

NOTTINGHAMSHIRE COUNTY COUNCIL

ANNUAL GOVERNANCE STATEMENT 2016/17

1. SCOPE OF RESPONSIBILITY

- 1.1. 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. The Localism Act 2011 has, among other things, established a general power of competence for local authorities.
- 1.2. 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.
- 1.3. This statement 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 LOCAL CODE OF CORPORATE GOVERNANCE

- 2.1. Nottinghamshire County Council has adopted a local Code of Corporate Governance. This Code is subject to annual review and approval by the Audit Committee, and it is published on the Council's website. [insert hyperlink]
- 2.2. The Code is based on the seven core principles of good governance, as recommended in the CIPFA/SOLACE Framework for 'Delivering good governance in Local Government' (2016 Edition).

3. REVIEW OF EFFECTIVENESS

- 3.1. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. This Statement sets out the outcome of the latest review for the financial year 2016/17. The outcomes are set out in terms of the extent to which the Council has applied in practice the seven core principles of good governance.
- 3.2. The evidence to assess effectiveness is drawn from a range of sources, notably the following:

- Quarterly, formal meetings of the Council's three statutory officers ((Head of Paid Service, Monitoring Officer and Chief Financial Officer), who have responsibility for the development and maintenance of the governance environment. The Council's overall governance arrangements are kept under review at these meetings, and the Head of Internal Audit also attends to provide input. The statutory officers prepare an annual report.
- the Head of Internal Audit's annual report
- reports of the External Auditor and other review agencies and inspectorates
- assurance statements from Strategic Directors concerning the application of key governance issues in their areas of service
- review of core governance issues dealt with by the Council and its committee structure

3.3. Where any issues of concern are highlighted by the review, these issues are noted below in section 4 of the Statement, along with the key actions planned to address them.

Core Principle	Review of compliance with the Code of Corporate Governance in 2016/17
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <p>The key policies, procedures and practices set out in the Local Code of Corporate Governance remained in force during 2016/17.</p> <p>Corporate Directors report, overall, a substantial level of compliance with the Council's procedures.</p> <p>The application of these controls, and the evidence collected from the sources of assurance set out above at 3.2, have identified the following areas in which there is scope for action to bolster the current arrangements:</p> <ul style="list-style-type: none"> - A need for the Member Code of Conduct to be updated, arising from the few cases of complaints against Members that were satisfactorily resolved during the year (see Action Plan 1). - Improving the consistency with which Equality Impact Assessments are carried out across the Council (see Action Plan 2). - Introduction of a Statutory Officers' Annual Report from the 2017/18 financial year (see Action Plan 3) - A refresh of the Council's Anti Money Laundering Policy was drafted during the year, and this needs to be formally approved and implemented (see Action Plan 4). - In three departments of the Council, actions will be taken to remind staff of the procedures for registering interests that should be declared (see Action Plan 5). <p>An objection to the 2015/16 financial accounts was raised by a member of the public and this remains under investigation by the external auditor (see Action Plan 6).</p>
B. Ensuring openness and comprehensive stakeholder engagement	<p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <p>The Council's Strategic Plan remained in place and the Council complied with the requirements of the Transparency Code in 2016/17.</p> <p>Regular reports on Council performance were submitted to the Policy Committee. The Council's Business Reporting and Management Information (BRMI) project continues to drive improvements in the timeliness and quality of performance reporting.</p> <p>Corporate Directors report a substantial level of assurance over the arrangements for stakeholder engagement with their services.</p> <p>The Communications Policy remained in place during the year, securing stakeholder engagement through a range</p>

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	of pathways: the 'Nottinghamshire Listens' citizens' panel; the social media policy; publication of the 'Life' magazine; and continuation of the 'Emailme' service and 'Shout Out' campaign.
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits	<p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <p>The key Council policies, strategies and reporting regimes identified in the Local Code of Corporate Governance remained in place during the year.</p> <p>A key area of focus continued to be the Medium Term Financial Strategy and an internal audit in 2016/17 of the processes surrounding this strategy returned a substantial level of assurance.</p> <p>Work is in progress to extend and embed the Strategic Management Framework and to ensure that the improved performance information received is an integral part of service improvement (<i>see Action Plan 7</i>).</p>
D. Determining the interventions necessary to optimise the achievement of the intended outcomes	<p>Assessed assurance level for compliance with the Code of Corporate Governance: Reasonable</p> <p>The 'Redefining Your Council' change programme continued to progress.</p> <p>Quarterly update reports presented a consolidated view of progress with organisational change programmes, performance and financial savings.</p> <p>A new strategic plan is under development to run from 2018. As part of this, developments with the Strategic Management Framework are planned to more closely align the Council's annual budget process with the organisation's objectives and performance monitoring (<i>see Action Plan 7</i>).</p>
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	<p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <p>The Council's Workforce Strategy was revised in 2016/17.</p> <p>Overall, substantial levels of assurance were received from Corporate Directors regarding arrangements for:</p> <ul style="list-style-type: none"> - inducting new members of staff, including the implementation of an eLearning induction programme by one department - conducting regular employee appraisals, although one department reported the need to reaffirm expectations with all managers for EPDRs to be complete, (<i>see Action Plan 8</i>). - regular reviews of activities, outputs and planned outcomes to identify areas for improvement - appropriate use of research and benchmarking to inform priorities for service development - appropriate use of partnerships and collaborative working where added value can be achieved.

