

NOTTINGHAMSHIRE COUNTY COUNCIL
ANNUAL GOVERNANCE STATEMENT 2017/18

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 Governance and Ethics Committee, and it is published on the Council's website.
- 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 2017/18. 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 2017/18
<p>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>	<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 2017/18.</p> <p>Corporate Directors report, overall, a substantial level of compliance with the Council's procedures.</p> <p>Progress against the 2016/17 action plan for this aspect of governance is summarised as follows:</p> <ul style="list-style-type: none"> - A need for the Member Code of Conduct to be updated – the Governance & Ethics Committee recommended a revised code to Full Council for approval. The revised code will be considered by Full Council in May 2018. - Improving the consistency with which Equality Impact Assessments are carried out across the Council – this action remains outstanding and will be completed by September 2018 (<i>see Action Plan 1</i>). - Introduction of a Statutory Officers' Annual Report from the 2017/18 financial year – the annual report for 2017/18 is scheduled for presentation at the Governance & Ethics Committee in June 2018. - A refresh of the Council's Anti Money Laundering Policy - the revised policy was approved by Policy Committee in September 2017. - In three departments of the Council, action to remind staff of the procedures for registering interests that should be declared – further actions are planned to bring this to the attention of all staff through its internal 'Team Talk' communication. More specific actions are planned in the Children's & Families Department to further embed the departmental register (<i>see Action Plan 2</i>). <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 (<i>see Action Plan 3</i>).</p>
<p>B. Ensuring openness and comprehensive stakeholder engagement</p>	<p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <p>The Council's revised strategic plan, 'Your Nottinghamshire, Your Future', was published to run from 2017 through to 2021. The Council complied with the requirements of the Transparency Code in 2017/18.</p> <p>Regular reports on Council performance were submitted to the Improvement & Change Sub-Committee during the year. 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, overall, a substantial level of assurance over the arrangements for stakeholder engagement with their services.</p>

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	<p>The Communications Policy remained in place during the year, securing stakeholder engagement through a range of pathways. The 'Designing Services for the Digital Age' project was undertaken to help steer the way that the authority approaches transformation by redesigning the delivery of services on a more digital basis. The project delivered its objectives.</p>
<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<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, and were further developed in some areas.</p> <p>The action plan for 2016/17 included work to closely align the Council's annual budget process with the organisation's objectives and performance monitoring. This was put in place through the implementation of the Planning & Performance Management Framework, which sets out the key Council Plans and how they link together. The Council Plan sits at the heart and is linked to the departmental strategies along with the Medium Term Financial Strategy and other council policies and strategies. Service Plans are a feature of the Framework, and this cascades down to individual Employee Performance and Development Reviews.</p>
<p>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	<p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <p>The revised Council strategy, 'Your Nottinghamshire, Your Future', is supported by the departmental strategies. These contain approaches to addressing the financial challenges. A revised approach to identifying change strategies is under development, incorporating a revamped approach to business cases for service change.</p> <p>Regular update reports on the delivery of programmes, projects and savings were reported to the Improvement & Change Sub-Committee.</p> <p>A new strategic plan was published in 2017. In support of this, departmental strategies were put in place and a Planning & Performance Management Framework was implemented to more closely align the Council's annual budget process with the organisation's objectives and performance monitoring.</p> <p>Corporate Directors report, overall, substantial assurance that change proposals are informed by the input of stakeholders.</p>
<p>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</p>	<p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <p>The Council's Workforce Strategy remains in place.</p> <p>Positive levels of assurance were received from Corporate Directors regarding arrangements for:</p> <ul style="list-style-type: none"> - inducting new members of staff

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	<ul style="list-style-type: none"> - conducting regular employee appraisals. This included one department's completion of an agreed action to reaffirm expectations with all managers for EPDRs to be carried out, in addition to a Council-wide reminder to all managers on this in October 2017 through the corporate 'Team Talk' facility - 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. <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, and this was put into practice following the local elections in May 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 and planning & licensing. A wide range of training for Members was carried out in 2017/18, including ongoing briefings in respect of current issues.</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 2017/18.</p> <p>Progress against the 2016/17 action plan for this aspect of governance is summarised as follows:</p> <ul style="list-style-type: none"> - Continue with the implementation of agreed actions from the Information Commissioner's Office and Internal Audit reviews of information governance - this was a significant area of development for the Council in 2017/18 as it prepares for the requirements of the General Data Protection Regulations which come into force in May 2018. An Information Governance Improvement Programme is in place and driving improvements in this area. Corporate Directors report a mixed level of assurance that effective arrangements are in place for keeping sensitive and personal information secure (see Action Plan 4). - Report information governance updates on a regular basis to the Governance & Ethics Committee – this was put in place during 2017/18 and regular updates will continue. - Monitor implementation of the actions relating to the internal audit of risk management – Internal Audit's follow-up procedures confirmed implementation of the agreed actions. - Develop a programme of development for the Governance & Ethics Committee and monitor its implementation – a review of the operation of the committee has been completed. <p>This latest review of compliance has identified that the Council's counter-fraud and counter-corruption strategy and fraud response</p>

