Corporate Services
Overview and Scrutiny Committee

10th July 2013

Annual Governance Statement 2012/13

Recommendation

That the Corporate Services Overview and Scrutiny Committee consider the key risks outlined in the Annual Governance Statement 2012/13.

1.0   Introduction

1.1   A copy of the Annual Governance Statement was considered and approved by the Audit and Standards Committee on 24th June 2013.

1.2   A full copy of report is attached.

Audit and Standards Committee

24 June 2013

Annual Governance Statement 2012/2013

Recommendation

That the Audit and Standards Committee consider the results of the review of internal control and draft Annual Governance statement for the County Council.

1.0   Background

1.1   The Accounts and Audit (England) Regulations 2011 require the authority to conduct a review, at least once in a year, of the effectiveness of its system of internal control. The findings of the review must be considered by a Committee, and following the review, the Committee must approve the Annual Governance Statement (AGS). The 2011 regulations also clarified that the AGS must *accompany* the accounting statements, rather than being included with the accounting statements. The purpose of this change was to make clear that the AGS is not part of the statement on which the auditor's opinion is given. But relevant bodies have discretion to decide whether it should be part of the same document as the accounting statements or be issued as a separate document.

1.2   The Annual Governance Statement recognises, records and publishes an authority's governance arrangements under the framework defined in CIPFA/SOLACE's publication 'Delivering Good Governance in Local Government: Framework'.

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'. 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; and
- the performance management of the organisation and the reporting of performance management'.

1.5 During 2012 the CIPFA/SOLACE Joint Working Group reviewed the framework to ensure it remains fit for purpose. An addendum and a revised guidance note were issued in December 2012. In addition, Grant Thornton completed a national review of Annual Governance Statements produced by local authorities in England. Feedback was provided to the Council on its AGS Statement for 2011/12 highlighting good practice and areas for improvement. These documents have been taken into account when preparing the 2012/2013 statement.

2.0 The Assurance Gathering Process

2.1 **Appendix A** 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 a Panel consisting of:

- Greta Needham, Head of Law & Governance, Resources
- Garry Rollason, Chief Risk and Assurance Manager, Resources
- Andy McDarmaid, Improvement and Development Manager, Communities
- Jim Onions, Assistant Chief Fire Officer, Fire & Rescue

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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

- Tricia Morrison, Project Manager - One Organisational Plan Project, Resources
- Liz Holt, Service Manager – Access and Organisation (Strategy for Change)

2.2 In carrying out their review, the Panel:

- 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.

2.3 This year, assurance statements have been based on risk registers that are in place for all Services. The latest version of the risk registers were extracted from the corporate risk management system and managers asked to provide evidence that the actions detailed in the risk registers are being addressed; this was then scrutinised by the evaluation panel.

2.4 This process has also been used for significant projects which have been included in the AGS for the first time, based on the register of significant projects agreed by Corporate Board.

2.5 In addition to Business Unit and significant project risks, the Corporate Board have identified key corporate risks. These risks are regularly reported to the Board where they are reviewed and updated. They are also reported periodically to the Audit and Standards Committee. At the meeting of the Corporate Board on 6 March 2013, it was confirmed that the actions identified are effective in managing the strategic risks currently faced by the organisation.

2.6 The draft AGS is reported to this meeting of the Committee as it is good practice for a draft Annual Governance Statement to be considered by members as soon as possible after the end of the financial year and also so that an agreed draft can be made available to the external auditors for their review. Following consideration of the draft AGS by external auditors and completion of the audit of the accounts, the final AGS (incorporating any comments by external auditors) will be reported to the September meetings of this Committee, Cabinet and Council. This will allow the Committee to take into account the results of the external audit and the content of the Authority's accounts which will also be on the agenda for the Committee's 11th September 2013 meeting.

2.7 The Internal Audit Annual Report for the year ended 31 March 2012 has to be considered at the same time as this statement. The Annual Report is also included on the agenda for this meeting (Item 6).

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

3.0   The Annual Governance Statement

3.1   The guidance on the process for reviewing the Authority's governance arrangements allowed the 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 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.

4.0   Findings of the Review

4.1   The Annual Governance Statement 2012/13 identified a number of areas of concern. As part of the Annual Governance Statement process for 2012/13, the Panel considered progress against areas of concern that were raised in the 2011/12 review. Due to the continuing significance of some of these areas the Panel has recommended their retention in this year's annual governance statement. As a result of this year's review of the Authority's systems of internal control and governance arrangements, the Panel identified new areas where the Authority must continue to improve controls and performance.