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	<p>With regard to Members of the Council, a pre-determined induction programme is in place for the first six months of each new administration; this is currently being devised for the post-election period in 2017. Training is compulsory for all Members in relation to the code of conduct and standards. Training is also compulsory for certain Members on committees dealing with: pensions; appeals; and planning & licensing. A wide range of training for Members was carried out in 2016/17.</p>
F. Managing risks and performance through robust internal control and strong public financial management	<p>Assessed assurance level for compliance with the Code of Corporate Governance: Reasonable</p> <p>The key policies, procedures and practices set out in the Local Code of Corporate Governance remained in force during 2016/17.</p> <p>Developments in 2016/17 included the following:</p> <ul style="list-style-type: none"> - Revised financial regulations were agreed by the Council - The Council's counter-fraud and counter-corruption strategy and fraud response plan were publicised to internal staff during the year. - A Contracts and Finance Oversight Group was established and is meeting on a regular basis, chaired by the Group Manager, Procurement, with attendance from ASCH&PP staff and Finance staff, to oversee the procurement of adult social care services and compliance with financial regulations. <p>Information governance remains a key area of focus for the Council, with action progressing to implement the recommendations of the Information Commissioner's office and of the Council's Internal Audit service. Overall, Corporate Directors report a reasonable level of assurance that effective procedures are in place. For 2017/18, it is proposed that information governance should be included as a regular agenda item at the Audit Committee (see Action Plan 9 & 10).</p> <p>The evidence collected from the sources of assurance set out above at 3.2, has identified the following additional areas in which there is scope for action to bolster the current arrangements:</p> <ul style="list-style-type: none"> - An internal audit in 2016/17 of the Council's risk management arrangements has proposed some recommendations to further strengthen the arrangements, including the proposal for formal updates on risk management to be presented to the Policy and Audit Committees (see Action Plan 11). - Training and an improvement and development plan considered and to be presented to new Audit Committee in June (see Action Plan 12).
G. Implementing good	Assessed assurance level for compliance with the Code of Corporate Governance: Substantial

Core Principle	Review of compliance with the Code of Corporate Governance in 2016/17
practices in transparency, reporting, and audit to deliver effective accountability	<p>The evidence collected from the sources of assurance set out above at 3.2 confirmed that the key policies, procedures and practices identified in the Local Code of Corporate Governance remained in force during 2016/17.</p> <p>One area of development in the year was the implementation of revised approach to the follow-up of Internal Audit recommendations. The amended approach is more efficient and effective, and it is demonstrating that strong action is taken across the Council to implement agreed actions.</p>

4. SIGNIFICANT GOVERNANCE ISSUES

- 4.1. **The transformation agenda:** the transformation framework, '*Redefining Your Council*', continues to drive the Council's response to the challenging financial and policy environment. The framework seeks different ways of delivering services by looking firstly at innovative and creative solutions. During 2016/17, three Alternative Service Delivery Models were implemented, and reviews of their early operations are helping to shape the Council's learning and future strategy (*see Action Plan 13*).
- 4.2. **Budget forecasting:** Effective management of the most volatile elements of the annual budget remains a key area of focus. In 2016/17, particular attention was given to a number of work-streams in the Children's, Families' and Cultural Services Department, involving an assessment of corrective actions required to achieve the savings targets in the department. For 2017/18 and beyond, further analysis is required to identify the most volatile elements of the annual budget and to bring forward proposals for how these budgets can best be managed to deliver greater assurance around the reliability of forecasts (*see Action Plan 14*).
- 4.3. **Brexit:** The implications for the Council and its delivery of services are currently considered to be low risk, but these remain under continual review.
- 4.4. **Retention of local business rates:** Preparatory work for this change in the local taxation framework continues to progress.
- 4.5. **Pressure on core systems of internal control:** The findings of Internal Audit continue to identify areas in which only limited assurance can be provided over the effectiveness of internal controls. Areas of concern during 2016/17 were reported through to the Audit Committee as part of the Head of Internal Audit's progress updates. However, the revised follow-up procedure for Internal Audit recommendations is providing strong evidence that agreed actions are being taken across the Council.
- 4.6. **Vulnerability to fraud:** The Annual Fraud Report 2016/17 was presented to the Audit Committee in June 2017. This identifies that 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 are identifying more cases, especially in relation to social care provision. The Internal Audit Service is working with key service managers to ensure the Council's arrangements for responding to this emerging area of fraud risk are robust and effective (*see Action Plan 15*).
- 4.7. **Risk of exposure to serious and organised crime:** National evidence identifies local government as a prime target for fraudulent activity to fund serious and organised crime. A review against the DCLG/Home Office checklist for vulnerability to serious and organised crime has been carried out and an action plan will be progressed in 2017/18. A meeting with the Police is being scheduled to discuss further assistance in assessing the current threat level (*see Action Plan 16*).

