance Statement for scrutiny prior to submission to Cabinet.

For further information please contact:

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Would the recommendation decision be contrary to the Budget and Policy Framework? [please identify relevant plan/budget provision]

No.

Background papers The Statement of Internal Control for 2006/2007

CONSULTATION ALREADY UNDERTAKEN:- Details to be specified

- Other Committees
- Local Member(s)
- Other Elected Members Cllrs Farnell, Tandy, Roodhouse
- Cabinet Member Cllr Timms
- Chief Executive Jim Graham
- Legal Reporting Officer
- Finance Dave Clarke
- Other Chief Officers
- District Councils
- Health Authority

Police

Other Bodies/Individuals

FINAL DECISION NO

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by
this Committee

To Council 24 June 2008

To Cabinet 19 June 2008

To an O & S Committee

To an Area Committee

Further Consultation

Agenda No

Audit and Standards Committee – 16 June 2008.

The Annual Governance Statement

Report of the Strategic Director of Performance and Development

Recommendation

That the Committee consider the results of the review of internal control and draft Annual Governance Statement and identify any matters they wish to bring to the attention of the Chief Executive and Leader of the Council who will be the signatories to the Statement.

1 Background

- 1.1 The Accounts and Audit Regulations 2003, as amended, require the authority to conduct a review, at least once a year, of the effectiveness of internal control and publish the findings alongside the authority's financial statements. The Regulations specifically require that a relevant committee considers the findings of the review.
- 1.2 The need to produce a Statement on Internal Control has been superseded by the requirement to produce an Annual Governance Statement (AGS) that recognises, records and publishes an authority's governance arrangements under the framework defined in CIPFA/SOLACE's publication "Delivering Good Governance in Local Government: The Framework". For those authorities, like Warwickshire, that adopted a corporate approach to producing the Statement on Internal Control, the transition to the Annual Governance Statement is seamless.
- 1.3 This framework sets out six core principles of governance that underpin the AGS and upon which the AGS should report;
 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability.

1.4 A key element of governance is the control environment, which CIPFA defines as comprising “the systems of governance, risk management and internal control. The key elements of the control environment include:

- establishing and monitoring the achievement of the organisation’s objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
- ensuring the economical, effective and efficient use of resources, and securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness
- the financial management of the organisation and the reporting of financial management
- the performance management of the organisation and the reporting of performance management.”

2 The Assurance Gathering Process

2.1 The recommended steps for reviewing the authority’s governance arrangements and gaining assurance on the control environment are broadly similar to those required to produce the Statement of Internal Control.

2.2 Figure 1 in **Appendix 1** illustrates the recommended steps¹ for the process of reviewing the authority’s governance arrangements and gathering assurance about the effectiveness of the system in order to produce the Annual Governance Statement. This approach was adopted for the review which was carried out by an Evaluation Team consisting of:

Greta Needham, Head of Law & Governance
 Garry Rollason, Audit & Risk Manager
 Ron Williamson, Head of Resources; Adult, Health & Community Services
 Oliver Winters, Head of Finance
 Balbir Singh, Head of Policy & Performance; Community Protection

¹ The Annual Governance Statement; Meeting the requirements of the Accounts and Audit Regulations 2003, *Incorporating Accounts and Audit (Amendment) (England) Regulations 2006* – Rough Guide for Practitioners; CIPFA Finance Advisory Network

2.3 In carrying out their review, the Evaluation Team

- Considered the approach of the authority to establishing its principal statutory obligations and organisational objectives;
- Considered the approach of the authority to identifying principal risks to the achievement of those obligations and objectives;
- Identified the key control frameworks that the authority has in place to manage its principal risks;
- Obtained assurance from managers on the operation of key control frameworks and on the results of relevant external or internal inspection;
- Evaluated the assurances provided and identified gaps.

2.4 Having reviewed the strategic risks of the Authority identified in the Corporate Risk Register (agreed by Cabinet on 10 May 2007), the Evaluation Team identified a set of corporate control frameworks on which to seek assurance.

2.5 In addition to the corporate control frameworks, the Evaluation Team sought assurance on a number of departmental control frameworks covering key front-line services.

