

## Warwickshire County Council - Annual Governance Statement 2010-2011

### Scope of responsibility

Warwickshire County Council (the 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, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has 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*. A copy of the code is on our website at <http://www.warwickshire.gov.uk/Web/corporate/pages.nsf/Links/E630DF14F85E1D12802574F1003A81E5>. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011.

### The purpose of the governance framework

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable assurance and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the Council's policies aims, and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2011 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 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.

- **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 that 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.

The Overview and Scrutiny Board commissions a rolling programme of scrutiny reviews which is refreshed every 2 months to ensure the programme can take account of new and emerging issues. These reviews are carried out by small task and finish groups. Each review has performance improvement at its heart and is supported by a dedicated scrutiny team. In addition each Overview and Scrutiny Committee maintains a rolling programme of work. The Overview and Scrutiny Board reviewed and refreshed the five year strategy for overview and scrutiny in July 2009.

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 & 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 of staff**

The Authority's Corporate Governance Code of Practice is supported by a programme of governance training for officers and a periodic Corporate Governance Audit. This audit is currently being undertaken and the results of this audit and an action plan will be reported early in the 2011/12 financial year. The last governance audit took place in 2009/10. 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 the 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 reviewed content of contract standing orders for directorates was agreed by full council on 30<sup>th</sup> March 2010 and became applicable from 1 April 2010. 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. All directorates have risk registers. The Council's insurances are reviewed annually.

- **Ensuring the authority's financial management arrangements conform with governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)***

For the 2010/11 year, the Strategic Director of Resources, was the nominated Section 151 Officer, with the delegated responsibility for ensuring there are arrangements in place for proper administration of financial affairs. The authority met the five principles laid out in the CIPFA statement - the Strategic Director, who is suitable qualified and experienced, was responsible for financial strategy and a permanent member of the authority's Strategic Directors Leadership team.

In the coming year, the Council will continue to monitor its compliance with the role of the Section 151 Officer according to the CIPFA guidance in view of the restructure taking place from April 1 2011.

There is a clear Scheme of Delegation for Finance staff in place with appropriately qualified staff in both central teams as well as devolved finance teams

- **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 decision making member bodies are supported by a legal advisor who attends the meetings. 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 regular Corporate Governance and Contract Standing Orders compliance audits. The Council has delegated responsibility for maintaining an adequate internal audit function to the Strategic Director for Customers, Workforce and Governance. 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 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 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 Customers, Workforce and Governance.

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 through 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 Customers, Workforce and Governance. 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. A mandatory member development programme is agreed each year to ensure core development needs of members aligned to their respective roles are met and take account of new and emerging issues. The Democratic Services Section of the Law & Governance Division also maintains an electronic database of the training received by and planned for members. The Chief Executive meets all Strategic Directors monthly. They have an annual appraisal with a 6 monthly review 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 Customers, Workforce and Governance 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**

The Council has a 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 external auditors and other review agencies and inspectorates.

The review of effectiveness was co-ordinated by an evaluation team consisting of representatives from across the Council and chaired by the Head of Law and Governance. In carrying out their review, the evaluation team which included representatives of the Section 151 Officer and Monitoring Officer:

- 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 external audit of the accounts.

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 2010/2011 in a number of ways including:

- Scrutiny 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**

- **Warwickshire Fire & Rescue Service**

Following Police and HSE investigations, the County Council and 3 staff members have been charged by the CPS in relation to the death of four fire fighters on 2<sup>nd</sup> November 2007 in Atherstone-on-Stour. The consequences of this ongoing legal case will continue to have a significant impact on the Fire and Rescue service which will need continuous and careful management.

At the same time, the Council faces the difficult task of managing the continuing provision of fire and rescue services, alongside the delivery of a challenging modernisation plan. Monitoring of the implementation of the improvement plan is ongoing.

- **Academies programme and the Council's changing relationship with schools**

The Government's Academies programme is transforming the way the County Council works with and provides services to schools.

With 18 secondary schools having already applied for academy status a further 3 in the process of consulting and the prospect of others doing so within the next twelve months, the Council's cross-directorate Academies Group is managing the coordination of its response to the evolving issues and the impact of this development on the Local Authority's services. There is currently a lack of clarity as to exactly what the Council's future role will be, whether current services will still be required and how standards will be maintained in the new system. A major project has been initiated to examine the future relationship of the Local Authority with Warwickshire Schools.

There needs 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. The approach of the Local Authority will be to continue to promote the welfare of children in education in Warwickshire and to work in partnership with schools, regardless of status to ensure high levels of academic attainment.