4.2   The Council has not experienced any significant governance failures during the last year. However, the Evaluation Panel have identified the following as major challenges for the Authority going forward, each carrying significant risks for the County Council. The issues that the Panel recommend are included in the AGS are:
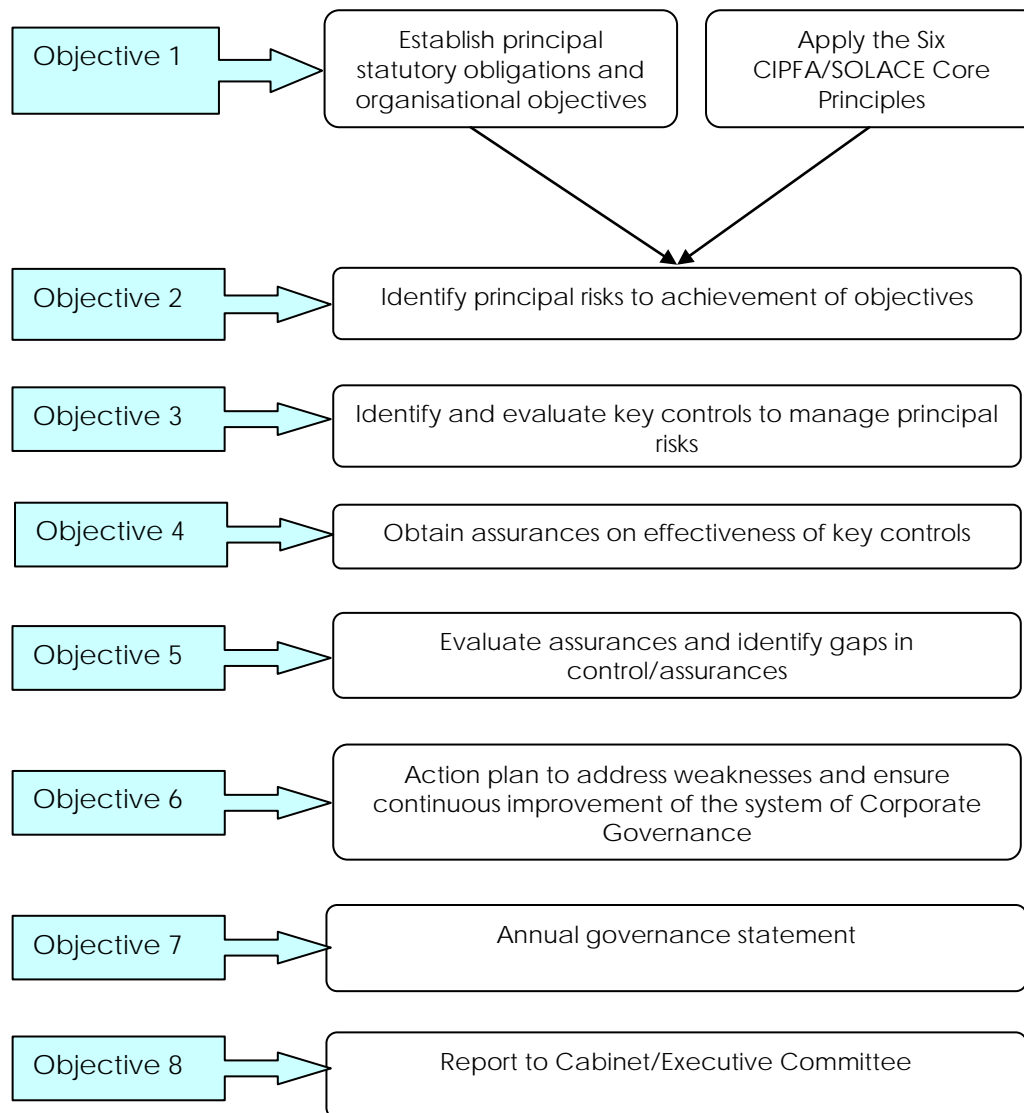
- Responding to the impact of Government policies
- Adult Social Care
- Keeping information safe
- Safeguarding children and vulnerable adults
- Coventry and Warwickshire Local Enterprise Partnership (CWLEP) and City Deal
- Warwickshire Fire and Rescue
- Business Continuity
- Changing relationship with schools
- Governance arrangements

These issues are set out in detail in the attached draft AGS. Although they are major challenges for the Authority the panel do not judge any of them to be significant governance issues.

4.3   The Committee is invited to scrutinise the draft Annual Governance Statement.

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Appendix A: 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

Annual Governance Statement

Year ended 31 March 2013

Warwickshire
County Council

Working for
Warwickshire

Annual Governance Statement 2012/2013

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Annual Governance Statement 2012/2013

1. What are we responsible for?

We are responsible for carrying out our business in line with the law and proper accounting standards, and for using public money economically, efficiently and effectively, and accounting for it properly. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and an efficient and effective service.

To meet our responsibility, we have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, inclusive, open and accountable manner. These arrangements consist of all the systems, processes, culture and values which direct and control the way in which we work and through which we account to, engage with and lead our communities.

We have approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. You can obtain a copy of the Code from our website: http://www.warwickshire.gov.uk/corporategovernance

This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011.