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	<p>plan are due to be reviewed. This will be incorporated in the next Annual Fraud Report, due to be presented to the Governance & Ethics Committee in June 2018 (see Action Plan 5)</p>
<p>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>	<p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <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 2017/18.</p> <p>Evidence from Internal Audit's follow-up procedures has continued to provide good evidence that strong action is taken across the Council to implement agreed actions.</p> <p>The Internal Audit service underwent an external quality assessment in March 2018. The action plan arising from this review will be implemented promptly (see Action Plan 6).</p>

4. SIGNIFICANT GOVERNANCE ISSUES

- 4.1. **The transformation agenda:** the revised Council Plan and departmental strategies are driving the Council's response to the challenging financial and policy environment. The Planning and Performance Management Framework seeks different ways of delivering services by looking at innovative and creative solutions. During 2017/18, a comprehensive review was carried out of the three Alternative Service Delivery Models that were implemented in 2016/17 and the outcomes from the reviews are being progressed.
- 4.2. **Budget forecasting:** Effective management of the most volatile elements of the annual budget remains a key area of focus. In 2017/18, a revised approach to the standard budget monitoring process was devised to ensure due focus is centred on those areas of the Council's budget which drive financial pressures. The improved approach will be implemented from April 2018 (*see Action Plan 7*).
- 4.3. **Retention of local business rates:** Preparatory work for this change in the local taxation framework continues to progress.
- 4.4. **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 2017/18 were reported through to the Governance & Ethics Committee as part of the Head of Internal Audit'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.
- 4.5. **Vulnerability to fraud:** The Annual Fraud Report 2017/18 was presented to the Governance and Ethics Committee in June 2018. 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 Governance & Ethics Committee has received update reports from key service managers on the progress being made to bolster the Council's arrangements for responding to this emerging area of fraud risk. Internal Audit will continue to follow up implementation of the agreed actions (*see Action Plan 8*).
- 4.6. **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. Internal Audit was completing a detailed review against the DCLG/Home Office recommended audit programme at the close of the year, and actions to address any areas of vulnerability will be agreed for prompt implementation. Regular liaison arrangements with Nottinghamshire Police were put in place during 2017/18 and, as part of this, data-sharing opportunities are being progressed (*see Action Plan 9*).
- 4.7. **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. Hearing dates are scheduled to commence in October 2018.

- 4.8. **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.
- 4.9. **General Data Protection Regulations (GDPR):** The Council has implemented an Information Governance Improvement Plan to drive forward preparations for GDPR coming into force in May 2018. Breaches in data protection represent significant reputational and financial risks to the Council. Close monitoring of progress against the improvement plan will seek to mitigate these risks.
- 4.10. **Move to the Cloud:** The council currently stores its software and programmes at the Data Centre on the County Hall campus. As part of plans to look at more cost effective ways to provide ICT services and to reduce the number of buildings we own to save money, work is now underway to provide these ICT services using a "cloud" based online approach. The Cloud Transition Team aim to move all the existing services from the Data Centre to the cloud by the end of 2018. This requires very careful preparation and planning to maintain business continuity and to minimise disruption to service users.

5. Action Plan 2018/19

Planned action	Officer responsible	Target date for completion
1. Review the consistency with which Equality Impact Assessments are carried out and report the outcome to the Governance & Ethics Committee.	Monitoring Officer	September 2018
2. Actions to raise awareness of the procedure for declaring interests: a) Issue a reminder in 'Team Talk' to remind all staff of the procedure for declaring interests. that need to be declared. b) Further work will be undertaken over the coming year to ensure the Children's & Families (C&F) Department's register of interests is updated and that it is fully understood what constitutes a declarable interest.	a) Head of Internal Audit b) Corporate Director C&F	a) July 2018 b) September 2018
3. 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
4. Close monitoring of the Information Governance Improvement Programme's progress, through regular reporting to the Governance & Ethics Committee.	Senior Information Risk Owner (SIRO)	Regular progress reports to the G&E Committee throughout 2018/19
5. Update the Council's Counter-Fraud and Counter-Corruption Policy & Strategy, along with the Fraud Response Plan.	Head of Internal Audit	June 2018
6. Implement the agreed action plan arising from the external quality assessment of the internal audit service.	Head of Internal Audit	To be determined on receipt of the assessment report
7. Implement the revised approach to budget forecasting.	Service Director – Finance, Procurement & Improvement	From April 2018
8. Continue to monitor implementation of the agreed actions from the internal audit review of the Council's response to social care fraud.	Head of Internal Audit and key Service Directors with responsibility for social care	Periodic updates to the Governance & Ethics Committee through Internal Audit's follow-up procedure
9. Implement the action plan for addressing the threat posed by	Head of Internal Audit and key Service Directors in	Per separate action plan for

serious and organised crime.	affected areas of service	2018/19
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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 Governance and Ethics Committee reviewed the local code of corporate governance and this statement at their meeting on 2 May 2018. 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 2018/19 and beyond.

Signed:.....

LEADER

Signed:.....

CHIEF EXECUTIVE