- 4.8. **Independent Inquiry into Child Sexual Abuse (IICSA):** A chief officers' co-ordination group is in place, embracing the County Council, Nottingham City Council and Nottinghamshire Police. An internal Steering Board and Response Team have been established to support the work required and to co-ordinate the Council's response to assist the inquiry. Regular Member briefings have taken place and will continue during the lifetime of the enquiry.
- 4.9. **Devolution/combined authority:** A devolution deal is not currently progressing. Further steers on government policy are awaited before progressing with combined authority proposals.
- 4.10. **Controversial/sensitive decisions:** 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.
- 4.11. **Post-election transition:** The change in administration, following the local elections in May 2017, is being carefully managed to ensure the day-to-day governance arrangements at the Council are not unduly disrupted.

5. Action Plan 2017/18

Planned action	Officer responsible	Target date for completion
1. Revise the Member Code of Conduct	Corporate Director Resources	
2. Review the consistency with which Equality Impact Assessments are carried out	Corporate Director Resources	
3. Introduce the statutory officers' annual report	Chief Executive, Corporate Director – Resources, Service Director – Finance, Procurement & Improvement	April 2018
4. Implement the refreshed anti-money laundering policy	Service Director – Finance, Procurement & Improvement	August 2017
5. Actions to embed the procedure for staff to register any interests that need to be declared: a) In the ASCH&PP Department, undertake further work to ensure that staff are aware of the process for registering their interests b) In the CFCS Department, set up a departmentally held register of interests. c) In the Resources Department, remind staff of the procedure to be followed to register their interests.	a) Corporate Director ASCH&PP b) Corporate Director CFCS c) Corporate Director Resources	a) July 2017 b) June 2017 to set the register up. September 2017 to embed its use c)
6. Respond to any recommended actions arising from the review of the objection to the accounts 2015/16	Service Director – Finance, Procurement & Improvement	To be determined on receipt of the external auditor's report
7. Review the content and application of the Strategic Management Framework to closely align the Council's annual budget process with the organisation's objectives and performance monitoring	Chief Executive Corporate Director Resources	
8. Actions to ensure EPDRs are carried out regularly across the Council a) In the Adults, Social Care, Health & Public Protection Department, complete an audit and reaffirm expectations with all managers for EPDRs to be completed, linked to the new strategic plan b) Tackle the few areas where EPDRs do not take place as regularly as they should.	a) Corporate Director ASCH&PP b) Corporate Director Resources	July 2017

9. Continue with the implementation of agreed actions from the ICO and Internal Audit reviews of information governance	Corporate Director Resources	
10. Report information governance updates on a regular basis to the Audit Committee	Corporate Director Resources	
11. Monitor implementation of the actions relating to the internal audit of risk management	Head of Internal Audit	Quarterly updates to the Audit Committee in 2017/18
12. Agree a programme of development for the Audit Committee and monitor its implementation.	Head of Internal Audit	June 2017 and quarterly updates on implementation
13. Take the learning from the reviews of the existing Alternative Service Delivery Models to inform development of the Council's future strategy	Corporate Leadership Team	
14. Determine and implement a revised approach to budget forecasting.	Service Director – Finance, Procurement & Improvement	
15. Complete internal review of the Council's response to social care fraud and monitor implementation of the agreed actions	Head of Internal Audit and key Service Directors with responsibility for social care	June 2017 and quarterly updates
16. Implement the action plan for addressing the threat posed by serious and organised crime.	Head of Internal Audit and key Service Directors in affected areas of service	

APPROVAL OF THE LEADER OF THE COUNCIL AND THE CHIEF EXECUTIVE

The Council has adopted a robust approach to addressing these financial, demographic, technological and legislative challenges.

The Audit Committee reviewed the governance framework detailed in this statement at their meeting on 14 June 2017. We are aware of the steps that are being and will be taken to address the above significant governance issues and we are satisfied that these are appropriate. We will monitor their implementation during the course of 2017/18 and beyond.

Signed:.....

LEADER

Signed:.....

CHIEF EXECUTIVE