2. The aim of the governance framework

The governance framework is basically the systems and processes, and the culture and values, by which we are controlled and how we account to, engage with and lead the community. The framework allows us to monitor how we are achieving our strategic aims and

Engaging with local people and other stakeholders to ensure robust public accountability

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

Focusing on the purpose of the authority and on outcomes for the community[2] and creating and implementing a vision for the local area

Developing the capacity and capability of members and officers to be effective

Taking informed transparent decisions which are subject to effective scrutiny and managing risk

ambitions, and to consider whether they have helped us deliver appropriate services that demonstrate value for money.

The system of internal control is an important part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failing to achieve our policies, aims and objectives, so it can only offer reasonable assurance and not absolute assurance of effectiveness. The system of internal control is based on continuing processes designed to:

- identify and prioritise the risks that could prevent us from achieving our policies, aims and objectives;
- assess how likely it is that the identified risks will happen, and what will be the result if they did; and
- manage the risks efficiently, effectively and economically.

The framework underpins our Code and set out the commitments we have made about the way that we work. The governance framework has been in place at the Council for the year ended 31 March 2013 and up to the date of approval of the annual report and statement of accounts.

3   The Governance framework

Core Principle 1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

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

Our current Vision, "Working in Partnership to put Customers First, Improve Services and Lead Communities" forms the centrepiece to our Strategic Delivery Framework and provides strategic direction to the Council. We have in place seven ambition areas, each linked to a set of aims which we seek to deliver through the Corporate Business Plan. The Vision is reviewed annually as part of our strategic planning process. http://www.warwickshire.gov.uk/strategicdirection

The Vision is informed by an extensive programme of consultation with the public and is based on the Quality of Life Report which identifies socio-economic drivers for Warwickshire. The report also focuses on both quantitative and qualitative outcome indicators which reflect objective measures such as unemployment and subjective measures such as fear of crime. The report is utilised to support decision making including the corporate business plan. The report has been published on our website: http://www.warwickshire.gov.uk/qualityoflife

The Vision, Aims and Ambitions and Intended Outcomes are communicated to citizens through a range of media including our website and, increasingly, social media: http://www.warwickshire.gov.uk/businessplan

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

We adopted a Corporate Governance Code of Practice in October 2004. This was revised in 2007/08 to reflect new CIPFA/SOLACE guidance. The Code identifies our commitment to corporate governance and supports our Vision and Aims and Ambitions. 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'. The Code can be found on our website: http://www.warwickshire.gov.uk/corporategovernance

Translating the vision into objectives for the authority and its partnerships

The Strategic Delivery Framework "Achieving our Ambitions" pulls together the key elements of a number of different existing corporate plans and documents. Thereby acting as a key reference point in detailing our forward direction, priorities, and enabling us to monitor progress. http://www.warwickshire.gov.uk/strategicdirection

The framework is supported by the following documents:

- o **The Corporate Business Plan** sets out the Council's aims. These are grouped around seven ambition areas which explain what we hope to achieve. http://www.warwickshire.gov.uk/businessplan
- o **Framework for Transformation and Development** sets out the ways in which we will change and develop the way in which we work over the next 3-5 years. The framework brings together the strategy for Organisational Development which promotes, develops and sustains organisational success and a coherent plan which provides a route map to strengthening the organisation through its people and workforce planning.
- o **Medium Term Financial Plan** outlines how we intend to use and raise the resources needed to deliver our services and priorities over the medium term. This includes a detailed three year savings plan. http://www.warwickshire.gov.uk/financeplan
- o **Quality of Life Report** provides information and intelligence about Warwickshire and its people and helps provide the evidence base for the Strategic Delivery Framework, outlining how the quality of life in Warwickshire compares with elsewhere and how it changes over time. http://www.warwickshire.gov.uk/qualityoflife
- o **Corporate Risk Register** sets out the risks that we have to manage to help us achieve our objectives.
- o **Corporate Asset Management Plan** outlines our intentions for each of our non-school buildings and assets which we either occupy or own to ensure the efficient and effective use of all assets over the short, medium and long term.

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

Our approach to performance management is set out in the Performance Management Framework. Organisational health reports which integrate finance, performance and risk are presented to Cabinet on a quarterly basis. The Finance and Performance Working Group scrutinise, monitor and review these reports quarterly. The Working Group engages with Cabinet through the identification of key areas for improvement and by submitting recommendations aimed around improving the Council's service delivery and financial stability. Copies of performance reports are available on our website: http://www.warwickshire.gov.uk/performancereport

Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles

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 in respect of the authority and partnership arrangements

Elected members are collectively responsible for the governance of the Council. Decision making and scrutiny of member decisions has been separated through the executive arrangements introduced by the Local Government Act 2000. Responsibilities for decision-making, the role of individual members, the Council, Cabinet, and committees are defined in the Constitution.

