AGENDA MANAGEMENT SHEET

Name of Committee	**Audit and Standards Committee**
Date of Committee	**28 May 2009**
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.

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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 annual governance statement 2007/2008

CONSULTATION ALREADY UNDERTAKEN:-   Details to be specified

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

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Police ☐

Other Bodies/Individuals ☐

FINAL DECISION   NO

SUGGESTED NEXT STEPS: Details to be specified

Further consideration by ☐
this Committee

To Council ☒ 23 June 2009

To Cabinet ☒ 28 May 2009

To an O & S Committee ☐

To an Area Committee ☐

Further Consultation ☐

Audit and Standards Committee – 28 May 2009

The Annual Governance Statement

Joint Report of the Strategic Director for Customer, Workforce and Governance and Strategic Director of Resources

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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.

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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1.2   The need to produce a Statement on Internal Control has been superseded by the requirement to produce an Annual Governance Statement (AGS) that recognises, records and publishes an authority's governance arrangements under the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 steps[1] 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

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[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

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Ron Williamson, Head of Resources; Adult, Health & Community Services
Oliver Winters, Head of Finance
Balbir Singh, Head of Policy & Performance; Community Protection
Jonathan Simkins, Group Manager, Environment and Economy
John Betts, Head of Resources; Children, Young People & Families

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 Council 28.03.08), 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. At this stage there was consideration regarding the need for relevance of existing statements and the need for new statements.

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**

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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 Annual Governance Statement 2007/2008 identified 8 areas of concern. As part of the Annual Governance Statement process for 2008/2009, the Panel considered progress against areas that were raised in the 2007/2008 review. Risk management is an area that has made considerable progress over the last year and accordingly has not been included in the draft Annual Governance Statement for 2008/2009.

4.2 The following are ongoing issues where, despite progress there remains scope for improvement:

- Adult Social care – Care & Choice

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- Strategic planning and workforce development

- Partnership governance

- Governance arrangements including schools governance and information management

- Waste Management

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

- Flu Pandemic

- Safeguarding Children

- Economic Conditions

These issues are set out in detail in the attached draft AGS.

DAVID CARTER   DAVID CLARKE
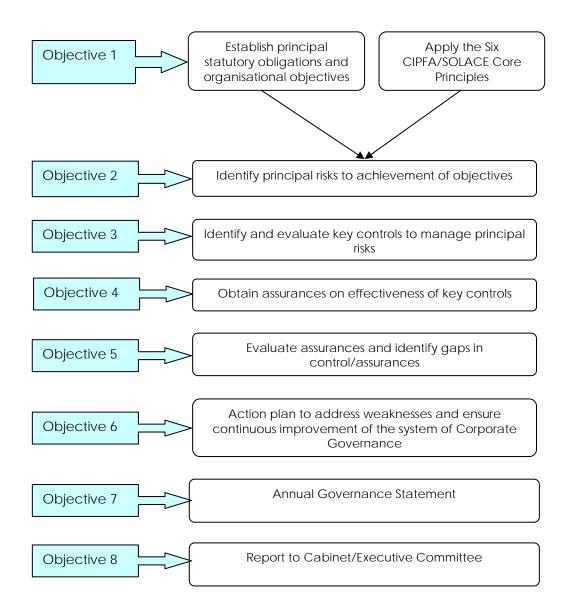Strategic Director for   Strategic Director of
Customers, Workforce and   Resources
Governance

Shire Hall
Warwick

28 May 2009

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

Objective 1 →	Establish principal statutory obligations and organisational objectives
	Apply the Six CIPFA/SOLACE Core Principles

Objective 2 →	Identify principal risks to achievement of objectives
Objective 3 →	Identify and evaluate key controls to manage principal risks
Objective 4 →	Obtain assurances on effectiveness of key controls
Objective 5 →	Evaluate assurances and identify gaps in control/assurances
Objective 6 →	Action plan to address weaknesses and ensure continuous improvement of the system of Corporate Governance
Objective 7 →	Annual Governance Statement
Objective 8 →	Report to Cabinet/Executive Committee

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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 and Fire Investigation	William Brown
9	Customer Service and Access	Kushal Birla
10	Trading Standards	Mark Ryder

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Appendix 3: Mapping of strategic risks to control frameworks

Strategic Risk (as agreed by Cabinet)	Assurance Statement
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.	New Ways of Working Governance
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 realised the enhanced performance benefits of collective working across services and a culture change of "oneness" reflecting a positive, high performing organisation.	New Ways of Working HR & Organisational Development
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.	Business Strategy and Planning Budget Strategy and Planning
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.	HR & Organisational Development
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.	Budget Strategy and Planning Asset Management Procurement Financial Management
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.	ICT Management Customer Access
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.	Governance Business Strategy and Planning Performance Management Partnerships

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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.	Business Strategy and Planning

Performance Management

Project Management

Risk Management |
| 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. | Business Strategy and Planning

New Ways of Working

Budget Strategy and Planning |
| 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. | Governance |
| 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. | Risk Management

Community Protection |
| 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. | Education and Schools |
| 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. | Adult Social Care |

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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

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Appendix 4: Annual Governance Statement for 2008/2009

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 for Customers, Workforce and Governance[1]. 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 and culture 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 priorities and to consider whether those priorities 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.