2.6 The full set of control frameworks is set out **Appendix 2** and the mapping of these control frameworks to the strategic risks of the authority is set out in **Appendix 3**.

2.7 Section 3 of this report sets out the main findings of the review. A draft Annual Governance Statement reflecting these findings is attached in **Appendix 4**.

2.8 The External Auditors have recommended that the Internal Audit Annual Report for the year ended 31 March 2008 is considered at the same time as this statement. The Annual Report is also included on the agenda for this meeting.

2.9 Members of the Audit and Standards Committee are invited to scrutinise the draft Annual Governance Statement and identify any matters they wish to bring to the attention of the Chief Executive and Leader of the Council who will be the signatories to the Statement. The Committee's views together with the draft statement will be presented to the Cabinet on 19 June 2008 along side the accounts.

3. The Annual Governance Statement

3.1 The guidance on the process for reviewing the Authority's governance arrangements allowed the Evaluation Panel a certain amount of discretion in recommending those items to be included in the Annual Governance Statement. However, the Panel were mindful of the following factors in determining what constitutes a significant issue:

- The issue has severely prejudiced or prevented achievement of a principal objective
- The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of business
- The issue has led to a material impact on the accounts
- The Audit and Standards Committee has advised that it should be considered significant for this purpose
- The head of internal audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment
- The issue, or impact, has attracted significant public interest or has seriously damaged the reputation of the organisation
- The issue has resulted in formal action being taken by the Chief Financial Officer or the Monitoring Officer.

3.2 CIPFA guidance also states that “a ‘good’ governance statement should be “an open and honest self-assessment of the organisation’s performance across all of its activities [and] it is inevitable that, where the process of review has been rigorous and robust, issues will be identified that the organisation will need to address.”

3.3 The recommendation of the Evaluation Panel is that the issues highlighted in section 4 of this report should be included in the Annual Governance Statement as areas for ongoing improvement or future review. However, the Panel’s view is that none of these constitutes a “significant governance issue” in accordance with the CIPFA guidance. Action plans to address all of the issues highlighted have already been incorporated into the Corporate & Directorate Business Plans and the Council’s revised New Ways of Working Programme.

4 Findings of the Review

4.1 The Statement of Internal Control for 2006/2007 identified six areas of concern. As part of the Annual Governance Statement process for 2007/2008, the Panel considered progress against these areas and has subsequently identified the following as ongoing issues where, despite significant progress, there is still scope for improvement:

- Adult Social care
- Management of human resources , learning and development, organisational development and payroll processes
- Risk management and business continuity
- Partnership governance (including relationships with schools)

4.2 As a result of this years review of the systems of internal control and governance arrangements of the Authority, the Panel identified a further three