Background work on potential options for the Council's governance arrangements have been carried out in preparation for discussion by the new Council in May 2013. Any changes adopted by the new Council will be reflected in changes to the Constitution.

The roles and responsibilities of the Head of Paid Service, Monitoring Officer and Chief Finance Officer, delegation of statutory powers and executive functions, and Protocols on member / officer relations are defined and documented within our Constitution which can be found on our website: http://www.warwickshire.gov.uk/constitution.

Ensuring effective management of change and transformation

A systematic review of all Council services is currently underway. Our approach was endorsed by Cabinet in November 2011 and the "Transformation through Strategic Commissioning" programme commenced in January 2012. This is being carried out in four tranches over three years.

Overview and Scrutiny Committees are consulted on the scope of each review before they start. There are a number of gateway review points throughout the process:

- o Assessment - Corporate Board consider the initial assessment of the service and agree recommended changes
- o Options Appraisal – Corporate Board agree the future operating model for the service and / or decommission elements of the service
- o Business Case – Corporate Board and then Cabinet or Council consider and agree the full detail of the new model
- o Implement – Strategic Directors and Heads of Service confirm that the change to the new model or decommissioning is complete
- o Review – Corporate Board and Cabinet consider a benefits realisation report.

The Cabinet Portfolio Holder is engaged throughout the process and progress updates on the overall programme and service reviews taking place is reported to all Overview and Scrutiny Board meetings.

Ensuring the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)* and, where they do not, explain why and how they deliver the same impact

Arrangements are in place to ensure that we fully comply with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). They include the following:

- o The Head of Finance is actively involved in the financial implications of all material business decisions, leads on promoting good financial management, is professionally qualified and suitably experienced and leads and directs a finance function fit for purpose.
- o Although he is not a Strategic Director, he is entitled to attend at and offer advice to meetings of the Corporate Board and Cabinet/Corporate Board in relation to any item which he considers raises financial issues.
- o Within the Financial Standing Orders of the Authority he has the responsibility to advise Strategic Directors as necessary on financial arrangements and has access to all documents concerned with finance.

Ensuring the authority's assurance arrangements conform with the governance arrangements of the *CIPFA Statement on the Role of Head of Internal Audit (2010)* and, where they do not, explain why and how they deliver the same impact

The Council has delegated responsibility for maintaining an adequate internal audit function to the Strategic Director for Resources. A programme of risk based audits is carried out by the Risk and Assurance 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 four times a year.

Arrangements are in place to ensure that we fully comply with the governance requirements of the CIPFA Statement on the Role of the Head

of Internal Audit (2010). They include the following:

- o The Head of Internal Audit has regular meetings with the Strategic Director of Resources (Monitoring Officer), Head of Finance (Section 151 Officer) and the Head of Law and Governance.
- o The Head of Internal Audit will not take any part in any audit of risk management or insurance. The outcome of any audits will be reported direct to the Head of Law and Governance.

More information can be found on our website: http://www.warwickshire.gov.uk/audit

Ensuring effective arrangements are in place for the discharge of the monitoring officer function

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

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

The Monitoring Officer exercises responsibility for reviewing and investigating complaints about elected member conduct (which includes co-opted members).

Ensuring effective arrangements are in place for the discharge of the head of paid service function

The Chief Executive is designated as the Head of Paid Service and fulfils the responsibilities of the role. The functions of the Head of Paid Service and group structures that have been put in place are contained within the Constitution which can be found on our website: http://www.warwickshire.gov.uk/constitution

Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*

The Audit and Standards Committee operates to an agreed terms of reference which defines its core functions, roles and responsibilities. The terms of reference is contained within the Constitution which can be found on our website: http://www.warwickshire.gov.uk/constitution

Incorporating good governance arrangements in respect of partnerships and other joint 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 is in place for use when developing partnerships. Within the suite of documents is a tool which enables the assessment of a partnership's contribution to the Council's strategic objectives. 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 any partnership arrangement. The toolkit has been used most recently for developing the Code of Conduct for Partnership Working for the Health and Wellbeing Board.

Core Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

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

Our Corporate Governance Code of Practice is supported by a programme of governance training for officers and a periodic corporate governance audit. The expectations for the behaviour of elected and co-opted members are published in the Member's Code of Conduct contained within the Constitution. This was revised and adopted by full Council in July 2012 to take into account changes arising from the Localism Act 2011. Standards of behaviour for staff are defined in the Officers Code of Conduct contained within the Constitution found on our website: http://www.warwickshire.gov.uk/constitution. Codes of conduct are provided to all staff on joining the Authority and available through the corporate intranet.

Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

We have a good record in preventing and identifying fraud but cannot afford to be complacent. We have an Anti-Fraud and Bribery Policy and Strategy outlining our commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds.