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[1] From 1 April 2009 the Strategic Director of Performance and Development will be known as the Strategic Director for Customers, Workforce and Governance.

The governance framework has been in place at Warwickshire County Council for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

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 is supported by a suite of Directorate Business Plans, which in turn shape the work of Services, Divisions, Teams and Individuals within the Organisation. The achievement of targets at all levels within the organisation is regularly monitored by a range of methods. 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 Plan which 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 member's 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 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.

  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 2007/2008 to ensure it remains relevant and represents best practice.

  A risk management framework has been developed including a corporate implementation strategy. Strategic risks are reviewed annually and incorporated in the Corporate Business Planning process. A process for reporting those risks to Cabinet on a more regular basis will be developed during 2009/10. 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 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.

The Council has delegated responsibility for maintaining an adequate internal audit function to the Strategic Director for Performance & 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 'Public Interest 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 for Performance & Development.

  Complaints from members of the public are addressed according to the 'Corporate Complaints Procedure' (Making sure positive or negative customer feedback is valued and used to improve services') 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 Directorate for Performance & Development. 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 maintains 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 within the Performance and Development Directorate.

  A Corporate Consultation Strategy was first developed in 2001 and was revised in 2003. The strategy was revised again in 2008 and is now the 'Consultation and Engagement Strategy'. The key elements of this 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 report, and also by comments made by the external auditor and other review agencies and inspectorates.

The review of effectiveness was co-ordinated by an evaluation team consisting of representatives of all directorates and chaired by the Head of Law and Governance. 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.

The evaluation team scrutinised a series of assurance statements prepared by executive managers. These statements describe and provide evidence of

the control frameworks and, where appropriate, referred to the results of reviews carried out by external agencies during the year including the:

- Comprehensive Performance Assessment
- External audit of the accounts
- The outcome of the Joint Area Review of children services

The work of the evaluation team was scrutinised by the Audit and Standards Committee and reported to Cabinet and Council.

The Authority's governance arrangements have also been reviewed throughout 2008/2009 in a number of ways including:

- Overview and Scrutiny Committees have carried out a programme of reviews.
- Internal Audit has undertaken risk based reviews across all directorates and a range of functions across the Authority. The results of this work were reported to the Audit and Standards Committee throughout the year and the individual reviews fed into the overall Annual Internal Audit Report. That report concludes that the Authority's control environment provides substantial assurance that the significant risks facing the Authority are addressed. The internal audit findings were duly considered in the preparation of this statement by the evaluation team and the Audit and Standards Committee.

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

As part of the review process for 2008/2009, the Authority considered progress against the areas that were highlighted in the 2007/2008 Annual Governance Statement. Risk management is an area that has made considerable progress and has accordingly not been included as an issue to be raised within this Annual Governance Statement. Subsequently, the following are ongoing issues where, despite progress there remains scope for continued improvement:

- **Adult Social Care**

    Adult Social Care are undertaking a number of major projects, including Care and Choice and Personalisation, to reshape and modernise its services. Delivery of these programmes continue to embody complex legal, financial, commercial, property, IT and contractual issues, and these remain a significant challenge for the Authority. Constant monitoring within its agreed project management arrangements is required to drive delivery of its objectives within budget and timescale.

In light of current economic conditions, the pace of change in some aspects of the adult social care change agenda is now affected by the recession which particularly impacts on capital property transactions. This requires the Authority to continue to monitor progress through regular reporting to Cabinet and the Adult & Community Services O&S Committee.

- **Workforce planning and development**

  The Council remains committed to fundamentally restructuring and changing its approach to the management of human resources, learning and development, organisational development and payroll processes. Progress on these issues is carefully monitored through regular reports to SDLT to ensure that timescales are achieved and benefits realised.

  A strategy for Phase 2 of the Pay & Conditions review has been agreed and approved. Implementation of the strategy will present the Authority with a significant challenge over the next 12 months in achieving a smooth transition to new pay structures.

  Whilst progress has been made on the implementation of the new Business Partner Model (which includes a mixture of directorate linked and specialist business partners who have expertise in particular areas), further development is required, to embrace HR, Learning and Development and Organisational Development if it is to deliver the strategic change and benefits that it promises.

  The continuing development of the HR Advisory centre is integral to the improvement agenda. The centre consists of a team of co-located HR professionals providing expertise and support on HR casework such as grievance, disciplinary performance, absence management and change management.

- **Partnership governance**

  From April 2009 the Comprehensive Area Assessment framework will replace the current Comprehensive Performance Assessment framework. Reflecting the way local services are increasingly provided by a range of agencies working together, public bodies (including councils, health organisations, the police, fire and rescue services and other agencies) will for the first time, be held collectively to account for their performance. The Comprehensive Area Assessment will change the way inspectorates engage locally - moving from rolling programmes of on-site inspection to an on-going relationship with local areas. This places a clear emphasis on outcomes and improvements for local people.

