

11 September 2019

Agenda Item: 8

**REPORT OF SERVICE DIRECTOR FINANCE, INFRASTRUCTURE &  
IMPROVEMENT**

**QUARTERLY GOVERNANCE UPDATE**

**Purpose of the Report**

1. To inform Committee of the progress being made with the Governance Action Plan for 2019/20, and to request Members' feedback regarding the most significant governance issues currently facing the Council and whether revised actions are needed to address emerging risks.

**Information**

2. The Accounts and Audit (England) Regulations 2011 require the Authority to publish an Annual Governance Statement (AGS) along with its Statement of Accounts. The focus of the AGS is to assess the extent to which the Council's Local Code of Corporate Governance has been complied with over the course of a financial year, along with an assessment of the most significant governance issues the Council is dealing with. This gives rise to an annual Governance Action Plan.
3. For the past couple of years, a quarterly review process has been in place to ensure the AGS is used as a live document throughout the year, contributing towards maintaining an appropriate, strategic focus on the Council's ongoing governance arrangements. The quarterly review is also an opportunity to review the progress being made with the agreed actions.
4. The AGS for 2018/19 identified the following as the most significant governance issues for the Council.







Issue	Comment
<b>Transformation agenda</b>	The Council Plan and departmental strategies are driving the Council's response to the challenging financial and policy environment. The Planning & Performance Management Framework was refreshed during 2018/19, and a revised model for transformation is being devised for implementation in 2019/20. The Council will also consider CIPFA's Financial Management Code and assess the Council's processes and governance arrangements against it ( <b>see Action Plan 4</b> ).








<b>Budget forecasting</b>	Effective management of the most volatile elements of the annual budget remains a key area of focus. Concern lies around processes for budget setting, forecasting and the effective use of data.
<b>Retention of local business rates</b>	Preparatory work for this change in the local taxation framework continues to progress.
<b>Pressure on core systems of internal control</b>	The findings of Internal Audit continue to identify some areas in which only limited assurance can be provided over the effectiveness of internal controls. Areas of concern during 2018/19 were reported through to the Governance & Ethics Committee as part of the Group Manager – Assurance’s progress updates. However, the follow-up procedure for Internal Audit recommendations is providing strong evidence that agreed actions are being taken across the Council. The Governance & Ethics Committee plays an active role where progress with implementation slips against target timescales.
<b>Vulnerability to fraud</b>	The Annual Fraud Report 2018/19 was presented to the Governance and Ethics Committee in June 2019. The incidence of internal attacks are low, but the Council remains vulnerable to attacks from external sources. Focused efforts in high risk areas of service continue, especially in relation to social care provision. The Governance & Ethics Committee is actively monitoring the Council’s response to these risks ( <i>see Action Plan 11</i> ).
<b>Risk of exposure to serious and organised crime</b>	National evidence identifies local government as a prime target for fraudulent activity to fund serious and organised crime. Internal Audit completed a detailed review against the DCLG/Home Office recommended audit programme and the agreed actions to address areas of vulnerability are being followed through under the auspices of the Governance & Ethics Committee. Regular liaison arrangements with Nottinghamshire Police have continued. Data-sharing opportunities are progressing but need to be prioritised to bring outcomes to fruition ( <i>see Action Plan 14</i> ).
<b>Independent Inquiry into Child Sexual Abuse</b>	The strong governance framework put in place by the Council ensured the Inquiry was effectively supported in carrying out its work. The Inquiry conducted its hearings in relation to Nottinghamshire councils in October 2018, and a first report was released in July 2019 ( <i>see Action Plan 15</i> ).
<b>Controversial/sensitive decisions</b>	The risk of challenge and demonstrations at Council meetings, at which potentially controversial and sensitive decisions are to be taken, is recognised and remains under active management.
<b>General Data Protection Regulations</b>	The Information Governance Improvement Programme continues to help the Council manage the significant reputational and financial risks of breaches in data protection. The Programme is a two-phase approach, focusing on: compliance with the new data protection law; and a Council-wide approach to document management. Close monitoring of progress against the improvement plan is continuing to mitigate these risks.
<b>Move to the Cloud</b>	The County Council currently stores its software and data within the ICT Data Centre on the County Hall campus. Work is underway to provide these services using a 'cloud' based online approach, as part of the plans to use the latest technology to provide more cost effective ICT Services. The Council has been working with Microsoft to review the existing ICT estate to identify which services can be moved, and this requires very careful