This was reviewed during 2012 to incorporate changes in best practice and legislation, including the Bribery Act 2010. These documents were reviewed and approved by the Audit and Standards Committee and Cabinet in December 2012 and published on our website: http://www.warwickshire.gov.uk/antifraud

We participate in the National fraud Initiative and counter-fraud activities take place throughout the year including articles published on the intranet to raise fraud awareness.

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.

A structured approach to financial and contract management is set out in Financial Standing Orders (FSOs) and Contract Standing Orders (CSOs). These provide guidance on managing our finances, ensuring compliance with legislation and value for money is considered in all purchasing activities. The current set of Contract Standing Orders was agreed by full Council on 21st March 2013 and became effective 1 April 2013. FSOs and CSOs can be found on our website: http://www.warwickshire.gov.uk/constitution. Audits of compliance with CSOs are undertaken periodically. The last audit was completed and reported to the Audit and Standards Committee in February 2012.

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.

Whistleblowing, and receiving and investigating complaints from the public

The Whistleblowing Policy 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 (which is essentially all managers). The Strategic Director (Resources Group) has overall responsibility for the maintenance and operation of this policy. A confidential register of concerns raised and the subsequent outcome of investigations is held by the Resources Group. Details of whistleblowing arrangements have been published on our website: http://www.warwickshire.gov.uk/whistleblowingreporting

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 the Customer Services business unit. Extensive guidance is available to staff through our intranet site, to the public on our website and through written publications: http://www.warwickshire.gov.uk/complaints

Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Reviewing the effectiveness of the decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality

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 Council is reviewing all main policies and procedures through a review of Corporate Frameworks; a timetable has been developed for this task which will be completed during 2013/14.

We have a forward plan which provides information about all of the decisions that the Council has scheduled. Formal agendas, reports and minutes for all committee meetings are published on our website. Where a report is considered in private, the reason for that is set out in the description of the decision: https://democratic.warwickshire.gov.uk/cmis5/

The Overview and Scrutiny Committees acts as a critical friend and holds Cabinet to account for its decisions to ensure that they have been made in the best interests of the community. The terms of reference for all O&S Committees are defined in the Constitution: http://www.warwickshire.gov.uk/scrutiny

The Overview and Scrutiny Board provides strategic direction for overview and scrutiny within the Council and oversees the implementation of the Overview and Scrutiny Strategy 2009 – 2013. The Board manages the overall Overview and Scrutiny Work Programme including the commissioning of scrutiny reviews, the appointment of Task and Finish Groups and scrutinising the functions of the Council relating in particular to the Budget, Medium Term Financial Plan, Corporate Business Plan, planning and performance arrangements and property. The Board liaises with the Overview and Scrutiny Committees over their respective work programmes, to ensure that there is efficient use of the Committees' time, and that the potential for duplication of effort is minimised: http://www.warwickshire.gov.uk/osboard

In compliance with the Freedom of Information Act 2000 procedures for requesting access to information are in place. Our Publication Scheme Guide is also available on our website: http://www.warwickshire.gov.uk/foi

Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. It is essential to our ability to deliver public services and as a custodian of public funds. Our approach to managing risk is explained in the Risk Management Strategy which has been approved by Cabinet and is available on our website: http://www.warwickshire.gov.uk/riskmanagementstrategy

Core Principle 5: Developing the capacity and capability of members and officers to be effective

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 Business Unit. At the beginning of their term of office, each elected member undergoes an induction programme which includes corporate governance training. A member development programme is agreed each year to ensure core development needs of members aligned to their respective roles are met and to take account of new and emerging issues. Democratic Services maintain a database of the training received by and planned for members.

Our approach to workforce planning both at a Corporate and a Business Unit level ensures that we can identify and address the necessary workforce implications of our transformation activity and that we can anticipate and tackle current and future workforce challenges. Business Units develop robust workforce plans and identify learning and development priorities alongside the development of their business plans. This ensures that Warwickshire has a fit for purpose workforce and staff resources are deployed most effectively in the delivery of the aims and ambitions as set out in the Corporate Business Plan. Business unit workforce plans are co-ordinated to ensure consistency, and are consolidated to form the Corporate Workforce Plan.

The Corporate Learning and Organisational Development team offers a range of services to address the learning and development needs of all employees across the organisation, also offering specialist advice and guidance to individuals, teams and Groups. The team works closely with HR Business Partners as part of the Business and Workforce planning process to develop Learning and Development plans that reflect and support current organisational priorities.

The Managing for Warwickshire Framework provides all staff with a guide, which details the knowledge, skills, and qualities we need from our Managers. This ensures that all managers and staff aspiring to be managers in the future are clear what is expected of them. It also clarifies to all staff the knowledge, skills and qualities expected from their manager. As part of this framework, new elements have been introduced to ensure managers are being supported effectively. A self-assessment tool has been developed which all managers across the organisation use when reviewing performance and agreeing development needs as part of their appraisals and 1:1 sessions.