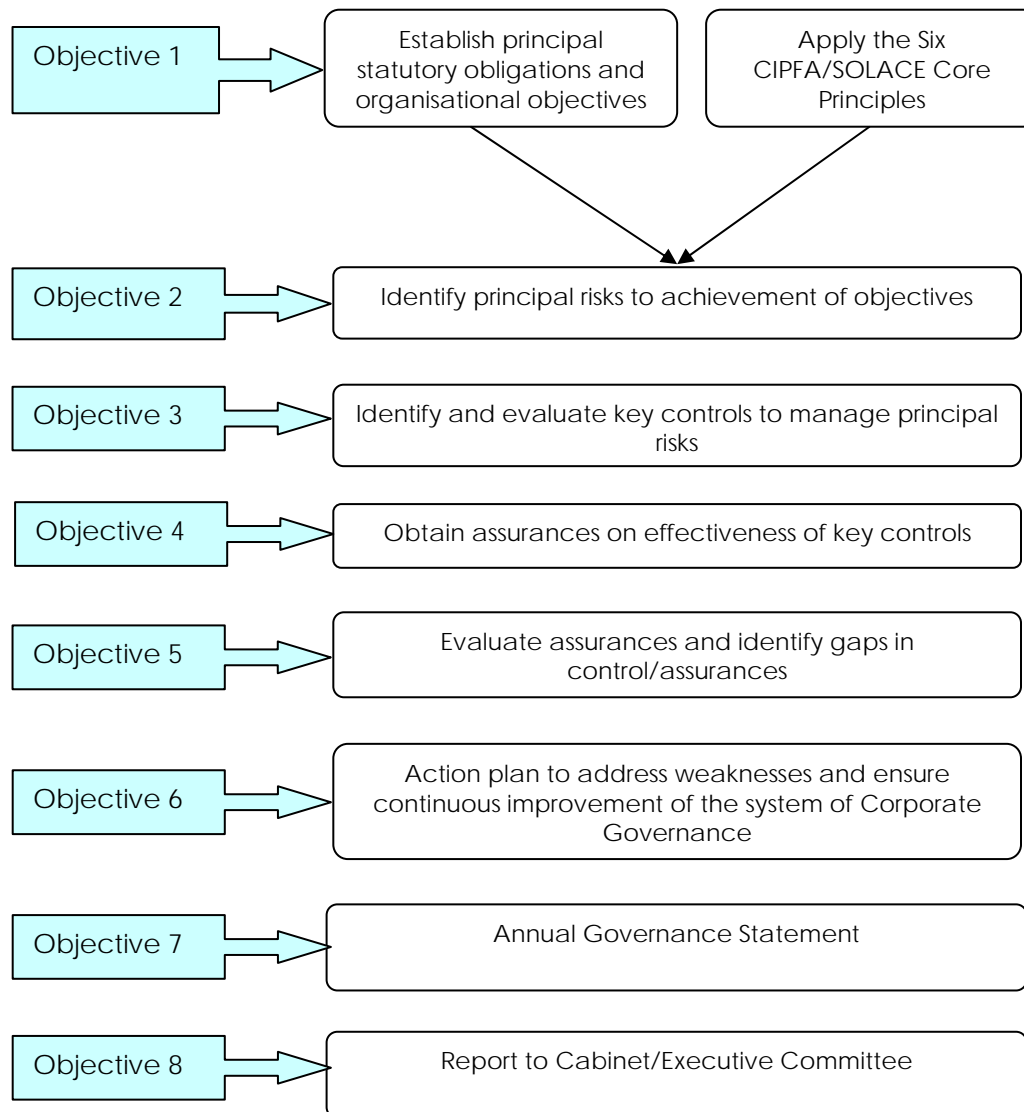
areas where we wish to continue to improve our controls and performance, although we do not judge any of these to be significant governance issues. These issues are set out in detail in the attached draft AGS.

DAVID CARTER
Strategic Director of
Performance and
Development

Shire Hall
Warwick

1 May 2008

Appendix 1: Review of Annual Governance Statement and the Assurance Gathering Process



Appendix 2: Key Control Frameworks

Corporate Control Frameworks

	Statement	Lead
1	New Ways of Working	Monica Fogarty
2	Business Strategy and Planning	Monica Fogarty
3	Budget Strategy and Planning	Oliver Winters
4	HR & Organisational Development	Bob Perks
5	Procurement	Paul White
6	Financial Management	Oliver Winters
7	Asset Management	Steve Smith
8	Risk Management	Simone Wray
9	Performance Management	Monica Fogarty
10	Project Management	Monica Fogarty
11	Information Management	Andrew Morrall
12	ICT	Tonino Ciuffini
13	Partnerships	Nick Gower-Johnson
14	Governance	Sarah Duxbury

Service Specific Frameworks

	Statement	Lead
1	Adult Social Care	Ron Williamson
2	Children in Need	Chris Hallett
3	Education and Schools	Geoff King
4	External Funding	John Scouller
5	Sustainability	Martin Stott
6	Waste	Martin Stott
7	Engineering	Graeme Fitton
8	Community Protection	William Brown
9	Customer Service and Access	Kushal Birla
10	Trading Standards	Mark Ryder