  The County Council has been focusing its attention on a more corporate and rigorous performance management approach during the last three years. The County Council will also, as host to the Local Area Agreement, be held to account for leading the performance of partners in

Warwickshire and has subsequently developed complementary approaches to the management of corporate and partner performance.

In order to bring together the management of performance, both corporate and partnership, to meet the incoming Comprehensive Area Assessment regulatory regime, the council created, from 1 April 2009, a Partnership & Performance Unit to work with the Public Service Board as well as the County Council under the guidance of the Assistant Chief Executive.

The Public Service Board for Warwickshire has been established with county level themed partnerships across the 6 LAA themed blocks. An Advisory Forum is tasked with ensuring delivery against LAA targets. The leader of Warwickshire County Council is responsible for chairing the Board where the key challenge, for all partners, is the development of a strategic approach to the identification and delivery of Warwickshire's key priorities through effective partnership working.

- **Member training and development**

  Member training and development has been highlighted as a governance issue in the Authority's latest CPA assessment. 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 changing environment facing the council.

  Training and guidance for members remains a key issue. The Authority continues to provide a support programme for members which has the aim of ensuring all councillors understand their role of strategic and community leadership and that they have the skills and confidence to undertake these roles. The "Leading for Warwickshire" induction programme underpinning these development areas will be provided to all new and existing members following the June 2009 elections.

- **School governance and transforming education**

  The council's relationship with schools requires continuous oversight and management. The importance of maintaining strong relationships between the Authority and schools remains an area where constant effort and energy is required particularly in relation to the development of the localities agenda.

  The Authority is embarking on a number of major projects to provide an improved foundation for raising the educational attainment of children and young people in Warwickshire. The "Machinery of Government" agenda will see all educational provision for young people up to the age of 19 provided via the local authority, and the "Transforming Education" project will be key to wholesale improvements in teaching and learning across Warwickshire including the environment in which this happens.

There need to be robust management controls in place to manage the risks associated with these developments and continuing emphasis on a proactive and close working relationship with schools to ensure that the expected benefits are delivered on time and to budget.

- **Waste management**

   The management of waste continues to have a fast moving agenda with environmental concerns being a high priority issue for local residents. Warwickshire's 'Corporate Waste Minimisation Strategy' seeks to reduce growth in our corporate waste, minimise resources used and reduce the hazardous contents of our waste. This agenda presents one of the most significant challenges for the future.

   The Authority remains committed to reducing its dependence on landfill and moving towards more sustainable methods of managing waste and resources. The Waste Minimisation strategy aims to reduce waste produced by all activities across the County's services.

   Project Transform is a joint project with Coventry City Council and Solihull Metropolitan Borough Council to develop effective and sustainable solutions to manage residual waste in the sub-region. This project requires clear leadership and vision, which will be achieved through the appointment of Director for the Project.

   There are emerging risks associated with the financial crisis and the impact that this will have on the Governments ability to deliver PFI funding. There need to be robust management controls in place to manage these risks to give assurance on the future delivery of this agenda

- **Atherstone on Stour fire investigation**

   The police and the HSE investigations into the circumstances of the deaths of four fire fighters at Atherstone on Stour on 2nd November 2007 are continuing and we have no indication of when they will be completed or findings published. This continues to have a significant impact for the foreseeable future which will need continuous and careful management. Whilst dealing with the on-going investigation, the Council continues to face the challenging task of managing the continuing provision of fire and rescue services

As a result of this year's review of the systems of internal control and governance arrangements of the Authority, we have identified three 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:

- **Flu Pandemic**

   Advice from the Department of Health is that the expected absence rate following a flu pandemic could be between 33% - 50% over a 15 week

period. The recent outbreak of swine flu has caused the World Health Organisation to raise its threat level to 5 (one short of a full pandemic). The possibility of a pandemic, and the associated implications for the provision of an external emergency response and continuation of priority services, requires ongoing management and planning. The Authority will revisit business continuity plans to ensure they remain appropriate and work is also underway to ensure that emergency response plans are sound.

- **Economic Conditions**

   Underlying many of the areas above is concern over the current economic conditions and the implications these may have on services. Pension Fund and general financial management across the authority needs to be robust enough to deal with the problems resulting from issues such as falling property prices, rising energy prices and less available credit. Strong financial leadership is required to ensure that resources continue to provide value for money for the residents of Warwickshire, whist still providing the quality of service that residents expect. In addition, the Authority is streamlining its management structures and moving to a commissioning role. These developments will require new skills and bring different risks. Good governance and standards of control need to be maintained during the change process.

- **Safeguarding Children**

   In light of recent high profile safeguarding children cases it is clear that the Authority cannot be complacent about protecting children from harm and providing appropriate services for children in need. External assessments have recognised that the service consistently delivers above the minimum requirements for users. However, there needs to be a review of child protection processes in a response to the Laming Report. The Authority needs to carefully consider these issues and effectively use the additional resources allocated in 2009/10 by the Council.

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	**Leader**
Date:	**Date:**