The Chief Executive conducts appraisals of each of the three Strategic Directors and the County Fire Officer and they in turn appraise their respective Heads of Service. The corporate staff appraisal process applies to all staff across the organisation and is used as a tool to identify individual objectives and development needs.

Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

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

The Corporate Marketing and Communications Strategy (approved by Corporate Board during 2012) sets the minimum standard for managing communications with key stakeholders and encourages greater links with the Consultation and Engagement Strategy. The Consultation and Engagement Strategy provides the framework for planning and conducting consultation activities. As part of our approach to consultation the Ask Warwickshire website was launched in January 2013. This enables us to engage with a greater number of citizens on a wide range of consultation topics and to provide results of completed consultation activities: http://askwarks.wordpress.com/

The Petitions Scheme enables citizens to raise and formally present petitions to members and committees. This also provides for debates where petitions have a sufficient number of signatories. Petitions can be submitted by post or online: http://www.warwickshire.gov.uk/petitions

Our Locality Working Strategy outlines the objectives and working arrangements for engaging with the community alongside our partners and improving working with locality groups. This can be found on our website. http://www.warwickshire.gov.uk/localityworkingstrategy

We are responsible for the operation of a network of thirty Community Forums across the county, each of which meets on a minimum of four occasions per year. These are run in partnership with the District/Borough Councils, Warwickshire Police, and Health Service and provide the opportunity for the public to engage with Councillors and public service providers about their concerns and priorities. Governance arrangements will be kept under review. Agendas and minutes of community forum meetings are available on our website: http://www.warwickshire.gov.uk/communityforums

Equality and Diversity is an integral part of consultation. Equality Impact Assessments are used as a tool to identify the potential impact of strategies, policies, services and functions on customers and staff. It is an evidence based assessment tool, to ensure and evidence that services do not unlawfully discriminate. This is supported by equality guidance for public consultation and engagement activity which is available to staff online: http://www.warwickshire.gov.uk/staffequalityanddiversity

One of the biggest changes to the way that we organise and deliver social care services in Warwickshire is increasing the level of involvement of customers both in the commissioning of new services across the county and also reviewing our existing services to ensure they are meeting the needs of all our customers. The Transformation Assembly contributes to this by involving customers and carers in shaping future adult social care services. Highlight reports are produced which report on the contribution made by assembly members to projects and differences made as a result of their input. Information about the Transformation Assembly and highlight reports can be found on our website: http://www.warwickshire.gov.uk/transformationassembly

Enhancing the accountability for service delivery and effectiveness of other public service providers

We are members of a number of sub-regional partnerships and groups. These have member and / or officer representation. Each partnership has its own governance arrangements in place. http://www.warwickshire.gov.uk/partnerships

The Police Reform and Social Responsibility Act 2011 established the arrangements for Police and Crime Commissioners (PCCs) and for Police and Crime Panels. The Police and Crime Panel is a joint committee of the County Council and the five district and borough councils. The Panel's role is to review or scrutinise the decisions and actions of the PCC but in a way that supports the effective exercise of the functions of the PCC. The Panel first sat in December 2012 when the terms of reference were agreed. http://www.warwickshire.gov.uk/policeandcrimepanel

Governance arrangements are in place for scrutinising health services. The Health and Wellbeing Board is an executive function that has statutory responsibility for developing joint health and wellbeing strategies. The Board reports to Cabinet and Council every 6 months and is subject to independent scrutiny by the Adult Social Care & Health Overview & Scrutiny Committee. http://healthwarwickshire.wordpress.com/

4.   Review of effectiveness

We have responsibility for conducting, at least annually, a review of the effectiveness of our 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 external auditors and other review agencies and inspectorates.

The review of effectiveness was co-ordinated by an evaluation panel consisting of representatives from each group, the Head of Internal Audit and chaired by the Head of Law and Governance. In carrying out their review, the evaluation panel:

- 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; and
- evaluated the assurances provided and identified gaps

The evaluation panel 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 external audit of the accounts. The work of the evaluation panel was scrutinised by the Monitoring Officer and the Section 151 Officer before being submitted to the Audit and Standards Committee for further scrutiny and reported to Cabinet and Council.

The Authority's governance arrangements have also been reviewed throughout 2012/13 in a number of ways including:

- a review of democratic and corporate decision making undertaken by the Centre for Public Scrutiny and reported to full Council and the Overview and Scrutiny Board in May 2012;
- a review of key corporate policies and strategies contained within the Corporate Framework commenced in 2012 and is ongoing;
- a fundamental review of Contract Standing Orders;
- scrutiny reviews; and
- risk based reviews by internal audit.

The results of the Internal Audit work were reported to the Audit and Standards Committee throughout the year and the individual reviews feed into the overall Internal Audit Annual Report. This report concludes that the Authority's control environment provides moderate 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.

