

NOTTINGHAMSHIRE COUNTY COUNCIL
ANNUAL GOVERNANCE STATEMENT 2010/11

DRAFT

1. SCOPE OF RESPONSIBILITY

Nottinghamshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. Public money must be safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority 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 County Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including the arrangements for the management of risk.

The County Council has approved and adopted a local code on corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations (England) 2011 in relation to the publication of an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework is made up from the systems, processes, culture and values put in place by the Authority. The Authority uses this framework to direct and control its work and ensure that it accounts to, engages with and leads the community. The framework enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority'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 County Council for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

The Authority's governance framework comprises many systems and processes including the arrangements for:-

a) Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and services users.

A new Strategic Plan 2010/14 has been agreed which:-

- Provides a clear statement of the Authority's priorities, promises and values.
- Enables agreed political objectives and statutory requirements to drive the Authority's activities.
- Enables the communication of the Authority's priorities to staff, partner organisations and the community of Nottinghamshire.
- Provides a broad framework of objectives and performance indicators, to ensure effective performance management.
- Meets the expectation of key external assessment agencies.

A Sustainable Community Strategy for 2010 to 2020 has also been agreed. The Strategy provides the overall guiding framework for organisations working for the benefit of Nottinghamshire.

Each year the Authority approves the annual budget and capital programme which includes an update of the Medium Term Financial Strategy. The Medium Term Financial Strategy is the financial plan which underpins the Strategic Plan.

b) Reviewing the Authority's vision and its implications for the Authority's governance arrangements

The Strategic Plan provides the basis for future corporate and service planning over the period 2010 to 2014. Progress on the Authority's achievements is assessed by the monitoring of agreed key actions and meeting performance indicator targets. Two reports are submitted to Cabinet each year setting out the progress made. The Authority has a performance management framework which sets out in detail the individual factors that are required to manage performance and how they work together in the Authority. This framework is currently being reviewed to reflect the changing political and economic climate in which the Authority now operates.

c) Measuring the quality of services for users, ensuring that they are delivered in accordance with the Authority's objectives and ensuring that they represent the best use of resources.

The Authority carries out annual budget consultations and has in place a robust complaints procedure. A Citizens Panel, 'Nottinghamshire Listens', made up of 8,000 people is in place and has been used to engage with citizens throughout the County. Progress towards delivering the Strategic Plan's priorities and objectives is monitored quarterly and reported to full Council every 6 months through the lead member for performance.

d) 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 Constitution sets out how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Responsibility for decision making, the role of full Council, the Cabinet, Committees and the process for determining 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. Appropriate protocols are in place. The Annual Overview and Scrutiny Report provides a summary of the scrutiny work carried out during the year and highlights the recommendations made by Members to improve the delivery of public services to the communities of Nottinghamshire.

e) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff.

Codes of Conduct, for both Members and staff, are contained within the Constitution together with the Code on Member and Officer Relationships. The Constitution is posted on the Council's website. The Authority's Standards Committee is responsible for promoting and maintaining high standards of conduct by the County's Members and officers. As part of its annual work programme during 2010/11, the Standards Committee reviewed comments, compliments and complaints on the Authority's services and updates on a range of issues including Freedom of Information, Whistleblowing and the Regulation of Investigatory Powers Act.

f) 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 Monitoring Officer is responsible for keeping the Constitution under review and reporting any proposed amendments to Council. The most recent review was in March 2011. The Authority's Risk Register is reviewed on a regular basis to determine whether additional steps are required to mitigate key risks.

g) Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.

In its Review of Internal Audit, completed in early 2008, the External Auditor commented that the Audit Committee was carrying out the functions expected of it and that its role was in line with the expectations of the CIPFA Code. The core functions relate to the review of Internal and External Audit work, the effectiveness of the Authority's control environment, the review of the annual assurance statement, scrutiny of Treasury Management and the review of the financial statements. These functions are covered by the Audit Committee.

h) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Monitoring Officer is responsible, after consultation, for reporting to full Council or Cabinet if it is considered that any proposal, decision or omission would give rise to unlawfulness. In addition, Legal Comments are contained in reports to Council, the Executive and Committees to advise on compliance with the policy framework and the Constitution. The Service Director (Finance) also has a responsibility to highlight any proposal, decision or course of action which will involve any unlawful expenditure. The External Auditors also carry out an external audit of the Council's accounts.

i) Whistle-blowing and receiving and investigating complaints from the public.

The Authority's Whistleblowing Policy was reviewed by the Standards Committee during 2007/8 and a number of changes made. These were approved by the County Council and the new Policy was implemented from 1 February 2008. The Authority's complaints procedure is well established and is monitored by the Standards Committee. In January 2011 the Standards Committee received a report on the discharge of the Authority's duties under the Whistleblowing Policy.

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

Members elected at by-elections have received training which has included ethics. All officers are subject to annual Performance and Development Reviews. These reviews identify and monitor training needs in relation to the employee's role. The year has seen significant changes in officer structures and roles and a focus on cutting back on all but essential expenditure. Development needs will need to be addressed within this environment.