Appendix 3: Mapping of strategic risks to control frameworks

Strategic Risk (as agreed by Cabinet)	Assurance Statement
<p>The role of WCC is to provide Community Leadership to the County of Warwickshire through a democratically elected process. The risk would be that the Council fails to offer the community and political leadership required.</p>	<p>New Ways of Working Governance</p>
<p>WCC is a large, complex and diverse organisation with a variety of disparate services, skills and departments. The risk would be that the Council does not realise the enhanced performance benefits of collective working across services and a culture change of “oneness” reflecting a positive, high performing organisation.</p>	<p>New Ways of Working HR & Organisational Development</p>
<p>There are economic and social divisions within the county. For example, there are pockets of severe deprivation in the North and it is the Council’s policy to achieve the fastest improvement for the most deprived. The risk would be that the differences between areas and groups in the County are not managed effectively.</p>	<p>Business Strategy and Planning Budget Strategy and Planning</p>
<p>The delivery of Warwickshire County Council’s agenda is dependent on the availability of a wide range of appropriate staff, both now and in the future. The risk would be that the Council does not have the right skills in the right places at the right time.</p>	<p>HR & Organisational Development</p>
<p>WCC has constraints on the funding available to deliver services. Key issues include: Capping and affordability, The need to achieve efficiency savings and savings through procurement, the impact of single status. The risk would be that the Council has insufficient resources to deliver its statutory service provision and to achieve its vision for One Warwickshire.</p>	<p>Budget Strategy and Planning Asset Management Procurement Financial Management</p>
<p>ICT sits at the heart of the delivery of priorities and services from WCC. The risk would be that the ICT infrastructure is not sufficiently robust or embedded.</p>	<p>ICT Management Customer Access</p>
<p>In order to deliver on key priorities the Council is required to create partnerships and work constructively with its public service partners. The risk would be that the Council does not work effectively in partnership.</p>	<p>Governance Business Strategy and Planning Performance Management Partnerships</p>

<p>The Council provides high risk/high profile services and service failure could have very serious effects. The risk would be that there is a high profile incident/serious service failure.</p>	<p>Business Strategy and Planning</p> <p>Performance Management</p> <p>Project Management</p> <p>Risk Management</p>
<p>Warwickshire County Council is subject to continuous change and improvement agendas set by national government priorities and is required to deliver. The risk would be that the Council fails to respond effectively to change driven by central government.</p>	<p>Business Strategy and Planning</p> <p>New Ways of Working</p> <p>Budget Strategy and Planning</p>
<p>WCC is bound by strict codes of corporate governance and probity and is required to work within the law. The risk would be that the Council fails to comply with appropriate standards of governance and probity.</p>	<p>Governance</p>
<p>Advice from the Department of Health is that the expected absence rate following an outbreak could be between 33%-50% over a 15 week period. This presents the Council with a number of issues relating to its responsibilities for the provision of an external emergency response and internally the continued provision of priority services. The risk is the failure to maintain adequate staffing levels to respond effectively.</p>	<p>Risk Management</p> <p>Community Protection</p>
<p>The Council has a statutory duty to promote high standards and to secure high levels of achievement and attainment for all children and young people in Warwickshire. The risk is that levels of achievement and attainment do not rise to meet national targets and in line with national expectations and the gap between high and low achieving areas of the County is widened and not narrowed.</p>	<p>Education and Schools</p>
<p>In accordance with the White Paper "Our Health, Our Care, Our Say", there is an expectation that the Council will increase the numbers of people helped to live at home and improve the health and well-being of those who live in the community. This is to be funded through increased efficiencies and the redirections of resources from more traditional forms of adult social care. The risk is that the Council's performance in this area do not improve.</p>	<p>Adult Social Care</p>

There is a fast moving agenda on environmental issues. National environmental issues particularly related to Climate Change and Sustainable Development are becoming increasingly high profile. In order to deliver on key priorities, the Council is required to create partnerships and work constructively with many partners. The risks would be that changes in the legislative or fiscal requirements will make delivery of objectives more difficult across a partnership.

Sustainability

Waste

Appendix 4: An Annual Governance Statement

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(Paragraphs in black are the CIPFA standard wording for an AGS.)

Warwickshire County Council - Annual Governance Statement

Scope of responsibility

Warwickshire County 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. Warwickshire County 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, Warwickshire County 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.