5.   Governance issues

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. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We have not experienced any significant governance failures during the last year. However the following have been identified as major challenges for the Authority going forward, each carrying significant risks for the County Council. Successes have been achieved/progress made in a number of key areas, for example, Public Health is no longer included in 2012/13 Governance issues following the successful completion of a complex transfer of the Public Health Service to the Council. The governance challenges recorded in this statement that have been carried over from 2011/12 reflect the fact that the organisation has now moved on and is recognising new and emerging challenges in the service areas concerned. Some of these challenges are already reflected in the organisation's Strategic Risk Register and accompanying actions, and as we move forward, all our governance challenges and our strategic risk register will become completely aligned. The Risk Register already highlights the significant actions taken and successes achieved in addressing the challenges of the past 12 months. A prime purpose of the governance framework is to minimise the occurrence of strategic risks and to ensure that any such risks arising are highlighted so that appropriate mitigating action can be taken. We are satisfied that the challenges

identified, some of which are carried over from 2011/2012, are prioritised in service business plans across the Council and that the actions identified in those plans will address the issues highlighted in our review of effectiveness.

Governance Challenge for 2013/14 and beyond

Responding to the impact of Government policies

The outlook for Local Government is a very demanding one with a number of central government policies combined with the national economic situation presenting significant challenges to us. The main challenges will be around the announcement of the next spending round in June (which will tell us the 2015-16 public sector funding settlement) and in the next spending review (which will indicate the medium term financial settlement for local government after the national elections in 2015).

The Chancellor's recent Statement reiterated that the period of austerity for public services will continue for some years. In this continuing climate for public finances we are looking at further significant savings in order to balance the budget over the medium term and to secure growth. These financial pressures mean that the organisation faces a significant challenge to meet its aims and objectives. 2013/14 is the final year of the existing Medium Term Financial Plan and Corporate Business Plan and Corporate Board are currently considering approaches to develop a new organisational plan covering the period to 2018.

On 21st November 2012, Corporate Board considered and agreed an approach and the timescales for developing Warwickshire County Council's Organisational Plan to cover the period 2014-2018. The aim is to have a comprehensive set of proposals and options for the new administration to consider over summer 2013 which will result in a policy led single plan for the Council.

In addition the Transformation through Strategic Commissioning programme continues. These reviews will consider options to meet the future financial challenges and priorities of the organisation. The outcome of this work is that we will be a leaner, more streamlined organisation focussing on commissioning rather than providing services.

The major focus for us in the coming year is to continue to:

- address the challenges we face in moving to a commissioning role;
- ensure that we are clear about what our priorities are, what needs we are trying to meet and that managers have the necessary skills to meet those needs;
- ensure we have clear and accurate data to support workforce planning and performance management;

Governance Challenge for 2013/14 and beyond

- face the challenge of matching rising customer expectations with reduced resources;
- ensure that there is effective communication of change to all stakeholders and staff; and
- manage our budgets in a clear and prudent manner.

Good governance, sound project management and standards of control need to be appropriate for the future shape and development of the organisation and strictly upheld during the transformation process to ensure that risks are managed and we achieve the right outcomes. It is critical to manage the pace of change and understand the impact of that change.

Adult Social Care

Adult social care continues to represent the most significant change agenda faced by the Council with a backdrop nationally about its future funding. The service faces significant cost, quality, and demographic pressures whilst at the same time moving from being a provider to a commissioner of services. A high proportion of Adult Services are already commissioned or are in the process of commissioning. Changes to the service require different skills and experience in market and contract management alongside management of the budget impact. In particular the move to a commissioning model across many adult services will require constant monitoring and market development to ensure that the appropriate services are available and that they support all our customers in Warwickshire. The Authority will continue to monitor progress through regular reporting to Cabinet and the Adult Social Care and Health Overview & Scrutiny Committee.

Keeping information safe

Information security is a key issue for all public sector organisations in the light of well publicised data losses affecting many public bodies. A robust process for investigating data losses is in place and the Authority continues to ensure that the data of its staff, customers and business activities is stored securely, legally and in accordance with Council policy. The Authority places emphasis on the need to focus on improving awareness and practices in relation to information security.

Safeguarding children and vulnerable adults

In light of high profile safeguarding cases at a national level, we cannot be complacent about protecting children and vulnerable adults from harm and providing appropriate services for children in need. The most recent Ofsted Inspection of Safeguarding and Looked After

Governance Challenge for 2013/14 and beyond

Children was completed in November 2011. The Inspectors made a finding of "good" in relation to safeguarding and looked after children and a finding of "good" in relation to our capacity for improvement. However, responding to ever increasing levels of referrals against the backdrop of financial austerity will require careful judgements to be made both in terms of managing our exposure to risk and the associated increase in costs. An internal audit of safeguarding was completed during 2012 and an action plan has been agreed to specifically ensure that training for all relevant staff within Adult Social Care & Support is robust. Implementation of the agreed action plan will be carefully monitored.