- **Economic Conditions**

The current economic climate continues to put pressure on Warwickshire County Council to deliver quality services with limited resources. Strong financial leadership is required to ensure that resources continue to provide value for money for the residents of Warwickshire, whilst still providing the standard of service that residents expect.

The implementation of new financial systems to meet the Authority's need for improved financial information and streamlined business processes started during 2010/11. The implementation of the bank reconciliation and income modules presented a number of challenges. The implementation of modules will continue during 2011/12. The creditor payments module in particular will involve major procedural changes and will therefore require robust management to ensure high standards of control are maintained.

The financial statements for 2010/11 will be prepared under International Financial Reporting Standards for the first time. This is another major change which will need to be carefully managed.

- **Transforming the organisation**

In response to the challenges posed by the current economic climate, the Authority is transforming itself into a leaner, more streamlined organisation. Significant changes will need to be made with regards to accountability arrangements, skills, procedures, culture and workforce planning to ensure that this transition is smooth and effective. Member engagement and leadership is key to the successful implementation of this change.

The major focus for the Authority in the coming year is to address the challenges it faces in moving towards the large scale commissioning of services. The move to a commissioning role involves a different approach to the delivery of services which must be reflected in the specification and tendering of services and the maintaining of propriety in relationships with all contractors. The commissioning role will underpin future service delivery across the Authority and therefore the controls supporting it need to be robust, continuously monitored and consistently applied. Delivery of commissioning programmes involves complex legal, financial, commercial, property, IT and contractual issues, and these remain significant challenges for the Authority. Staff and Members must be equipped with the skills to manage the different risks involved. Good governance and standards of control need to be maintained during the change process.

While Phase 2 of the Pay and Conditions Review is now largely complete and is contributing to the transformation of the organisational structure HR will need to monitor the continuing impact on the workforce as its outcomes are embedded over the next three years.

The Authority has recently reviewed its Project Management framework to clarify roles and responsibilities in this area. Considerable attention has also been focused on improving compliance with Contract Standing Orders (CSOs) through training and the implementation of the Contract Challenge Board to minimise the scope for future shortcomings in major projects.



The Council is committed to working with partners, including sub-regionally with Coventry City Council and Solihull Metropolitan Borough Council, to try and maximise value and economies of scale, which will require equal commitment by all parties.

Work is continuing on the possible transfer of some services to the private or voluntary sectors. The Council has approved an overall framework and policy in relation to Social Enterprises and Staff Mutuels. The Localism Bill and its effects will be monitored. Locality Working remains a key priority for the Authority.

The Authority is committed to a paperlite office culture and more flexible working, but to achieve this it will require the highest level of ICT support and cohesion, together with a robust, reliable ICT infrastructure. The role of ICT in the rationalisation of office accommodation is integral to the future functioning of the Council. Robust governance arrangements for the ICT development plan will be reviewed for the new structure and will be formally presented as part of the ICT structure in 2011/12.

- **Adult Social Care**

Like other local authorities, Warwickshire is facing increases in demand for adult social care while experiencing significant financial pressures. Responding to these issues and meeting the needs of older people is a major challenge.

Adult Social Care is undertaking a number of major projects, including Care and Choice, Personalisation and the expansion of Direct Payments, to reshape and modernise its services. Delivery of these programmes also faces the challenges posed by complex legal, financial, commercial, property and IT issues. Constant monitoring within agreed project management arrangements is required to drive delivery of services 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. The Authority will continue to improve standards of case recording.

The Adult Social Care Transformation Board monitors the achievement of milestones within the Programme and there is regular reporting to Cabinet and the Adult Social Care and Health O&S Committee. The Authority will continue to closely monitor the delivery of the transformation agenda.

- **Regulatory Compliance**

During the production of this year's Annual Governance Statement, it has become apparent that more effective communication and higher levels of monitoring and enforcement are required to achieve greater conformity with regulatory requirements by members and officers across all Directorates.



Continuing emphasis will be placed on the robust implementation of health and safety procedures, which is of paramount importance to the Council in ensuring that all staff and service users are safe in the workplace. Health and safety breaches continue to remain low, however, the Authority will need to maintain vigilance and ensure effective monitoring procedures are in place in order to comply with legislation.

Information management is a key issue for all public organisations in the light of data losses by Central Government departments. In addition the Authority has also been subject to some data

management issues which have been formally dealt with by the Information Commissioner's Office. A robust process for investigating data losses has been implemented 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.

We view each of the above priorities as major challenges for the Authority as opposed to significant governance issues.

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.

<b>Signed:</b>	 .....	 .....
	<b>Jim Graham</b> <b>Chief Executive</b>	<b>Cllr Alan Farnell</b> <b>Leader</b>
<b>Date:</b>	..... 30/6/11 .....	..... 30/06/11 .....