	preparation. From April 2018, a team from Microsoft has been on site working with the ICT Cloud Programme.
<b>Brexit implications for the Council</b>	The Council has identified this as a potential matter of significance and has carried out an assessment of the organisation's exposure to the potential areas of risk. The Council is co-ordinating its preparations through a network of local authority Lead Brexit Officers and the Nottinghamshire Local Resilience Forum.
<b>Local Government Association Peer Challenge</b>	The Council requested a peer challenge and this was carried out in June 2019. The scope of the review was based around the LGA's standard offer, to embrace: setting priorities; leadership of place; organisational leadership and governance; financial planning and viability; and capacity to deliver. It will be a priority for the Council in the coming year to formulate an action plan to ensure opportunities for improvement identified by the Peer Challenge are implemented promptly ( <b>see Action Plan 16</b> ).







5. The thoughts and insight of Extended Corporate Leadership Team colleagues are sought on a quarterly basis to assess whether the above list continues to represent the most significant governance issues on which the Council needs to focus. To assist with this, Extended CLT colleagues are asked to consider the following:
- Colleagues' awareness of significant governance issues being dealt with by senior managers in their departments – to identify whether some issues should be added to, or removed from, the list. Alternatively, colleagues may be aware of a more specific or emerging development within one of the areas listed, which should require a refocus of the Council's response.
  - Reference to the Council's Local Code of Corporate Governance, as an aid to considering whether colleagues are aware of any emerging issues within the areas the Code covers.
6. An important part of the AGS is its Action Plan, and this should also be refreshed following each quarterly update. The Action Plan for 2019/20 is set out below, along with an update on progress that has been identified through consultation with relevant managers.

Planned action	Officer responsible	Target date for completion	Q1 Update
<b>1. Equality Impact Assessments (EIA) – identify and share key learning from the initial review of EIAs and review progress in 12 months' time.</b>	Monitoring Officer	Share outcomes from initial review by July 2019	 Progressing Outcomes are due to be discussed by the Corporate Equality Group in August 2019, following which any actions for improvement will be determined
<b>2. Record of Interests – Legal Services Team to conduct a review of the Council's arrangements.</b>	Group Manager – Legal, Democratic & Complaints	September 2019	 Progressing Progress is being made with a review of the current arrangements, and this will identify any proposals for procedural change
<b>3. Objection to 2015/16 financial accounts:</b>	Service Director – Finance,	To be determined on	 Progressing