Coventry and Warwickshire Local Enterprise Partnership (CWLEP) and City Deal

CWLEP is a partnership and strategic body that plays a central role in determining local economic priorities and undertaking activities to drive economic growth and the creation of local jobs. The purpose of the partnership is to create a successful, thriving economy within Coventry and Warwickshire. The Government are supporting LEPs by increasingly providing funding and decision making to LEPs allowing them to decide and prioritise decision making to deliver their economic strategies. This includes the Regional Growth Fund, Growing Places Fund, City Deal and local major transport schemes.

Over the next year CWLEP is undertaking a number of major pieces of work in which we will have a stake. These include:

- establishing a Local Transport Board (LTB) that will identify and agree local major transport schemes;
- developing a detailed business plan submission for City Deal;
- developing a Growth Plan for Coventry & Warwickshire, and
- strategically aligning funding streams for the Regional Growth Fund, Growing Places Fund and LEP Core Funding to establish a 'single growth' fund.

We are working with our partners to:

- develop an assurance framework for the LTB and embed governance arrangements for the board;
- contribute to developing the prioritised list of transport schemes for 2015-2019;
- help put together a combined Coventry and Warwickshire business plan submission for City Deal;
- develop a Growth Plan for Coventry & Warwickshire;
- review governance arrangements to enable most effective access to, and utilisation of, the Single Local Growth Fund; and
- identify further opportunities to bid for funding to help deliver the key objectives and economic strategies of the partnership.

Governance Challenge for 2013/14 and beyond

Significant efforts will be invested by the Council over the next year alongside our partners to take this work forward. However we recognise that there are a number of partnership risks which need to be managed. Close attention will be paid to ensure that our financial and strategic interests and obligations are protected, any potential conflicts of interest are addressed, governance arrangements are fair and robust, and decisions made by CWLEP reflect the best interests of Warwickshire residents and businesses.

Warwickshire Fire and Rescue

Although criminal proceedings relating to the Atherstone on Stour fire in 2007 are now complete there still remain some issues to address.

We also face the difficult task of managing the continuing provision of fire and rescue services, whilst delivering a challenging modernisation plan within significant financial constraints. Following the announcement in November 2012 of the retirement of Warwickshire's Chief Fire Officer an interim Chief Fire Officer has been recruited with the specific remit to explore other possible collaboration arrangements with neighbouring brigades. There remain clear advantages to be gained by Warwickshire from collaborative working in areas such as joint fire control in order to achieve increasing levels of resilience and efficiency in a challenging public sector environment.

Business Continuity

WCC has a statutory duty under the Civil Contingencies Act 2004 to have business continuity plans which ensure that critical services can continue in the event of an emergency or disruption and to fully recover all services as soon as possible. With the exception of some topical issues, e.g. swine flu and industrial action, the business continuity framework and corporate business continuity plan has not been fundamentally reviewed. An action plan has been agreed by Corporate Board to ensure that we have robust business continuity arrangements in place by the end of 2013/14.

The Council's Changing Relationship with Schools

The Government's change agenda for schools has brought about a significantly different education landscape in Warwickshire, with 34 schools now having left the Authority's control having been granted academy status. The local authority is continuing to review its changing relationship with schools and to reinforce its continuing responsibilities for school improvement, its priority being to continue to promote the welfare of all children in education in Warwickshire and to work in partnership with all schools, regardless of status, in order to ensure high levels of academic achievement.

Governance Challenge for 2013/14 and beyond

The shift towards academy schools is now being overtaken by a preference, particularly by primary schools, to explore the possibilities offered by sharing resources as the result of clustering and federating arrangements. This development highlights the need for the Council's services to schools to respond positively to this new and emerging market, and a comprehensive review of the viability of those services is being undertaken. The increasing autonomy of schools and changes to the Ofsted Inspection framework, alongside a reduction in the capacity of the Learning and Improvement team, will continue to present challenges for the local authority over the coming year. Robust management controls are required to manage the risks associated with these various significant developments in the education agenda and the authority's role as champion of the child. The local authority will therefore be investing time and resources in the building of proactive and close working relationships with all schools and school governing bodies across the county.

Governance arrangements

Following a change in political control following the elections in May 2013 the Council will need to agree revised governance arrangements and consequential changes to the Constitution which will ensure clear transparent and robust decision making.

6.   Certification

We propose over the coming year to take steps to address each of the above matters to further enhance our governance arrangements. We are satisfied that the issues we have identified are prioritised in service business plans across the Council, that the actions identified will address the need for improvements that were highlighted in our review of effectiveness and that we will monitor their implementation and operation as part of our next annual review.

Signed: …………………………………………………   ………………………………………………

Jim Graham   **Cllr Izzi Seccombe**
Chief Executive   **Leader**

Date: …………………………………………… ....