Warwickshire County Council has approved and adopted a code of corporate governance, which is consistent with the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be obtained from the Strategic Director of Performance and Development. This statement explains how Warwickshire County Council has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It 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 system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Warwickshire County 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 Warwickshire County Council for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

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The governance framework

- **Identifying and communicating the authority's vision of its purpose and its intended outcomes for citizens and service users**

The Authority's Vision, which is reviewed annually as part of the Council's corporate business planning process, provides strategic direction to the Council; it is the centre piece to its key plans and sets out its direction and aspirations. The Vision encapsulates what the Authority stands for, what it wants to achieve, how it wants to be regarded by the public, how it wants staff to identify with their council and how it wants to work with and influence other agencies and partners.

The Vision is informed by an extensive programme of consultation with the public and is based on 'State of Warwickshire' and 'Quality of Life' publications which identify the socio-economic drivers for Warwickshire. The 'Quality of Life' report focuses on both quantitative and qualitative outcome indicators which reflect objective measures such as unemployment and subjective measures such as fear of crime.

The Council's priorities are developed and reviewed as part of the integrated business and financial planning process. The Corporate Business Plan provides the context for the County Council's main priorities and provides greater detail for the actions and outcomes which the Authority is aiming to achieve.

The Vision and intended outcomes are communicated to citizens through a range of media including the Authority's website and the quarterly 'Warwickshire View' publication.

- **Reviewing the authority's vision and its implications for the authority's governance arrangements**

Warwickshire County Council adopted a Corporate Governance Code of Practice in October 2004 which was revised in 2007/2008 to reflect new CIPFA/SOLACE guidance. This code identifies the Council's commitment to corporate governance and makes explicit links to the Authority's Vision and objectives, explaining the relationship between the two. The code underlines the critical role governance has in the delivery of objectives, stating that "good governance is essential for the Authority to improve the quality of its services and has a significant impact on the public's level of trust in the services that the Authority delivers."

- **Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring they represent the best use of resources**

Warwickshire County Council's approach to performance management is set out in its Performance Management Framework. The Authority has an explicit vision underpinned by a set of strategic priorities and cross-cutting themes. The Authority's Corporate Business Plan addresses both national and local priorities and provides strategic direction to the 'Golden Thread' which runs through Directorate plans to individual targets. The achievement of targets at all levels within the organisation is regularly monitored by a range of methods.

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Corporate performance is considered by Cabinet and Directorate performance by the respective Overview and Scrutiny Committees.

Each Overview and Scrutiny Committee agrees an annual programme of scrutiny reviews which have performance improvement at their core and are supported by a dedicated scrutiny team. The Overview and Scrutiny Coordinating Group agreed a five year strategy for overview and scrutiny on 30 January 2008.

The Authority has a Medium Term Financial Planning strategy which interacts with the Corporate Business Plan and sets out how budget decisions are made. The budget process establishes the resources required to deliver the Authority's service priorities and involves a review of the overall use of resources. Services are required to deliver improvements in cost effectiveness on an annual basis. Relevant prudential indicators are approved by Council as part of the budget resolution.

- **Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

The roles and responsibilities of the executive, non-executive, scrutiny and officer functions, along with the delegation of statutory powers are defined and documented within the Authority's Constitution.

- **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

The Authority's Corporate Governance Code of Practice is supported by a programme of governance training for officers and a biennial Corporate Governance Audit. The results of this audit and an action plan to address areas for improvement are agreed by members. The last governance review took place in 2007/2008.

Standards of behaviour for the council's staff are defined in the 'Roles and Responsibilities' document which is provided to all staff on joining the authority and available through the corporate intranet.

The expectations for the behaviour of elected members are published in the 'Members' Code of Conduct'.

- **Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals which clearly define how decisions are taken and the processes and controls required to manage risks**

The Constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Responsibilities for decision-making, the role of individual members, the role Council, the Executive, Committees and the process for determining the Authority's Key Decisions are defined in the Constitution. Delegations are detailed so that the functions of full Council, Cabinet, Cabinet Members, Committees and Officers are specified. The Forward Plan of key decisions is published on the Council's website.