Planned action	Officer responsible	Target date for completion	Q1 Update
➤ <b>Respond to any recommended actions arising from the review of the objection</b>	Infrastructure & Improvement	receipt of the external auditor's report	Further information exchanges between ourselves and KPMG are taking place and further updates will be provided as KPMG progress to issue their conclusions to the objection
➤ <b>Review of the property section of financial regulations as part of the Constitution Review</b>	Group Manager, Legal, Democratic and Complaints	Starting Sep 2019 and due to complete by Mar 2020	 Due to start Sep 2019
<b>4. Best practice guidance for governance – Governance &amp; Ethics Committee to consider self-assessments against:</b>			
➤ <b>CIPFA Financial Management Code</b>	Group Manager – Finance Strategy & Compliance	To be agreed post-consultation	 Progressing CIPFA are redrafting the Code following consultation
➤ <b>National Audit Office review of governance in local authorities</b>	Group Manager – Assurance	June 2019	 Completed Considered by Governance & Ethics Committee in June 2019
➤ <b>CIPFA statement on the role of the Head of Internal Audit</b>	Group Manager - Assurance	June 2019	 Completed Considered by Governance & Ethics Committee in June 2019
<b>5. Planning &amp; Performance Management Framework</b>			
a) <b>implement the hierarchy approach to performance measures</b>	Group Manager - Assurance	For all performance reporting in 2019/20	a)  Progressing Council Plan reporting for 2019/20 will commence with a first 6-monthly update in November 2019 to the Improvement & Change Sub-Committee, and this will be focused on the high-level, place-based measures agreed by Policy Committee. Quarterly reporting to service committees has commenced and is focused on the refreshed core datasets in the departmental strategies, which sit in the second row of the hierarchy.
b) <b>implement co-ordinated reporting of finance, performance and transformation to the Extended Corporate Leadership Team</b>			b)  Progressing The revised approach to ECLT reporting was accepted in June 2019 and this is now being developed, alongside

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			retention of the existing format during the cross-over period.
<b>6. Service Planning – implement simplified approach to service planning</b>	Group Manager - Assurance	May 2019	 Completed Now in operation
<b>7. Performance reporting in specific departments –</b>	Group Manager – Assurance	June 2019	
a) <b>Revised arrangements for monthly performance board reporting in the Place and Chief Executive’s Departments</b>			a)  Progressing Working with Service Directors and Group Managers in these departments to review the performance reporting arrangements.
b) <b>Revised arrangements for six-monthly reporting of progress against the Chief Executive’s Department strategy</b>			b)  Progressing Revised arrangements are under discussion with Chief Executive’s Department Service Directors
<b>8. Benchmarking - Co-ordinate CIPFA benchmarking reports and consider its use within the performance management framework, along with other benchmarking tools (eg CFO Insights)</b>	Group Manager – Assurance	September 2019	 Yet to start
<b>9. Performance management – carry out an internal audit review of service planning and performance management</b>	Group Manager – Assurance	March 2020	 Progressing To be carried out as part of the Term 2 Internal Audit Plan (August – November 2019) by Assurance Lincolnshire, through or internal audit collaboration
<b>10. Transformation Operating Model – agree and implement a revised operating model for transformation in the Council</b>	Group Manager – Transformation and Change	Report to Committee by June 2019	 Progressing Update reports were taken to Improvement and Change Sub-Committee in April and June 2019, agreeing the principles for transformation and change in the Authority, the temporary organisational structure and development of a new governance model. A proposal on the high-level organisational structure will be taken to Policy Committee in October 2019.
<b>11. Social care fraud risk - Continue to monitor implementation of the agreed actions from the internal audit review of the Council’s response to social care fraud.</b>	Group Manager – Assurance and Service Directors/Group managers with responsibility for	Periodic updates to the Governance & Ethics Committee through Internal	 Progressing Agreed actions relating to the Direct Payments audit were followed up and reported to Governance & Ethics Committee in June 2019. Some actions are behind schedule and a further

