

NOTTINGHAMSHIRE COUNTY COUNCIL
ANNUAL GOVERNANCE STATEMENT 2012/13

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. The Localism Act 2011 has, among other things, established a general power of competence for local authorities.

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 complied with the code during 2012/13 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 2013 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 2012/13 was presented to Policy Committee in May 2013. 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 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. There was a significant change in the Authority's constitution in 2012, with a move to a committee structure of decision making. The Authority established service committees for each of the key areas of service, in addition to an overarching Policy Committee and Full Council.

- 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 was dis-continued as part of the new committee structure, with the functions of the Committee passing to other committees. Responsibility for dealing with complaints against members passed to the Monitoring Officer, with the exception of any final hearing which would be in front of Policy Committee.

- 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 February 2013. 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. As part of the compilation of this statement, assurance has been sought to confirm that each of the top risks facing the Authority are kept under review by the relevant Action Manager and reported to the Risk Owner.

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.

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 the relevant committee or full Council 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 Policy Committee. The Policy Committee receives an annual 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 2012/13 the member development programme continued to respond to changing national and local policy. Elections were held in May 2013 resulting in a number of new Members being elected. A comprehensive induction programme was completed to provide information and briefings on a range of issues to new and returning Members. 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 was used, which set 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 Budget Conversation campaign was launched on 5th November 2012 and was designed to gauge the public's view services which are important to them and to gain an understanding of their general priorities for the future. The campaign took place in County News, on-line, in libraries and county information points across Nottinghamshire, by holding face to face meetings and workshops and by attending events.

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 on 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 2012/13, 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:-
 - Arrangements for Standards and Amendments to the Constitution
 - Annual Report of Scrutiny 2011/12
 - Statement of Accounts 2011/12
 - 2012 Nottinghamshire Annual Residents' Satisfaction Survey
 - Budget Report 2013/14 and Medium Term Financial Strategy 2013/14 to 2016/17
 - Changes to the Governance Arrangements
 - Review of the Committee System.

- b) Policy Committee has considered and approved a number of reports in its role as the committee responsible for policy development and approval, including:-
- Annual Performance Report 2011/12
 - Improvement Programme Annual Report and update
 - Revenue Budget Proposals 2013/14
 - Six Month Strategic Performance Report 2012/13
 - Outcomes from the Complaints Process 2011/12
 - Feedback from the Corporate Peer Challenge.
- c) The Audit Committee have considered a wide variety of issues including:-
- Internal Audit Annual Plan 2012/13
 - Statement of Accounts 2011/12
 - Annual Governance Statement
 - Public Sector Internal Audit Standards and Audit Charter
 - Internal Audit Annual Report
 - KPMG External Audit Plan 2012/13
- d) 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 2012/13, is that it is adequate.
- e) External Audit's Annual Audit Letter 2011/12, stated that the Auditor issued an unqualified opinion on the County Council's 2011/12 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.

5. SIGNIFICANT GOVERNANCE ISSUES

The Authority faced a challenging year in 2012/13 as it sought to manage budget reductions, increasing demand for some key services and consolidate significant changes made to systems, structures and services in previous years, simultaneously. The environment for 2013/14 and beyond will continue to be extremely challenging with a need to bridge a funding gap of £133 million over the Medium Term. However, the Authority has recent history of achieving this scale of significant cost reduction and service re-alignment and is developing plans to address the challenge.

County Council elections took place on 2nd May 2013, resulting in a change in Administration and a new Council Leader.

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 2013/14, 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 Business Management System (BMS) was implemented in November 2011 and continues to be developed. A continuing focus will be needed to ensure that the many benefits available from the system are realised.
- c) Responsibility for public health transferred to local authorities from April 2013. Continuing focus will be needed to ensure that it integrates effectively with the Authority's strategy for serving the people of Nottinghamshire.
- d) The enactment of the Local Government Finance Act 2012 added additional complexity in the funding of local authorities with the repatriation of business rates and the introduction of localised council tax support schemes. Joining the Nottinghamshire Pool arrangement has both potential benefits and risks. Continuous management of the implications of the changes and of the risks involved in pooling will be needed to ensure the benefits available from pooling are achieved.

The Audit Committee reviewed the governance framework detailed in this statement at their meetings on 12 June 2013. 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 2013/14.

Signed:.....

LEADER

Signed:.....

CHIEF EXECUTIVE