

NOTTINGHAMSHIRE COUNTY COUNCIL

DRAFT
ANNUAL GOVERNANCE STATEMENT 2011/12

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 (Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives) 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 engages with, leads, and accounts to 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 2012 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.

The Council's Strategic Plan for 2010-14 was approved in 2010. The Plan:-

- Provided a clear statement of the Authority's priorities, promises and values.
- Enabled agreed political objectives and statutory requirements to drive the Authority's activities.
- Enabled the communication of the Authority's priorities to the community of Nottinghamshire, partner organisations and staff.
- Provided a broad framework of objectives and performance indicators, to ensure effective performance management.

The performance indicators used to monitor its delivery and the key actions undertaken to deliver the priorities are reviewed and refreshed each year to ensure they remain achievable and appropriate.

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. Performance is reported quarterly to the Performance Improvement Board, who are mandated by the Corporate Leadership Team to manage performance on their behalf. An annual report on performance for 2011/12 will be presented to Policy Committee in July 2012. 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. This will be presented to the Corporate Leadership Team and Policy Committee.

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. A new corporate complaints team was established from April 2011 to ensure there is a robust complaints procedure. A Citizens Panel, 'Nottinghamshire Listens', made up of approximately 6,000 people is in place and has been used to engage with citizens throughout the County on a wide range of issues. 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 2011/12, the Standards Committee reviewed complaints on the Authority's services and updates on a range of issues including Freedom of Information, Data Protection Act, Whistleblowing and Members' attendance at meetings. In addition, the Standards Committee presented an annual report to the County Council on 3rd November 2011 setting out the work carried out and significant issues arising.

- 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 November 2011. The Authority's Risk Register is reviewed at each of the five meetings a year of the Risk, Safety and Emergency Management Board to determine whether additional steps are required to mitigate key risks.

- g) **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**

The Statement sets out the five principles that need to be met, to ensure that the Chief Financial Officer can carry out the role effectively. The principles are that the Chief Financial Officer:-

- Is a key member of the Leadership Team
- Must be actively involved in all material business decisions
- Must lead the promotion and delivery of good financial management
- Must lead and direct a finance function that is resourced to be fit for purpose
- Must be professionally qualified and suitably experienced.

The Chief Financial Officer for the Authority is the Service Director – Finance and Procurement. This post reports to the Corporate Director for Environment and Resources who is a member of the Leadership Team. Although the Chief Financial Officer is not a member of the Leadership Team, a number of measures have been put in place to ensure that the impact is the same. These include providing details of all issues discussed at Leadership Team to the Chief Financial Officer, who has the right to attend the meeting if he considers it necessary. In addition, the Chief Financial Officer will attend whenever material business decisions are made. The Authority have set up the Business Support Centre which manages financial transactions on behalf of the Authority, including payroll, pensions and income transactions. As the Business Support Centre does not report to the Chief Financial Officer, controls have been established to ensure that the Chief Financial Officer can secure the promotion and delivery of good financial management in these areas. The Chief Financial Officer is professionally qualified and has experience from a range of organisations. The finance function is currently being revised to reflect the changing requirements under the new Business Management System.

h) 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 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.

i) 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 and Procurement 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.

j) 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 2012 the Standards Committee received a report on the discharge of the Authority's duties under the Whistleblowing Policy.

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

During 2011/12 the member development programme continued to respond to changing national and local policy. Briefings have been arranged to ensure that members were kept up to date on issues and developments, including, among other things, the Localism Bill, Mental Health Guardianship, effect of the Health and Social Care Bill and interviewing skills for recruitment of senior staff. The member reference group has agreed to a process of assessing individual development needs, which will feed into the programme for 2012/13.