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A structured approach to procurement and contract letting is set out in Financial Standing Orders and Contract Standing Orders. A Procurement Code of Practice provides further guidance to managers to ensure value for money is considered in all purchasing activity. The content of contract standing orders was reviewed during the year to ensure it remains relevant and represents best practice.

A risk management framework has been developed including a corporate implementation strategy and business continuity plan. Strategic risks are reviewed annually and incorporated in the Corporate Business Planning process. All departments have risk registers. The Council's insurances are reviewed annually.

- **Undertaking the core functions of an audit committee as defined in CIPFA's *Audit Committees – Practical Guidance for Local Authorities***

The Authority's Audit and Standards Committee operates to an agreed terms of reference which defines its core functions, roles and responsibilities. The terms of reference are published as part of the Constitution.

- **Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful**

Key roles in relation to ensuring compliance with policies, procedures, laws and regulations are performed by the Authority's Monitoring Officer and the Section 151 Officer.

The Monitoring Officer has put in place arrangements to ensure that all reports to member bodies are checked by qualified lawyers within the Authority to ensure compliance with legislation and corporate policies and procedures. All member bodies are supported by a legal advisor to ensure there is appropriate advice at meetings of the Authority. In addition, the Monitoring Officer receives weekly briefings from the senior lawyers of the Authority highlighting if there are any

- cases or potential cases where questions arise as to the Council's power to take action;
- cases or potential cases of breaches of law or internal regulations (especially standing orders, contract standing orders or financial regulations);
- departmental proposals to act contrary to corporate policy or legal advice;
- new legislation, statutory instruments or government proposals affecting areas of work carried out by the Authority.

The Monitoring Officer with the Section 151 Officer also commissions the biennial Corporate Governance Audit and annual Contract Standing Orders compliance audits.

The Strategic Director of Resources, as the nominated Section 151 Officer, has the delegated responsibility for ensuring there are arrangements in place for proper administration of financial affairs.

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The Council has delegated responsibility for maintaining an adequate internal audit function to the Strategic Director of Performance and Development. A programme of risk based audits is carried out by the Internal Audit and Risk Management Service. A summary of audit work is reported to the Audit and Standards Committee which has responsibility for oversight of probity and audit issues and meets regularly. In addition, External Audit and external inspection agencies such as Ofsted contribute to the review of the Authority's compliance with its policies, laws and regulations.

- **Whistle blowing and for receiving and investigating complaints from the public**

The 'Confidential Reporting Code' outlines procedures for staff members wishing to raise a concern, the response they can expect from the Authority and the officers responsible for maintaining and operating the code. A confidential register of concerns raised and the subsequent outcomes of investigations is held by the Strategic Director of Performance and Development.

Complaints from members of the public are addressed according to the 'Corporate Complaints Procedure' and managed corporately by a Customer Relations Officer. Extensive guidance is available to staff through the Authority's Intranet site and to the public on the Council's website and written publications.

- **Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

The development and training of elected members is managed by the Law & Governance Division of the Performance and Development Directorate. Each member undergoes an induction programme which includes training on Corporate Governance. The Authority conducts regular Member Development Seminars which cover a broad range of topics both on matters internal to the Council and on relevant external subjects. Each member has an individual development plan which is reviewed and updated annually. The Member Services Section of the Law & Governance Division also maintain an electronic database of the training received by and planned for members.

The Chief Executive conducts appraisals of each of the six Strategic Directors and they in turn appraise their respective Service heads. The appraisal framework applies throughout the organisation. Each appraisal results in a plan of development objectives which are supported by training as appropriate.

- **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

The Corporate Communications Strategy defines Warwickshire County Council's approach to managing effective communication with the community and other stakeholders. The strategy defines the roles and responsibilities within the Authority for managing communication, the people and entities with whom the Authority needs and aspires to communicate and the methods, channels and media by which that communication is achieved. Corporate Communications are managed by the Communications and Media Division of the Performance and Development Directorate.