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

Communication channels include the County News civic newspaper delivered to every household in the County, the County website and targeted audiences e.g. service user and carer groups. The setting of the 2011/12 budget has been subject to extensive and robust consultation, reflecting the scale of decisions the Council has needed to make. The Big Budget Conversation was launched on 1st September 2010 and was designed to gauge the public's view on their broad priorities for the County Council's expenditure. Methods for consulting have included, amongst other things, an on-line questionnaire, inviting comments in County News, making information and questionnaires available at libraries and information points, providing a freepost address for residents to send in their letters, numerous press articles, radio and television interviews by Members and Officers and direct correspondence with stakeholders.

l) 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.

The Constitution sets out policy guidance for County Council involvement in partnerships and guidance on entering into partnerships has also been produced. A review of Partnership working has been completed by a sub-committee of the Overview Committee. The findings and recommendations of the review have been passed through to the relevant decision makers for consideration.

4. REVIEW OF EFFECTIVENESS

The Authority 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.

Throughout 2010/11, the Authority has maintained and reviewed the effectiveness of the governance framework. In particular:-

- a) The County Council has received and considered a number of reports, including:-
 - Annual Performance Report 2010/11 and Performance Management Framework

- A Progress Report and recommendations for action on the Improvement Programme
 - Some changes to the Constitution
 - A report from the Chair of the Overview Committee
 - Statement of Accounts 2009/10
 - Lending Policy
 - Budget Report 2011/12 and Medium Term Financial Strategy 2011/12 to 2014/15.
- b) Cabinet has considered and approved a number of reports in its role as the Executive including:-
- Review of Decision Making
 - Budget Proposals
 - Revenue Budget Monitoring
 - Addressing in-year grant reductions and projected overspending
 - Capital Programme Monitoring
 - Annual Performance Assessment of Adult Social Care
 - The Annual Audit Letter 2010
- c) The Audit Committee and Overview Committee have considered a wide variety of issues including:-
- Internal Audit Annual Plan 2010/11
 - Counter Fraud Measures
 - Annual Governance Statement
 - Audit Commission Audit and Inspection Plan
 - External Audit Governance Report
 - Treasury Management Policy for 2011/12
 - Partnerships review
 - Improvement Programme
 - Review of Domestic Violence
 - Budget Consultation process
- d) The Standards Committee, in its role as promoting and maintaining high standards of conduct by the County Council has received reports on:-
- Freedom of Information policy
 - Corporate complaints procedure – a summary of complaints
 - Monitoring of Members Attendance at committees
 - Regulation of Investigatory powers inspection
 - Annual Work Programme and timetable
- e) Internal Audit has undertaken planned reviews of internal control procedures across all departments and across a range of functions in the Authority. Each review contains an opinion on the internal controls in place and Internal Audit's overall opinion of the Authority's system of internal control, based on the audits completed in 2010/11, is that it is adequate.

- f) External Audit's Annual Audit Letter 2010, stated that the Auditor issued an unqualified opinion on the County Council's 2009/10 accounts. The closedown arrangements for producing the financial statements were assessed as continuing to work well, with the accounts being presented for audit before the required statutory date and being free from material error. The Council was assessed as being on track to produce IFRS-compliant accounts for 2010/11 by 30th June 2011. The Auditor also concluded that the Council had put in place adequate arrangements for securing economy, efficiency and effectiveness in its use of resources.

5. SIGNIFICANT GOVERNANCE ISSUES

The Authority faces an extremely challenging year in 2011/12 as it seeks to manage significant budget reductions, increasing demand for some key services and new ways of working, simultaneously. The following represent the key issues to be addressed in relation to significant governance issues:-

- a) There has been a significant reduction of Government Grant funding for 2011/12. The Government Formula Grant reduced from £227.587 million in 2010/11 to £198.777 million in 2011/12, a loss of £28.810 million (-12.66%). The Council has plans in place to respond to this challenge.
- b) In May 2010 a report from Ofsted and the Care Quality Commission identified that the County Council's safeguarding of children was inadequate. The County Council has responded with a Safeguarding Improvement Programme and significant extra resources have been provided to address the issues raised. It is anticipated that the Improvement Notice may be removed later this year due to the speed of response and performance improvements.
- c) The County Council has implemented a new structure and reduced its management by 25% to help maintain front line services. The County needs to ensure that key controls and governance arrangements continue to work effectively as new structures settle in.
- d) The Strategic Plan has undergone a refreshment process to ensure it remains appropriate, deliverable and manageable in the changing political and economic conditions that the council now has to operate in since it was first approved in 2010. Revised performance management arrangements will be implemented to ensure the Authority focuses its efforts on the key priorities of the plan.
- e) A new integrated Business Management System will be implemented in October 2011. The timetable for implementation is challenging and the scope of the system is broad and ambitious. A full assessment is being undertaken to minimise risk.
- f) The new Ways of Working project will reduce the number of offices down from 23 to 5. The majority of the funding for the project is anticipated to be from capital receipts from the disposal of surplus

property (approximately £8.5 million). This may be difficult to realise in the current market conditions.

- g) The challenging budget reductions in 2011/12 will require careful monitoring and immediate action if they fall behind during implementation.

The Audit Committee reviewed the governance framework detailed in this statement at their meeting on 17 May 2011. We are aware of the steps that are being and will be taken to address the above significant governance issues and are satisfied that these are appropriate. We will monitor their implementation during the course of 2011/12.

Signed:.....

LEADER

Signed:.....

CHIEF EXECUTIVE

Revised 27th April 2011