All officers, including senior officers, are subject to annual Performance and Development Reviews. These reviews specifically identify and monitor development and training needs in relation to the individual employee's role. During the year, a new Competency Framework has been introduced, which sets out the observable skill levels and behaviours required of every employee at each tier of the organisation.

l) 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 2012/13 budget has been subject to extensive and robust consultation, reflecting the scale of decisions the Council has needed to make. The Budget Conversation campaign was launched on 26th September 2011 and was designed to gauge the public's view on their broad priorities, and how the Authority's spend should be apportioned at a strategic level. This included the use of an on-line budget simulator, where participants could give their opinions and ideas on how the Council could make the most of its 2012/13 budget. 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, community groups have been engaged via Networking Action for Voluntary Organisations (NAVO) via meetings and correspondence, seeking citizens' panel members views, and direct correspondence with stakeholders.

m) 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. The policy guidance sets out, among other things, the need for clarity in why the County Council has entered into a partnership, the Council's objectives and how the partnership will help deliver them, the powers enabling involvement and the exercising of those powers.

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 2011/12, 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:-
 - Strategic Plan Performance Report 2010/11
 - Refresh of the Strategic Plan 2010-14
 - Amendments to the Constitution
 - A report from the Chair of the Overview Committee
 - Statement of Accounts 2010/11
 - Treasury Management Policy and Strategy for 2011/12
 - Review of Treasury Management activity
 - Budget Report 2012/13 and Medium Term Financial Strategy 2012/13 to 2015/16
 - A report from the Chairman of the Standards Committee
 - Changes to the Governance Arrangements.
- b) Cabinet has considered and approved a number of reports in its role as the Executive including:-
 - Management Accounts for 2010/11
 - Budget and Capital Programme Proposals for 2012/13 to 2015/16
 - Revenue Budget Monitoring.
- c) The Audit Committee and Overview Committee have considered a wide variety of issues including:-
 - Internal Audit Annual Plan 2011/12
 - Counter Fraud Measures
 - Annual Governance Statement
 - Audit Commission Audit and Inspection Plan
 - External Audit Governance Report
 - Treasury Management Policy for 2011/12
 - Health and well being
 - Education
 - Communities and the environment.
- 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
 - Data Protection Act
- 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 2011/12, is that it is adequate.
- f) External Audit's Annual Audit Letter 2010/11, stated that the Auditor issued an unqualified opinion on the County Council's 2010/11 accounts. The accounts were presented on time and complied with the requirements of the newly introduced International Financial Reporting Standards. The accounts were free from material error and no significant weaknesses in internal control arrangements were identified. The Auditor also concluded that the Council had put in place proper arrangements for securing value for money, and that financial governance arrangements are well established and supported by a strong financial management culture.

5. SIGNIFICANT GOVERNANCE ISSUES

The Authority faced an extremely challenging year in 2011/12 as it sought to manage significant budget reductions, increasing demand for some key services and new ways of working, simultaneously. The environment for 2012/13 and beyond will continue to be challenging. However, the transformation programme now underway delivered significant savings in 2011/12 of the order of £70 million and further savings of £59 million are already planned for 2012/13 – 2013/14.

Other key governance issues that need to be addressed against this background are set out below.

- a) Potential for continuing reduction in Government Funding. Whilst there is an element of certainty regarding the anticipated reduction in Grant for 2012/13, the situation beyond remains unclear and is further complicated by changes to local government funding and other policy proposals that have far reaching implications for the Council's service and financial planning.
- b) The implementation of new organisation structures and significant reductions in posts will impact on governance and control arrangements. New processes will be established and kept under review to ensure that they are effective.
- c) The new Business Management System was implemented in November 2011. This has resulted in significant changes to the control structures of the Council, and new ways of working for many

employees. A continued focus will be needed to ensure that the many benefits available from the new System are realised.

- d) The Council have approved changes to governance arrangements from the Leader / Cabinet Executive arrangement to a committee system from 17th May 2012.
- e) Responsibility for public health will transfer to local authorities from April 2013. Transition to the new arrangements will take place during 2012/13.
- f) The current standards regime has been abolished by the Localism Act. As a result the Council will be considering what measures it will need to put in place to ensure continuing high standards.

The Audit Committee reviewed the governance framework detailed in this statement at their meeting on 23 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 2012/13.

Signed:.....

LEADER

Signed:.....

CHIEF EXECUTIVE