Planned action	Officer responsible	Target date for completion	Q1 Update
	social care services	Audit's follow-up procedure	update will be reported in January 2020. This next update will also include agreed actions relating to the internal audit of Direct Payment Support Service providers.
<b>12. Governance &amp; Ethics Committee self-assessments – implement agreed action plans arising from the review of best practice guidance</b>	Group Manager – Assurance, in close liaison with the Chairman of the Governance & Ethics Committee	In accordance with the timelines agreed with the Committee	
a) Training session on risk management			 Yet to start To be scheduled for January 2020
b) Training session on internal audit			 Completed Delivered July 2019
c) Links with Improvement & Change Sub-Committee			 Progressing Self-assessment against the NAO guidance for audit committees on transformation to be reported first to CLT in September 2019 and then to the Sub-Committee
d) Governance & Ethics Committee Annual Report			 Completed Reported to Full Council in June 2019
<b>13. Risk appetite - Development of an approach to establishing the Council's risk appetite</b>	Group Manager, Emergency Planning Management and Registration	Next risk management update to Governance & Ethics Committee	 Yet to start
<b>14. Serious &amp; Organised Crime - Implement the action plan for addressing the threat posed by serious and organised crime.</b>	Group Manager - Assurance and key Service Directors in affected areas of service	Through timelines agreed with the Governance & Ethics Committee	 Progressing The Annual Fraud Report 2018/19 confirmed most actions have been implemented. The only action outstanding is the data-washing exercise for the Council's supplier data against known targets. This is now progressing through the national Government Agency Intelligence Network (GAIN).
<b>15. Independent Inquiry into Child Sexual Abuse (IICSA) - Respond to any recommended actions</b>	Corporate Director - Corporate Director Children,	To be determined on release of the Inquiry's report	 Progressing The first IICSA report was published at the end of July 2019 and consideration is now being given to the Council's

Planned action	Officer responsible	Target date for completion	Q1 Update
<b>arising from the report into Nottinghamshire councils</b>	Families and Cultural Services		response to its findings. A further report is expected later in 2019 regarding accountability and reparations.
<b>16. LGA Peer Challenge – devise and approve an action plan to implement agreed recommendations from the Peer Challenge.</b>	Group Manager - Assurance	On receipt of the Peer Team's report in the summer of 2019	 Progressing An action plan is under development following receipt of the Peer Challenge report
<b>17. Workforce Strategy – implement the refreshed strategy</b>	Service Director – Customers, Governance and Employees	Strategy due to be approved by Personnel Committee in July 2019	 Completed Approved by Personnel Committee in July 2019
<b>18. Vacant property management – further progress report to Governance &amp; Ethics Committee on actions to address the risks identified by the internal audit</b>	Corporate Director - Place	Update report to Governance & Ethics Committee in July 2019	 Progressing To be reported to Governance & Ethics Committee in November 2019
<b>19. Data quality in Mosaic – greater priority given to addressing issues highlighted by routine reporting</b>	Corporate Director – Adults Social Care and Health	To commence in the first quarter of 2019/20	 Progressing Report on this issue is planned for discussion at the Senior Leadership Teams for ASCH and C&F Departments in September 2019.
<b>20. Assessment of Brexit implications:</b>			
<b>a) Co-ordinated preparations through the Local Resilience Forum</b>	Service Director Place & Communities & Group Manager, Emergency Planning and Registration	Continuing in the run-up to EU withdrawal date	 Progressing
<b>b) Maintain risk assessment for the delivery of NCC services</b>	Group Manager – Assurance co-ordinating the risk assessment	Latest refresh to be completed in September 2019	 Progressing Update report to be prepared for CLT

### Other Options Considered

7. None – the Council has a single governance action plan and has determined to receive quarterly updates on progress against it.

### Reason/s for Recommendation/s

8. To enable Members of the Committee to contribute to the development and review of the Council's governance framework.

## **Statutory and Policy Implications**

9. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Whilst there are no specific implications arising from the content of this report, the Council's governance framework spans all of these areas and the action plan is targeted at strengthening governance in specific areas where the opportunity for improvement has been identified.

## **RECOMMENDATION/S**

1) That members determine whether they wish to see additional actions taken, or to receive further reports relating to the governance issues raised in this report.

**Nigel Stevenson**  
**Service Director – Finance, Infrastructure & Improvement**

**For any enquiries about this report please contact:**  
Rob Disney, Group Manager – Assurance

### **Constitutional Comments (SLB 15/08/2019)**

10. Governance and Ethics Committee is the appropriate body to consider the content of this report. If Committee resolves that any actions are required it must be satisfied that such actions are within the Committee's terms of reference.

### **Financial Comments (SES 27/08/2019)**

11. There are no specific financial implications arising directly from this report.

### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

### **Electoral Division(s) and Member(s) Affected**

- All