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A Corporate Consultation Strategy was first developed in 2001 and was revised in 2003. The strategy was revised again in 2008 and now includes community engagement as well as consultation. The key elements of the Consultation and Engagement Strategy are to ensure that;

- The people of Warwickshire are satisfied with the opportunities available to them to contribute to policy-making, service design and service improvement
- The Authority shares effort and resources effectively and with its partners to gain value for money from consultation activities, avoiding duplication of effort and an overload of consultation activity on certain groups in the community
- Policies and services are improved to reflect the needs and aspirations of the people of Warwickshire

There are also a number of consultation groups working within Warwickshire consisting of representatives from the Authority, from District and Borough Councils, the Police and Primary Care Trusts. The Council's Equality and Diversity Policy and Consultation and Community Engagement Strategy ensure that all people have an equal chance of having their voice and views heard and of influencing their futures. Therefore, a group of specialist officers has been set up to advise staff who want to undertake consultation with particular groups of residents e.g. Black and Minority Ethnic groups, Older People groups.

The results of all public consultations are publicised on the Authority's website. A forward plan of key decisions is also publicly available, allowing interested parties to lodge their views prior to the decision being made.

- **Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements**

A Partnership Governance toolkit has been developed for use when establishing partnerships. Within the suite of documents is a tool which enables the assessment of a partnership's contribution to the Council's strategic objectives. There is an approved list of the Council's significant partnerships.

A 'Partnerships Protocol' is available to staff which "identifies the different types of partnership that can be established and aims to set out the arrangements needed to facilitate their smooth running and effectiveness. It also sets out the standards expected to ensure that the Council is protected in the partnership arrangements that it is involved in." Partnership governance forms part of the responsibility of a Cabinet member

Review of effectiveness

Warwickshire County 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 executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual

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report, and also by comments made by the external auditor and other review agencies and inspectorates.

We have been advised on the implications of the result of the review of effectiveness of the governance framework by Cabinet and the Audit and Standards Committee and plan to address weakness and ensure continuous improvement of the system is in place.

Governance issues

The Statement of Internal Control for 2006/2007 identified six areas of concern. As part of the Annual Governance Statement process for 2007/2008, the Authority considered progress against these areas and has subsequently identified the following as ongoing issues where, despite significant progress, there is still scope for improvement:

- **Adult Social care**
Alongside the continuing improvements and monitoring arrangements for the Supporting People programme, a key project for Adult social care is the Care and Choice (Accommodation) Programme. This is an opportunity for the Authority to reshape its countywide provision of residential care services in order to provide increased choice and independence for service users, and to build on strategic partnerships in order to achieve a number of key objectives. The complex commercial, property and contractual issues involved in the delivery of this programme present a significant challenge for the authority and will require constant monitoring within its agreed project management arrangements
- **Management of Human Resources**
The Council is fundamentally restructuring and changing its approach to the management of human resources, learning and development, organisational development and payroll processes. Progress on these issues will need to be carefully monitored through regular progress reports to SDLT to ensure that timescales are achieved and benefits realised.

The development of the corporate HR service centre has enabled the review and rationalisation of HR and payroll processes. This is at an early stage and requires regular review to ensure that the potential for efficiencies is realised. Whilst continuing to monitor the impact and consequences of Stage 1 of the Pay and Conditions Review, Stage 2 of the process requires the continuation of careful management and monitoring to ensure a smooth transition to the new pay structures. Workforce planning has been identified for development in the coming year to ensure that the council is equipped to address the change agenda.

- **Risk Management and Business Continuity**
Building on the significant improvements demonstrated in 2007/2008 in integrating risk management and business continuity into its business planning and performance management processes, the Authority will need to maintain its momentum and fully integrate risk management into its full range of management processes.

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- **Partnership governance (including relationships with schools)**
The commitment to partnership working through the LAA has been reinforced by the new second LAA for Warwickshire. A health check of the agreed governance arrangements adopted by the LAA will take place during 2008/9. The Council's own constitutional arrangements need to be realigned in accordance with LAA aspirations within the overall context of the Local Government and Involvement in Public Health Act 2008. Realisation of the outline principles agreed by partners for financial management arrangements in the LAA (including pooled budgets) has yet to be delivered. The success of partnership working goes beyond the adoption by all partners of agreed principles, and its practical implementation and the management of strategic risks continue to present a major challenge for the LAA.

The nature of our relationship with schools is changing. The importance of maintaining strong relationships between the authority and schools remains an area where constant effort and energy is required. The Council's focus on Building Schools for the Future, 'Primary Strategy for Change' and surplus places demands continuing emphasis on a proactive and close working relationship with schools to ensure that these key projects are delivered.

A full time Assistant Head of Service for Governance was appointed in September 2007 to provide a strategic lead to school governance. Significant steps were made during 2007/2008, but a number of further improvements are either under way at year end or planned for delivery in the coming financial year. Progress in the improvement of arrangements for school governance is subject to review by the Audit and Standards Committee and has been recommended for inclusion on the Overview and Scrutiny Committee's programme of inspection.

As a result of this year's review of the systems of internal control and governance arrangements of the Authority, we have identified four further areas where we plan to continue to improve our controls and performance, although we do not judge any of these to be significant governance issues:

- **Governance**
Although the Council's overall governance arrangements are strong, we recognise that there are areas where we need to do better. In a council with no overall control, strong political leadership is required to develop our vision for the future, to develop strategy and to continue the drive for excellence. A number of initiatives are being pursued to support elected members and to develop their skills to meet the challenges of the changing environment facing the Council.

The Council also faces the challenging task of managing the continuing provision of fire and rescue services and future delivery of the service whilst also dealing with the lengthy on-going investigation into the recent tragedy at Atherstone on Stour.

- **Project management**
Despite the corporate adoption of a project management methodology there is scope for further improvement of our performance in delivering major projects. From 1 April 2008 the lead for Project Management was integrated into the corporate Planning & Performance Team and further integrated into the

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Performance Management Framework. This will be supported by the re-appointment of a dedicated Project Management Officer early in 2008 / 2009.

The Authority is looking to improve its arrangements for;

- ensuring that risks have been identified and robustly managed in all major projects,
- the training for project board members and key members of project teams in project management and risk management,
- the development of corporate guidance for project management,

- **The management of waste**

The Authority recognises that it cannot continue to rely on landfill as its main method of disposal and needs to develop more sustainable methods of managing waste. The Authority has identified key strategic objectives that provide the direction for the development of a Waste Strategy. In developing this Strategy, seven potential waste management scenarios were critically assessed against environmental, socio-economic and operational criteria.

The Waste Strategy provides guidance on the required changes in the waste management service to enable the Authority to achieve its goals. It is important that the Waste Strategy is not a static document and that it should be reviewed and updated on a regular basis to reflect changes in legislation, circumstance and evolving waste treatment technologies. It is for this reason that the Waste Strategy will be fully reviewed every five years with a review of the critical aspects at critical review points.

In addition, the Council is a partner in Project Transform, a joint collaboration between: Coventry City Council, Solihull Metropolitan Borough Council and Warwickshire County Council. The Partners are working together to develop effective and sustainable solutions to manage residual waste in the sub-region. The partners have recently submitted an Expression of Interest for PFI Credits to DEFRA, for the development of a new Energy from Waste plant. Project management arrangements are already in place, and a dedicated project manager is to be recruited. Both Project Transform and potential PFI need to be robustly controlled in order to ensure success.

- **Information management**

Warwickshire County Council first introduced a three-year Information Management strategy in January of 2004. The review and republication of this strategy in 2007/2008 coincided with a number of high profile national instances of data loss and an isolated incident involving the Authority itself. The Authority recognises that it has historically taken a light-touch, devolved approach to information management and that there are few dedicated corporate resources in comparison with its other major assets.

To strengthen arrangements for information management, the Authority intends to complete a value for money review by September 2008 with the intention of establishing an integrated Information Management function. Progress in this area will consolidate the work already undertaken across the individual Directorates and provide a strong corporate approach to information management.

Work is underway to review the IT tools and systems that support information management and improve the accessibility and quality of information made

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available by the Authority both internally to its staff and externally to its customers. The planned development of an Information Governance Framework and Toolkit will allow the Authority to more fully identify its strengths and weaknesses and to define how it can improve the management of information, both corporately and in specific service areas.

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 in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Chief Executive

Date:

Leading Member

Date: