

Governance and Ethics Committee

Tuesday, 21 July 2020 at 14:00

Virtual meeting, <https://www.youtube.com/user/nottsc>

AGENDA

- 1 To note the appointment by Full Council on 11 June 2020 of Councillor Bruce Laughton as Chairman and Councillor Kevin Rostance as Vice-Chairman of the Committee for the 2020-21 municipal year.
- 2 To note the membership of the Committee for the 2020-21 municipal year as follows: Councillors Bruce Laughton, Kevin Rostance, Nicki Brooks, Steve Carr, Kate Foale, John Handley, Errol Henry JP, Rachel Madden, Phil Rostance, Keith Walker and Martin Wright.
- 3 Minutes of last meeting held on 4 March 2020 3 - 6
- 4 Apologies for Absence
- 5 Declarations of Interests by Members and Officers:- (see note below)
(a) Disclosable Pecuniary Interests
(b) Private Interests (pecuniary and non-pecuniary)
- 6 Financial Regulations Waivers 2019-20 7 - 20
- 7 Statement of Accounts 2019-20 - Accounting Policies 21 - 40
- 8 Informing the Audit Risk Assessment - Statement of Accounts 2019-20 41 - 82
- 9 Local Code of Corporate Governance and Annual Governance Statement 2019-20 83 - 110
- 10 Head of Internal Audit's Annual Report 2019-20 111 - 134

11	Update on the National Audit Office Cyber Security and Information Risk Guidance for Audit Committees	135 - 138
12	Local Government Association Consultation on Draft Model Code of Conduct	139 - 172
13	Work Programme	173 - 176

Notes

- (1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.
- (2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

- (3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Keith Ford (Tel. 0115 977 2590) or a colleague in Democratic Services prior to the meeting.

- (4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.
- (5) This agenda and its associated reports are available to view online via an online calendar - <http://www.nottinghamshire.gov.uk/dms/Meetings.aspx>



Meeting **GOVERNANCE AND ETHICS COMMITTEE**

Date **Wednesday 4 March 2020 (commencing at 10.30 am)**

membership

Persons absent are marked with `A`

COUNCILLORS

Bruce Laughton (Chairman)
Andy Sissons (Vice-Chairman)

Nicki Brooks
Steve Carr
Kate Foale
John Handley
Errol Henry JP

Rachel Madden
Phil Rostance **A**
Keith Walker
Jonathan Wheeler

SUBSTITUTE MEMBERS

John Longdon for Phil Rostance

OFFICERS IN ATTENDANCE

Cherry Dunk Adult Social Care and Public Health Department
Paul Johnson
Ainsley Macdonnell

Caroline Agnew Chief Executive's Department
Heather Dickinson
Keith Ford
David Hennigan
Simon Lacey
Keith Palframan
Marjorie Toward
Nigel Stevenson

Neil Gamble Place Department

OTHERS IN ATTENDANCE

John Gregory Grant Thornton – External Auditors
Lorraine Noak

Phil Johnstone KPMG

1. MINUTES

The Minutes of the last meeting held on 22 January 2020, having been previously circulated, were confirmed and signed by the Chairman.

2. APOLOGIES FOR ABSENCE

The following apologies for absence were reported:-

Phil Rostance – on other Nottinghamshire County Council business

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None

4. UPDATE ON LOCAL GOVERNMENT & SOCIAL CARE OMBUDSMAN (LGSCO) DECISIONS NOVEMBER - DECEMBER 2019

Heather Dickinson, Group Manager, Legal, Democratic and Complaints, introduced the report which detailed the LGSCO decisions received in this latest monitoring period.

Ainsley Macdonnell, Service Director – Community Services (Living Well) responded to Members' queries and concerns about the cases referred to in paragraphs 8-11 of the committee report and outlined how lessons learnt from these cases were informing improved practice across the Adult Social Care and Health department.

RESOLVED: 2020/007

That no further actions were required in relation to the issues contained within the report.

5. INFORMATION GOVERNANCE – PROGRESS REPORT

Carline Agnew, Data Protection Officer / Programme Manager, introduced the report which provided an update on progress with the Council's Information Governance Action Plan for 2019/20 and the second phase of the Information Governance Improvement Programme.

RESOLVED: 2020/008

- 1) That an allocation of £60,000 from contingency in 2020-21 be sought from Finance and Major Contracts Management Committee to fund a project for a pilot document management site in Legal Services and at least one further targeted project relating to document management in order to progress the objectives of the Information Governance Improvement Programme.
- 2) That a cross cutting review be undertaken with input from colleagues in ICT, Information Governance and the Digital Development Programme as set out in paragraph 14 of the committee report, with the options reported to a future meeting of this Committee.
- 3) That a follow up / update report on the Information Governance Action Plan be included in the work programme for submission to the June 2020 meeting of the Committee.

6) GRANT THORNTON – EXTERNAL AUDIT PLAN 2019-20

John Gregory, Engagement Lead, Grant Thornton introduced the report (which detailed the proposed External Auditors' Action Plan for the 2019-20 Audit and explained the proposed increase in audit fees arising from the revised expectations of the Financial Reporting Council) and responded to Members' comments and questions on the Plan and the fees.

RESOLVED: 2020/009

- 1) That Members' comments on the Audit Plan for 2019-20 be noted by the external auditors.
- 2) That the increase to the 2019-20 audit fees in light of the revised expectations of the Financial Reporting Council be agreed.

7) OBJECTION TO THE ACCOUNTS

Keith Palframan, Group Manager, Finance Strategy & Compliance introduced the report which set out the external auditor's findings on the objection to the accounts for 2015-16. Neil Gamble, Group Manager Property and Asset Management highlighted the subsequent significant developments in practice within the Property team. Phil Johnstone, Director of KPMG (the Council external auditors for the period in question) summarised his findings.

RESOLVED: 2020/010

That no further information was required in respect of this issue.

8) INTERNAL AUDIT 2019-20 TERM 2 REPORT AND 2020-21 TERM 1 PLAN

Rob Disney, Group Manager – Assurance, introduced the report which outlined work undertaken in the current financial year's Term 2 and sought Members' views on Term 1 of the Internal Audit Plan for 2020-21.

RESOLVED: 2020/011

- 1) That no further actions or follow-up reports were required by the Committee.
- 2) That the planned coverage of Internal Audit's work in Term 1 of 2020-21 would deliver assurance in priority areas to the Committee.

9) QUARTERLY GOVERNANCE UPDATE

Rob Disney, Group Manager – Assurance, introduced the report which sought Members' feedback on the Governance Action Plan for 2019-20 and any further actions required to address the most significant governance issues facing the Council.

During discussions, Members requested that further updates on consistency of practice with Equality Impact Assessments across the Council be included within the Plan.

In response to a suggestion from Members that the effectiveness of public consultation be audited, it was clarified that Policy Committee had previously

agreed for Improvement and Change Sub-Committee to review the Council's current approach.

Members also queried the links between the work of Governance and Ethics Committee and Improvement and Change Sub-Committee, and the means for auditing transformational work approved by the latter.

RESOLVED: 2020/012

That Officers give further consideration to the issues raised by Members during discussions, providing updates to the Committee as appropriate.

10) REVIEW OF DEMOCRATIC SERVICES STAFFING STRUCTURE

Heather Dickinson, Group Manager, Legal, Democratic and Complaints, introduced the report which sought approval for amendments to the staffing structure for Democratic Services to better meet current and future demand.

RESOLVED: 2020/013

- 1) That the revised staffing structure for Democratic Services, as set out in Appendix 1 to the committee report, be approved.
- 2) That a request be made to the Finance and Major Contracts Committee for the £87,082 costs to be funded from contingency.

The requisite number of Members requested a recorded vote and it was ascertained that the following 6 Members voted '**For**' the motion:

John Handley	Bruce Laughton
John Longdon	Andy Sissons
Keith Walker	Jonathan Wheeler

The following 2 Members voted '**Against**' the motion:-

Steve Carr	Rachel Madden
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The following 3 Members **abstained** from the vote:

Nicki Brooks	Kate Foale
Errol Henry JP	

It was confirmed that the above motion was therefore carried.

11) WORK PROGRAMME

RESOLVED: 2020/014

That the work programme be agreed, with no further changes required.

The meeting closed at 11.45 am.

21st July 2020**Agenda Item: 6****REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT &
IMPROVEMENT****FINANCIAL REGULATIONS WAIVERS 2019/20****Purpose of the Report**

1. To inform Members about requests to waive the Financial Regulations (waivers) in the Period 1st April 2019 - 31st March 2020.
2. To inform Members about the request to waive the Financial Regulations (waivers) due to the Covid-19 response.

Information

3. The Council's Financial Regulations set out the procedures and standards for financial management and control that must be followed by officers.
4. The Council may only contract with external parties within the legal framework for Local Authority procurement. However, there are occasions where it is not practical or possible to procure contracts in accordance with the standard contract procedures. In such instances officers may seek exemption through a waiver. The waiver process acts as a peer challenge to such requests to ensure there is a valid reason for approval.
5. Waiver requests are considered by the Council's Section 151 (S151) Officer who determines whether they can be approved or not. The S151 Officer may also refer any request for a waiver to the Group Manager Legal, Democratic and Complaints.
6. There are four categories of exemption where the rules for obtaining quotations or running tenders can be suspended. These are: -
 - i. The Section 151 Officer may vary, waive or suspend any financial regulation,
 - ii. The works to be executed or the goods or materials to be supplied consist of repairs to, or parts for, existing proprietary machinery, where such repairs or parts are specific to that machinery or upgrades to existing software packages.,
 - iii. Works, supplies or services are urgently needed for the immediate protection of life or property, or to maintain the immediate functioning of a public service for which the

Council is responsible. In such cases the contract must only last if it is reasonably necessary to deal with the specific emergency,

- iv. The Corporate Director, in consultation with the Group Manager for Procurement, decides that special circumstances make it appropriate and beneficial to negotiate with a single firm or that a single tender be invited and that best value for the Council can be achieved by not tendering.

7. The table below summarises the number of waivers granted in 2019/20 (Table1) compared to the previous year by directorate and value, full details for those waivers are contained in Appendix 1.

Table 1	2019-2020				2018-2019			
Directorate	Number Waivers	Total Value	No. Rejected	Value Rejected	Number Waivers	Total Value	No. Rejected	Value Rejected
Chief Exec	3	£280,000	0	0	0	0	0	0
Adult Social Care (ASC) Health & Public Protection & Public Health	8	£890,808.48	2	£70,155.60	4	£200,750	1	£15,000
Children, Families & Cultural Services (CFCS)	7	£655,167	0	0	3	£88,540.00	2	£38,540
Place	7	£827,949	5	£722,949	8	£548,361.20	1	£340,000
Schools	0	0	0	0	0	0	0	0
TOTAL	25	£2,653,924.48	7	£750,104.60	15	£837,651.20	4	£393,540

8. The total number of waivers has increased since last year. In 2019-20, 28% of requests received were rejected.
9. There has been a significant increase in waiver requests from both Adults and Children's Departments. The number of waiver requests from the Place Department have remained similar to last year, whilst the number from Chief Executive department has increased since

last year. The total value of spend requested through financial waiver has increased since last year.

10. Category Managers continue to work with the directorates to develop procurement category strategies that will aid the continued reduction of waiver requests.

COVID-19 Waivers

11. During the Covid-19 outbreak, the Council's efforts were focussed largely on the response to pandemic and therefore planned commissioning and procurement activity was paused. As such, there was an urgent need to extend contracts that were due to expire and issue direct awards for some services to ensure continuity of service delivery.
12. A similar response has been taken in other neighboring authorities to ensure continuity of service delivery.
13. The tables below summarise the number of waivers granted during the COVID-19 response, full details for the waivers are contained in Appendix 2.

Directorate	Number of Waivers	Total estimated value
Chief Exec	4	£3,025,000
Adult Social Care (ASC) Health & Public Protection & Public Health	4	£5,623,000
Children, Families & Cultural Services (CFCS)	2	£68,000
Place	5	£1,136,000
Schools		
TOTAL	15	£9,852,000

14. Category Managers have started to work with the directorates to develop compliant contracts as the Council moves towards the recovery stage.

Other Options Considered

10. Other options were not considered applicable for this annual update report.

Reason/s for Recommendation/s

11. This report is to inform Members about requests to waive the Financial Regulations (waivers) in the Period 1st April 2019 - 31st March 2020 and during the COVID-19 response. Every effort is made to ensure waivers are kept to a minimum and through this report, members are updated of the detail of spend coming through financial regulation waivers.

Statutory and Policy Implications

12. 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.

RECOMMENDATION/S

1) Members of the Governance and Ethics Committee to consider the detail contained in the report Financial Regulations Waivers 2019/20 and the continued progress in keeping waivers to a minimum.

Nigel Stevenson

Service Director – Finance, Procurement & Improvement

For any enquiries about this report please contact:

Kaj Ghattaora - Group Manager, Procurement

Constitutional Comments (KK 07/07/2020)

13. The proposals in this report are within the remit of the Governance and Ethics Committee

Financial Comments (SES 08/07/2020)

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

Appendix 1

Waiver Details

Number	Ref	Subject	Value	Department	Waiver Details	Approval/Rejection
1	FR299	Group Manager for Property	£70,000.00	Place	The post needed to be filled whilst the permanent post was recruited to.	Approved the waiver was approved on the grounds that the provider has specialist knowledge in order to support the recruitment requirements.
2	FR300	Systems Review Project - Technical Support	£14,850.00	Adults	Technical and specialist support to enable the data and skill transfer from Abacus system to Mosaic. This is part of the Systems Review Board.	Approved The waiver was approved on the grounds that it would not be economically viable to re-tender the service at this stage and the project is in flow, the previous employee supporting the project has left the authority and there is a risk to business failure.
3	FR301	Children's Healthwatch	£23,875.00	Children's	Extension of a children's engagement project to scope out future commissioning work for 2020 and beyond. Any future activity will be	Approved given the value and the time restraints it would not make economic sense to put this through a full tendering process or

					done through formal procurement process.	call off from other frameworks.
4	FR302	Transport Modelling to support the Housing Infrastructure Fund (HIF) Bid Submission	£40,255.00	Place	Transport Modelling to support the Housing Infrastructure Fund (HIF) Bid Submission	Rejected - the waiver was rejected on the basis that the request was retrospective.
5	FR303	Visioning and Place Shaping for Development Corporation	£35,000.00	Place	A procurement process was already underway, however sign off of the specification was delayed by central government. The project needed to continue therefore interim support was sourced	Approved given the value and the time restraints it would not make economic sense to put this through a full tendering process or call off from other frameworks.
6	FR304	Research in Practice	£15,000.00	Children's	The funding is from Department for Education to enable social workers to develop a level of skill. Continious Professional Development for social work is a key priority for the Council and one that Ofsted highlighted that needs priority.	Approved due to one-year contract only and evidence that the market for provision has been explored.
7	FR305	Rushcliffe Home Based Care	£615,000	Adults	This waiver is requested to award a Care Services contract to Metropolitan on a temporary basis until the authority has assessed all the implications around Home Care in Rushcliffe. Metropolitan Housing are the Housing with Care Provider so are already familiar with these housing schemes and have experience of providing	Approved - Approval was based upon urgency of continuing care and the evidence of issues surrounding the supplier market

					home care services in similar housing with care schemes.	
8	FR306	Better Care Fund - Consultancy Support	£20,000.00	Adults	Professor John Bolton and the Institute of Public Care have a long-standing relationship with Nottinghamshire County Council and the Local Government Association (LGA). The LGA are currently procuring Professor John Bolton to complete some elements of this work and are funding 5 days of consultancy. The Council have one-off funding approved by Committee as part of the Winter Plan (Better Care Fund money) available to support improved multi-agency discharge planning in the NUH system.	Approved - this waiver request as John Bolton is the sole provider in this instance. It would be inefficient to appoint someone different to undertake the work who was unfamiliar with the work, system and partners.
9	FR307	Interim in Property Services	£35,934.00	Place	Interim Estates Surveyor to work in Property & Estates to assist with contract set with Hays.	Rejected - on the basis that the request was retrospective.
10	FR308	Systems Review Project - Technical Support Extension	£42,900	Adults	This contractor was sourced through a finance waiver in 2018, following attempts to source resources through Reed which proved unsuccessful. A further waiver was granted in April 2019 to complete this work.	Approved - this request is approved as an alternative contractor cannot be sourced at this late stage in the project. The approval is subject to no further work being commissioned through

					The project has been delayed further, therefore the request for a further waiver to complete this project. This is a key element of the Systems Review Project and the additional work is essential to complete the Systems Review Project on time, to ensure effective transfer of data and skills from Abacus to Mosaic.	this route as contingency for slippage in time has been factored in.
11	FR309	Sensory Occupational Therapy Specialists	£10,000.00	Children's	Suitably qualified and experienced Sensory OTs and practitioners are short in supply and recruitment is challenging. NCC have been out to recruitment on two separate occasions and not been able to recruit.	Approved - due to low value and immediate need has been identified
12	FR310	Healthwatch	£596,000	Place	Continuation of contract with current supplier for Healthwatch to ensure fulfilment of joint contract with City Council.	Rejected - tender process can be achieved in the timescales
13	FR311	Alternative Education Data Management System	£9,500.00	Children's	The service provided is the collation of School attendance data by the external provider, Perspective Ltd. It is a statutory duty of the County Council that data relating to the attendance of pupils in Alternative Education Provision is collected and managed.	Approved – due to a statutory duty for the Council

14	FR312	Appointment of an interim Development Surveyor for an initial 3 months (with extension available)	£25,000.00	Place	Due to the increasing number of developments, sites and projects we are dealing with there is an urgent need to increase capacity and bring in more development experience.	Rejected – retrospective waiver
15	FR313	Refurbishment of accommodation to support complex needs of a service user.	£60,000.00	Children's	This waiver is for refurbishment of accommodation to support the complex needs of a service user.	Approved – due to urgency and complexity of service user needs.
16	FR314	Financial arrangement for Development Corporation Delivery Team	£25,760.00	Place	To continue with the investment for the delivery team of the Development Corporation.	Rejected - Retrospective
17	FR315	Use of specialist deaf blind care provider as a one-off provision for a specific service user for personal care needs.	£28,155.60	Adults	Use of specialist deaf blind care provider as a one-off provision for a specific service user for personal care needs.	Rejected - Retrospective waiver and possible compliant routes to commission the service needs to be explored.
18	FR316	Procurement of several urgently required services on behalf of the Midlands Engine. These services were being procured by Nottingham City Council as the accountable body, but they have been unable to meet the timescales required. Funding will be	£180,000.00	Chief Executive	This is a short-term arrangement to enable existing work to carry on and therefore there is not enough time to go through a procurement process. The suppliers are not available on any direct award frameworks	Approved - No alternatives are available.

		transferred to NCC to enable these orders to be placed.				
19	FR317	Provision of MAPA (Management of Actual and Potential Aggression) training for social care staff	£90,000.00	Chief Executive	Procurement, in conjunction with workforce development, ran a procurement process but were unsuccessful because of the accreditation the supplier needs to have. This is the only company that can provide this service.	Approved -Waiver approved as no other suppliers in the market.
20	FR318	Safe Booth	£36,792.00	Children's	This Provider is the only one offering the specific requirements that support the complex needs of the service user.	Approved - Immediate requirement and complex needs of service user
21	FR319	Sensory Garden	£42,000.00	Adults	Direct award for the creation of a sensory garden at an adult social care provision.	Rejected - Other routes available to the market including a landscape framework
22	FR320	Better Care Fund Falls Bid - Otago Training	£17,640.00	Adults	Falls training is bespoke to one organisation it is therefore not possible to obtain quotations or to seek tenders in this case. Linked to BCF funding	Approved - No other options available
23	FR321	Service User with Complex needs	£110,262.88	Adults	All attempts at a non-bespoke service in the past have failed. It is essential service user has a stable level of care and support which is meeting their needs.	Approved - No alternatives available

24	FR322	Extension to contract with independent advisor on pensions board	£10,000.00	Chief Executive	Extension to enable time to complete work due to further statutory guidance regarding the operation and governance of LGPS Pension Funds having been delayed	Approved - Low value no alternatives
25	FR323	Speech and Language and Communication service in Children's Centres	£500,000.00	Children's	Direct Award for Speech, language and communication needs in the children's centres due to tight timescales and staff already employed by this provider.	Approved

Appendix 2 – Covid-19 Waivers

Project Title	Estimated Annual Value	Estimated Duration	Comments	Category	Date
Insurance for Direct Payments	£5,000	6 months	To speed up the allocation of Direct Payments so service user can leave Hospital quicker, particularly due to COVID-19	ASCH	18/03/2020
Day Opportunities	£5,000,000	Review weekly	Delay in issuing tender until crisis has ended. Continue with accredited system	ASCH	17/03/2020
Unplanned Care Beds	£600,000	3 Months' notice before issuing tender	Delay in issuing tender until crisis has ended. Seek existing Provider to extend current terms.	ASCH	18/03/2020
Framework Agreement for the Supply of Software and associated Services	£2,500,000	12 months	Delay in issuing tender until crisis has ended and there is ICT staff availability as well as likelihood of getting competition in the market.	Chief Executives	23/03/2020
Translation and Interpretation Services	£25,000	12 months	To do a direct award instead of further competition for a one-year contract. There is limited supply of translators and coronavirus will affect this as well as translators being needed.	Chief Executives	26/03/2020
LAN Contract	£250,000	12 months	Delay in issuing tender until crisis has ended and there is ICT staff availability as well as likelihood of getting competition in the market.	Chief Executives	26/03/2020
27 days of work on Online MML project	£11,000	One off payment, no duration	Looked After Team Virtual Schools Contact team had to move learning sources online at last minute	Children's	31/03/2020
Bottle water Machines	£25,000	9 months	Extended to end of financial year as unlikely to receive bids at this time	Place	08/04/2020
Plumbed in Water Machines	£25,000	9 months	Extended to end of financial year as unlikely to receive bids at this time	Place	08/04/2020
Cleaning Services Turbine Centre	£36,000	Has been approved for	Service required as current cleaners have left under extenuating circumstances however centre is still operational	Place	14/04/2020

		one year maximum			
Community Support Mansfield	£18,000	1 Year	Review of service required, unable to be completed due to COVID-19. Will review before March 2021	ASCH	03/06/2020
Enforcement Officers	£950,000	1 year	Unable to complete contract in timeframe and staff furloughed at supplier due to not being used during the crisis	Place	05/06/2020
Bus Shelter maintenance	£100,000	9 months	New requirements due to COVID-19 need to be looked at before retendering	Place	05/06/2020
Voice and calls contract	£250,000	1 year	Need to review requirements due to change in technology. ICT staff busy meeting COVID-19 requirements and so tender will be delayed	Chief Executives	05/06/2020
Agency Staff to support Children's Residential Care Settings	£57,000	3 months	REED was approached, and couldn't source, therefore using another Agency to support during the time of the COVID-19 crisis	Children's	08/06/2020

21 July 2020**Agenda Item: 7****REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND
IMPROVEMENT****STATEMENT OF ACCOUNTS 2019/20 – ACCOUNTING POLICIES****Purpose of the Report**

1. To allow Members to review and consider the proposed accounting policies used in creating the Authority's Statement of Accounts for 2019/20.
2. Members recommend the updated Accounting Policies to Policy Committee for approval.

Information

3. The Statement of Accounts includes a section explaining the accounting policies used in producing the main statements for the benefit of the reader. Both the Code of Practice on Local Authority Accounting (The Code) and our External Auditors indicate that these policies should be reviewed and approved by the Governance and Ethics Committee prior to inclusion in the final Statement of Accounts.
4. As well as updating the various dates in the accounting policies the following change has been made:
 - Accounting Policy 8 - The CIPFA Code does not specify de-minimis thresholds instead its level should be regularly reviewed and set in relation to our estimation of materiality. As such, the threshold for capitalising non-Property assets has been set at £10,000 to reflect the materiality of the overall financial statements.
5. The proposed 2019/20 accounting policies can be seen in Appendix A.

Other Options Considered

6. This report is for the approval of statutory required accounting policies.

Reason/s for Recommendations

7. It is considered good practice to have the Authority's accounting policies approved each year. In addition, the Code of Practice on Local Authority Accounting in the United Kingdom requires changes to the Authority's accounting policies to be approved.

Statutory and Policy Implications

8. 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 where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That Members consider the proposed changes to the Authority's accounting policies.
- 2) That Members recommend the updated Accounting Policies to Policy Committee for approval.

Nigel Stevenson

Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact:

Glen Bicknell, Senior Accountant, Financial Strategy and Compliance

Constitutional Comments (KK 07/07/2020)

9. Governance and Ethics Committee is the appropriate body of the Council to consider the report.

Financial Comments (GB 23/06/2020)

10. There are no financial implications arising 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.

- Code of Practice on Local Accounting in the United Kingdom 2018/19

Electoral Division(s) and Member(s) Affected

- Not applicable

STATEMENT OF ACCOUNTING POLICIES

1. General Policies

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require them to be prepared in accordance with proper accounting practices. These practices primarily based on the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which is based on International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

4. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

5. Costs of Support Services

The costs of overheads and support services are charged to services in accordance with the Authority's arrangements for reporting accountability and financial performance.

6. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

7. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible non-current assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

8. Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Assets are, however, only recognised when they exceed the de-minimis levels for 2019/20 set out below:

Asset Type	De minimus
Land and Buildings	£0
Community Assets	£10,000
Infrastructure Assets	£0
Assets under Construction	£0
Heritage Assets	£10,000
Vehicles, Plant, Furniture and Equipment	£10,000
Other assets	£10,000

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, Community Assets and Assets under Construction – depreciated historical cost
- Heritage Assets - held at valuation or, under certain conditions, historical cost (depreciated where appropriate)
- Operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- Non-Operational Assets (i.e. not providing service potential to the Authority) – fair value as per the requirements of IFRS13 using the principle of “highest and best use” from a market participants perspective.

Where there is no market-based evidence of current value because of the specialist nature of an asset (e.g. school buildings), depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

The current land and building values used in the Statement of Accounts are based upon a certificate as at 31 March 2020 issued by Mr N Gamble MRICS, Group Manager – Property Asset Management from the Authority’s Place Department on 26 June 2020. A rolling 5 year revaluation programme is in place to maintain the accuracy of the valuations. When significant changes occur in any year they are included in the revaluation schedule undertaken during that year.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that they may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all PPE assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is charged in the year after acquisition or construction. Where depreciation is provided for, assets are depreciated using the straight line method. The lives of the assets vary and fall within the following ranges:

Asset Type	Useful Life (In Years)
Buildings	1 – 50
Vehicles and plant	1 – 20
Infrastructure	40
IT and other equipment	3 – 5
Intangibles	3 – 5
Furniture and Fittings	5 - 15

Where an item of PPE has major components whose costs are at least 20% of the total cost of the item, the components are depreciated separately. A review was carried out for all items over a de-minimis of £0.5 million. For the 2019/20 Statement of Accounts, the Authority has not identified any components to be depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Accounting for Schools Property, Plant and Equipment

The Authority has made detailed judgements regarding the control exercised over schools run in a wide variety of ways to determine whether non-current assets should be held on the Balance Sheet. The treatment of all schools has been considered by analysis predicated on the application of tests inherent within the following IFRS adopted by the CIPFA Code (Module 4 – Non Current Assets) – IAS16 – Property, Plant and Equipment, IAS17 – Leases and IFRIC12 – Service Concession Arrangements. This has resulted in the following treatment:

- Academy schools - off-Balance Sheet
- Foundation schools - on-Balance Sheet
- Voluntary Aided schools – off-Balance Sheet
- Voluntary Controlled schools – off-Balance Sheet
- Community schools – on-Balance Sheet

The assets of those Schools that convert to Academy status are derecognised from the Authority's Balance Sheet at nil proceeds. No impairment is recognised by the Authority prior to disposal.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction, rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are required to be credited to the Capital Receipts Reserve and can then be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement).

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement. [Page 30 of 176](#)

9. Revenue Expenditure Funded from Capital Under Statute (REFfCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

10. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower), where the fair value exceeds the de-minimus limit. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to write down the lease liability. Where material, contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

11. Private Finance Initiatives (PFI) and Similar Contracts

The Authority has entered into a number of Private Finance Initiative contracts. PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment in the Bassetlaw Schools PFI scheme and

East Leake Schools PFI scheme, the liability was written down by initial capital contributions of £9.0 million and £2.9 million respectively.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – charges for ongoing capital maintenance of the Property, Plant and Equipment debited to the relevant scheme.

12. Heritage Assets

Tangible and Intangible Heritage Assets

The Authority's Heritage Assets are held at County Hall or at the Nottinghamshire Archives. Nottinghamshire Archives has a number of architectural drawings and records relating to Rufford Abbey and the Savile of Rufford Estate. These collections are held in support of the primary objective of the Authority's Archives. In addition, the Authority retains a number of important ceremonial regalia and paintings that are also retained for increasing the knowledge, understanding and appreciation of the Authority's history and local area.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on Property, Plant and Equipment.

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. Where assets are disposed of, the proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of Property, Plant and Equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

13. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the

Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

14. Investment Properties

Investment Properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment Properties are measured initially at cost and subsequently at fair value as per the requirements of IFRS13. Fair value is based on the amount at which the asset could be sold in an orderly transaction between knowledgeable market participants at the measurement date. As a non-financial asset, an investment property will be measured at its highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

15. Employee Benefits and Pensions

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement

termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pension Scheme, administered by Nottinghamshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children and Young People and Schools line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme (LGPS)

The Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees. In assessing these liabilities at 31 March 2020 for the 2019/20 Statement of Accounts, the actuary made a number of changes in the assumptions underlying the present value of the scheme liabilities. These include changes in the assumed pensions increases and inflation.
- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

The change in the net pensions liability is analysed into several components:

- Service Cost comprising:
 - current service cost / gain – the change in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Other Operating Income and Expenditure.
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – credited/debited to the Pensions Reserve
 - Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

16. Cash and Cash Equivalents

Amounts held in call accounts or money market funds are highly liquid and readily convertible. These can be held for relatively long periods as call account rates are currently attractive. However, these accounts are used to cover short-term cash flow needs and so will be classed as cash equivalents.

Fixed term investments, of whatever duration, and amounts held in notice accounts are not readily convertible to known amounts of cash. Fixed deals and notice periods can be broken but only through negotiation with the borrower and at a penalty depending on the fair value of the loan at the time of break. All such investments will not therefore be classed as cash equivalents.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

17. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest

charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the relevant organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

18. Fair Value Measurement

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability

19. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

20. Interests in Companies and Other Entities

The Authority has involvement with a number of entities where interests are not considered to be material. The nature and value of the relationships are disclosed within the single entity

accounts. In line with the Code requirement on group accounts and consolidation, maintained schools within the county are considered to be entities controlled by the Authority. The income, expenditure, assets and liabilities, reserves and cash flows of these schools are recognised within the Authority's single entity accounts rather than group accounts.

21. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

22. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence, or otherwise, of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

23. Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence, or otherwise, of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

No contingent assets have been identified for the Authority at 31 March 2020.

24. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

25. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for Local Authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Local Authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Local Authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

26. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

27. Accounting for Council Tax and NNDR

The Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NNDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of Council Tax and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

21 July 2020

Agenda Item: 8

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

INFORMING THE AUDIT RISK ASSESSMENT – 2019-20 STATEMENT OF ACCOUNTS

Purpose of the Report

1. To inform Members of the External Auditors' requirement for the provision of information regarding the Council's approach to dealing with fraud, litigation, laws and regulations as part of their audit of the County Council's accounts for 2019/20 and to allow Members to comment on the response.

Information and Advice

2. As part of the annual approach taken by our External Auditors, Grant Thornton seek responses to matters concerning the Council's approach and reporting on a number of areas, in particular related to themes surrounding fraud, going concern, laws and regulations, together with some areas specific to the accounts such as related parties and estimates used in the accounts. The responses to these questions form part of the overall audit and will inform the approach taken by Grant Thornton to the audit of the Council's Statement of Accounts for 2019/20.
3. The 2019/20 response to this request for information is attached for Members to comment upon.

Other Options Considered

4. None.

Reasons for Recommendation

5. To update Members and seek their views on progress with the audit risk assessment.

Statutory and Policy Implications

6. 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 where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That the Committee considers the 'Informing the Audit Risk Assessment for Nottinghamshire County Council for 2019/20' document from the external auditors and highlights any further actions or information required at this stage.

Nigel Stevenson

Service Director – Finance, Infrastructure & Improvement

For any enquiries about this report please contact:

Glen Bicknell, Senior Accountant, Financial Strategy and Compliance

Constitutional Comments (KK 07/07/2020)

7. The proposal in this report is within the remit of the Governance and Ethics Committee.

Financial Comments (GB 23/06/2020)

8. There are no direct financial implications arising 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



Grant Thornton

An instinct for growth™

Informing the audit risk assessment for Nottinghamshire County Council 2019/20

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Nottinghamshire County Council's external auditors and Nottinghamshire County Council's Nottinghamshire County Council Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Nottinghamshire County Council Committee under auditing standards.

Background

Under International Standards on Auditing (UK) (ISA(UK)) auditors have specific responsibilities to communicate with Nottinghamshire County Council Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Nottinghamshire County Council Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Nottinghamshire County Council Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Nottinghamshire County Council Committee and supports the Nottinghamshire County Council Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Nottinghamshire County Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Going Concern,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Nottinghamshire County Council's management. The Nottinghamshire County Council Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2019/20?	<p>The statement of accounts contains estimated figures that are based on assumptions made by the Council about the future that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. The estimates that have the most significant impact on the accounts relate to non-current asset valuations and the pension liability and these are being reviewed in the light of COVID19 to assess their impact on the financial statements.</p> <p>PF Two material transitions/investments in LGPS Central funds will have taken place by the end of the year.</p>
2. Have you considered the appropriateness of the accounting policies adopted by Nottinghamshire County Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	<p>The accounting policies which set out the specific principles, rules and practices applied by the Authority in preparing and presenting the financial statements are approved each year by the Governance and Ethics Committee. It is not proposed that any accounting policies will be changed in preparation of the 2019/29 Statement of Accounts.</p>
3. Is there any use of financial instruments, including derivatives?	<p>We do not have any financial instruments that involve embedded derivatives.</p> <p>PF We do not have any financial instruments that involve embedded derivatives. However the Pension Fund has previously had FX contracts, and some of our investment funds include derivatives within them.</p>
4. Is Are you aware of any significant transaction outside the normal course of business?	<p>We are not aware of any significant transactions that are outside of the normal course of business.</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	It is the view of our internal valuers that the property market remained generally stable throughout 2019/20. However, current insight in relation to the outbreak of Covid-19 indicates that many markets can be defined as uncertain in the weeks leading up to the effective valuation date of 31st March 2020. The potential impact of this is yet to be understood in terms of severity and longevity. In this regard, the absence of direct observable market data does not give rise to a general market impairment at this stage. Any specific impairment of assets will be factored into the revaluation process.
6. Are you aware of any guarantee contracts?	We are not aware of any material financial guarantee contracts. PF Nottinghamshire Pension Fund has guaranteed a share of the pension liability relating to employees of LGPS Central Ltd that transferred into the company on creation. It is unlikely that this is a material sum, but it is disclosed in the accounts and will be reviewed at year end.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	Any contingent assets or liabilities arising as a result of litigation, claims or assessments are notified annually in the annual statement of accounts following a request by colleagues in Financial Services.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Nottinghamshire County Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The Council uses external legal advisors where appropriate for a broad range of advice and assistance with cases and has a tendered framework agreement (the EM Lawshare Framework) which it uses for much of this. The Framework appoints 7 partner firms for a 4 year term which runs from 2018 to 2022. In addition, Legal Services has used additional private sector firms for statutory child protection litigation work which it was unable to contain in-house last year and which is not covered by the above framework. I am not aware of external solicitors working on open litigation (other than child protection as above) or contingencies from prior years save for external advice provided via the Local Government Association in respect of group legal action which are often on a "no win no fee" basis. The Council generally manages work on Judicial Review and Employment cases internally with advice as required from Counsel but where there may be capacity issues this can result in outsourcing through the EM Lawshare Framework.

General Enquiries of Management

Question	Management response
9. Have any of the Nottinghamshire County Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	Not that I am aware of, however where advice on any matters might reveal shortcomings in the Council's practice and procedures these will be identified as part of effective management of the legal case and will be drawn to the attention of the relevant management within service areas to address.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>Barristers advice is sought as and when required on a variety of matters which it would be too detailed to set out. They range from simple hearings to advice on statutory responsibilities and actual or potential litigation and such advice is used as a mechanism to manage risks and cases effectively.</p> <p>PF We have an Independent Adviser who advises on a range of investment and asset allocation issues.</p>

Fraud

Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Nottinghamshire County Council Committee and management. Management, with the oversight of the Nottinghamshire County Council Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Nottinghamshire County Council Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Nottinghamshire County Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Risk & Assurance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Nottinghamshire County Council Committee oversees the above processes. We are also required to make inquiries of both management and the Nottinghamshire County Council Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Nottinghamshire County Council's management.



Fraud risk assessment

Question	Management response
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	<p>Internal Audit consider the exposure to fraud risk as part of the internal planning process and consider such classes of accounts to be Stock, Cash, Investments, Payroll, Creditors, Income Collection and Debt Recovery. These areas are considered during the Internal Audit Planning process and as part of the Counter Fraud Risk assessment. The risks to cash, investment, income collection also consider the impact of Cyber fraud from the access to accounts to the processing of banking and payment mandates that can be used to divert funds.</p> <p>Other classes of accounts are considered from disclosure within the financial statements such as related parties, investments, asset valuation etc which are covered within other sections and subject to the established Internal Audit risks assessment processes.</p> <p>Accounting treatment, such as accruals, prepayments and accounting estimates are considered through corporate finance in relation to potential misstatement rather than fraud.</p> <p>PF Potential fraud through unreported deaths, or payment fraud where payments out of the fund might be directed to bogus accounts.</p>
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Nottinghamshire County Council as a whole or within specific departments since 1 April 2019? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	<p>SL Yes, such cases have been identified as part of internal audit work and cases have been subject to appropriate action. Cases have been recorded in the Annual Fraud Report. Cases have also been reviewed and actioned by departments: Adults, Social Care & Health and Trading Standards with appropriate input from senior managers and Police.</p> <p>Internal Audit have been involved in referrals in relation to a number of cases involving suspected fraud as maintained on the investigations register. All cases have been valued under £100k and have been either investigated by internal audit, internal audit and the department or have been referred to the police. Work has been undertaken and recovery action instigated for deprived asset cases where a notional capital holding has been applied to ensure the correct client contribution is made and to restrict the payments made to service users.</p> <p>PF No. The Admin office may be aware of smaller scale issues.</p>

Fraud risk assessment

Question	Management response
<p>1. Have Nottinghamshire County Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do Nottinghamshire County Council's risk management processes link to financial reporting?</p>	<p>The Council has undertaken an overall assessment of the risk of material misstatement in the financial statements as being low based on the good inherent record for completion of the financial statements, the current control environment and the management perception of risk based on the assessment of materiality for the Nottinghamshire County Council Financial Statements (NCC) and Nottinghamshire County Pension Fund. (NCPF)</p> <p>The risk assessment is based on the assessment made by management, the opinions expressed in the Annual Governance Statement and the methods employed by the Head of Internal Audit to review the Governance Arrangements.</p> <p>A material misstatement would require a fraud of £20m – NCC or £50m - NCPF. (Based on the assessment for the 2018/19 Financial Statements) . The key systems which could result in a mis-statement of this scale are audited on a rolling programme by internal audit as part of the coverage within the Core Audits (Corporate / Cross Cutting element of the Internal Audit Plan). The Council has a broad range of controls in place over the key systems to mitigate the risk of a material mis-statement.</p> <p>Current fraud risks have been identified and assessed as part of the Annual Fraud Risk Assessment and work undertaken to address them has been reported as part of the Annual Fraud Report 2018/19 (and will again be reported as part of the Annual Fraud Report 2019/20) as reported to the Governance and Ethics Committee. The Annual Fraud Risk Assessment is used to drive the coverage of Counter Fraud work, both proactive and reactive as part of the overall Internal Audit Universe and Termly planning processes.</p>

Fraud risk assessment

Question	Management response
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Nottinghamshire County Council where fraud is more likely to occur?</p>	<p>Please refer to above where the planning process expands into risk areas and work undertaken to identify and mitigate.</p> <p>The general fraud risks considering the environment in which the Council operate are in relation to Procurement, Contract Management, Cyber, Social Care Expenditure, Blue Badge, Concessions and Licence issues.</p> <p>The Fraud Risk assessment considered each element of these risks and highlights specific risks in relation to:-</p> <ul style="list-style-type: none"> • Public Health – Activity Based Contract Payments • Cyber Fraud – Data Protection and Breach • Cyber Fraud – implementation of General IT Controls • Cyber Fraud – Third Party Procurement and Security • Schools – BACS/Cheque/Mandate Risks • Licencing – issue and misuse <p>Implication for Criminal Finance Act 2017 undertook a risk assessment of areas that highest risk of impact – this identified Income Tax IR35; Direct Payments and Grants as being at risk. Risk assessment or Money Laundering identified External Sales, Income collation, debt recovery and cash handling as being areas of higher risk.</p>

Fraud risk assessment

Question	Management response
<p>5. What processes do Nottinghamshire County Council have in place to identify and respond to risks of fraud?</p>	<p>Internal Audit undertake an Annual Fraud Risk Assessment utilising a series of risk criteria and risk scoring to identify high risk locations using aspects such as turnover, cash transactions etc. Risks from processes such as payments and payroll systems are high due to value. A Fraud Risk assessment analyses the key areas of risk for the Council, which is revised annually to inform the counter fraud plan, which results in completion of the Annual Fraud Report.</p> <p>Internal Audit has engaged with the following pro-active counter-fraud activities during 2019/20:</p> <ul style="list-style-type: none"> - Promotion of the Council's Counter Fraud and Counter Corruption Strategy in line with the Fraud Response Plan. - Reviewed policy documentation such as, anti-money laundering policy, anti-bribery and corruption policy etc. - E-learning – Fraud Awareness Course was re-launched through My Learning and International Fraud Week - Alerts from intelligence sources National Anti-Fraud Network, CIPFA etc. have been reviewed and disseminated - Serious & Organised Crime – Home Office – Data sharing has been undertaken with GAIN; - NFI data matches have been completed and reports shared with other bodies. - NFI Re-check has been completed for mortality data and Pensions - Engagement with LGA Procurement Review; CIFAS development of Local Government Tools and FFCL strategy and CIPFA Survey Workshops in relation to Counter Fraud. <p>Completion of Annual Fraud Report for 2018/19 (2019/20 Report will be completed for June 2020) and reported to the Governance & Ethics Committee.</p>

Fraud risk assessment

Question	Management response
<p>5b. What processes do Nottinghamshire County Council have in place to identify and respond to risks of fraud?</p>	<p>Other Counter Fraud activity includes:</p> <p>ASCH – work with Direct Payments team to review processes for recovery of funds to include consideration of fraud. Work on the identification and recovery of assessment and payments in relation to deprivation of assets. This has resulted in new process maps to raise awareness of fraud issues.</p> <p>Risk and Insurance have continued to be engaged with the Association of British Insurers (ABI) to review claims received against a 48 point checklist to screen against fraud risks. This has reduced the number of high risk claims being considered by the Council. Information and advice from the Councils insurers has been strengthened and has involved training with the Counter Fraud Officer at NCC.</p> <p>Business Support Centre (BSC) (inc PF) have actively reviewed payments prior to payment. Software has been installed to check for duplicated payments post payment processing and prior to payment generation. Proactive work on Bank Mandate checks have prevented significant payments being made as a result of attempted fraud.</p> <p>The CIPFA Accredited Counter Fraud Specialist has continued to work with the CIPFA Counter Fraud Centre to ensure current practice, risk and knowledge sharing is undertaken.</p> <p>Working arrangements have continued with Nottinghamshire Police through a Single Point of Contact (SPOC), with Action Fraud and with GAIN for the completion of data washing exercises.</p> <p>Cyber Security (inc PF) – we have reviewed cyber security arrangements as part of the Fraud Risk Assessment and updated the ICT audit plan to reflect the emerging risks. We have also reviewed current local practices against the National Audit Office guidance for audit committees on cyber security with a report taken to the Governance and Ethics Committee in December 2018 and subject to review and update during 2019.</p>



Fraud risk assessment

Question	Management response
<p>6. How would you assess the overall control environment for Nottinghamshire County Council, including: the process for reviewing the effectiveness the system of internal control; internal controls, including segregation of duties; exist and work effectively?</p> <p>If not where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>The application of internal controls, including segregation of duties, is reviewed annually as part of the processes employed to complete the Annual Governance Statement and supported by Assurance Mapping activities. Weaknesses are captured in the document and the work undertaken by the HOIA to form the Annual Opinion.</p> <p>Management monitor their individual areas on an on-going basis and report to their respective management teams. There is a requirement to report any suspected irregularities to Internal Audit, who will determine how to proceed in individual cases, including reporting to police, investigation by internal audit and investigation by management. The Fraud Response Plan sets out the expectations for all to follow.</p> <p>The risks from internal controls and segregation of duties are reviewed as part of the risk based approach undertaken by internal audit in the completion of its work as part of the Termly Plan which is informed by the Internal Audit Risk assessment and Fraud Risk Assessment. These risks assessments utilise a series of risk criteria and risk scoring to identify high risk locations using aspects such as turnover, cash transactions etc. Risks from processes such as payments and payroll systems are high due to value. A Fraud Risk assessment analyses the key areas of risk for the Council, which is revised annually to inform the counter fraud plan and inform the termly planning process.</p> <p>These include close analysis of all the Council's activities and the risk they pose in terms of loss through error/fraud/reputation, exchange of information with other county councils, local district councils and neighbouring authorities, consideration and dissemination of information provided by NAFN, CIPFA, past experience of fraud in the Council and regular scanning of the media to identify losses / issues in other organisations. The Council's Counter Fraud and Counter Corruption Strategy and its Fraud Response Plan are periodically reported to staff groups to refresh awareness. The most recent being through a coordinated launch of fraud awareness as part of the International Fraud Awareness week.</p>

Fraud risk assessment

Question	Management response
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>The Governance control processes in place for the completion of the annual governance statement confirm that control arrangements are in place and have been operated during the course of the year. The governance arrangements are supported by a waiver process where any exceptions to the control function are approved. This process is controlled and reported to the Governance and Ethics Committee on an annual basis. There are no areas that have been identified for the override or controls due to the inappropriate influence.</p> <p>The Head of Internal Audit is not aware of any inappropriate over rides of management controls.</p> <p>A monthly budget monitoring process is undertaken to ensure that any variances to the budget are identified and reported to both the Corporate Leadership Teams and Finance and Major Contracts Management Committee on a timely basis. All variations are therefore considered buy management as part of an open and transparent process.</p>

Fraud risk assessment

Question	Management response
<p>8. How do Nottinghamshire County Council communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>Officers and members undertake their roles in line with Codes of Conduct and personnel handbook. The Council's constitution provides the framework for an comprehensive set of internal controls to prevent fraud. The requirements are set out in further detail within Financial Regulations and these are complemented by more detailed guidance at departmental level. Internal Audit have an annual programme of work which is agreed with the Governance and Ethics Committee.</p> <p>This programme of work provides assurance that these controls are in place, effective and complied with. Staff are reminded of the need for vigilance from time to time using Team Talk and corporate training materials. Awareness has been raised through Team Talk and intranet news to promote the work undertaken in line with the Fraud Response Plan. The Council has a whistle-blowing policy which reminds staff of the need to report instances of fraud. The Annual Fraud Report sets out how management has responded to fraud cases arising over the previous year. The Council provides information on fraud and collusion to contractors and review compliance with their own practices.</p> <p>The Council continues to have a Code of Conduct for employees. The Code details the standards of conduct expected of employees and subsequent consequences. Details of these expectations are shown in Section D35 of the Personnel Handbook which are available to all on the intranet. Internal Audit has completed an audit of ethics. Issues are reported by the Head of Internal Audit, Monitoring Officer and Line Managers. These are escalated to Head of Internal Audit for consideration of investigation. Internal Audit are engaged in a number of investigations where compliance issues have been identified and departmental action has been taken. None are significant to the Financial Statements. Awareness training is provided through My Learning, Team Talk and Intranet news articles. These have included counter fraud awareness articles to bring the Counter Fraud Response Plan to the attention of officers and staff along with the provision of an e-learning training course.</p>

Fraud risk assessment

Question	Management response
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>High risk posts are assessed as part of the vacancy management processes and the recruitment needs such as exposure to financial, safeguarding, vulnerable persons risks etc. These are mitigated through enhanced recruitment and management checks as part of the recruitment processes and processes put in place to check for identify fraud along with obtaining additional reference and DBS checks etc.</p> <p>From a fraud perspective the roles that involve payment (raising and collection) are considered a risk due to fraud and or theft. This includes staff involved in corporate roles (BSC payroll, pensions, vendor management, Investment, Pension Fund Management) and also in relation to establishments such as school (Office Administration) and care facilities (Care Home Managers) etc. This extends to debt collection staff with the ability to credit, suspend or cancel debt payments etc.</p> <p>Staff involved in care to vulnerable children and adults pose a risk in terms of safeguarding and fraud, especially if have responsibility for commissioning / providing care services or are involve din the management of individuals funds. This extends to staff involved in protecting assets of vulnerable people and / or dealing with the possession of valuables after death.</p> <p>Staff involved in the procurement and handling of stock and consumables such as Stocks and Stores in relation to maintenance, ICT and catering functions. This would also extend to staff involved in the use of tangible assets and consumables owned by the council to ensure appropriate use.</p>

Fraud risk assessment

Question	Management response
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>The Financial Statements identify all the related parties for the Council and the Pension Fund. Central Government – through the framework for grants and funding (Council tax and benefit payments) Relationships in relation to members were identified where they held position with bodies receiving grants.</p> <p>Related transactions related to Arc, Via, Nottinghamshire (Futures), Inspire and LGPS Central for the PF are detailed within notes to the financial statements.</p> <p>Departments are required to identify related parties that they have in operation in addition to the corporate requirements. Related parties in relation to individuals are identified during the financial statements generation and are reviewed prior to declaration.</p> <p>We are not aware of any significant or unusual transactions that would give rise to fraud. We are not aware of any unusual transactions with third parties that could give rise to the risk of fraud.</p> <p>No significant unusual transactions have been entered into during 2019/20. Cash holding and handling is reduced to a minimum and payments are subject to vetting prior to payment. The Council have not entered into any new JV's or PFI transactions.</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Nottinghamshire County Council Committee?</p> <p>How does the Nottinghamshire County Council Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>A Fraud Risk Assessment is undertaken which is used to inform the Annual Fraud Plan and work within the Internal Audit Planned activity. Activity in relation to Counter Fraud is reported through the Annual Fraud Report and developments captured as part of the Fraud Plan. The annual fraud report is considered by the Governance and Ethics Committee each year. The Corporate Leadership Team and the Governance and Ethics Committee are consulted on the Termly Internal Audit Plan, the latest in October 2019 and March 2020. Termly plans incorporate both proactive and reactive counter fraud work. Meetings are held on a 6 weekly basis between the Head of Internal Audit and the Chairman of the Governance and Ethics Committee and include a periodic update of work against the termly plan and update on counter fraud activity.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>The Monitoring Officer compiles an annual report in relation to Whistleblowing which was presented to the Governance and Ethics Committee on 19 December 2019. The report identified two concerns being raised under the policy and the actions taken in relation to each of these. When appropriate this includes further referral to Internal Audit for potential fraudulent activity.</p> <p>The Governance and Ethics Committee have endorsed that actions taken by officers to respond to whistleblowing cases and continued to promote the policy to staff and departments through the Team Talk intranet articles. The next annual whistleblowing Report is due for reporting to the Governance and Ethics Committee in May/June 2020.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>See above in relation to the Bribery Act.</p>



Law and regulations

Issue

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Nottinghamshire County Council Committee, is responsible for ensuring that Nottinghamshire County Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Nottinghamshire County Council Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Nottinghamshire County Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to Nottinghamshire County Council's regulatory environment that may have a significant impact on Nottinghamshire County Council's financial statements?</p>	<p>Decision making is undertaken by Committees and other meetings of the County Council based on reports following standardised templates with sections covering financial, constitutional, human rights, equalities implications etc. Each report is checked for compliance prior to publication. In addition, each department and service area is aware of the legal and regulatory framework relevant to their areas and appropriately qualified staff are recruited and trained in relevant procedures and processes. There is oversight by relevant government and other agencies tasked with monitoring standards and compliance. Periodic internal audit inspections of each service area take place. Legal advice is available for any casework or individual queries. The Monitoring Officer sits on the Corporate Leadership Team and attends Policy Committee and Full Council.</p>
<p>2. How is the Nottinghamshire County Council Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Decision making by Committees and other meetings at the Council subject to appropriate advice via standardised committee reports covering relevant issues for consideration. The Annual Governance Statement summarises the processes and procedures in place that govern the arrangements. Internal Audit procedures, legal advisory support from in-house and (where necessary) external advisors on different areas of service delivery. Training and development of staff from both internal and external sources, accreditation with relevant professional bodies, whistle-blowing policy, Financial Regulations, contract procedures, complaints procedures, internal and external investigations, HR procedures, terms and conditions of employment including disciplinary procedures etc.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2019 with an on-going impact on the 2019/2020 financial statements?</p>	<p>Internal Audit deal with allegations of fraud or criminal behaviour which is reported to the relevant authorities for investigation. Not aware of any other instances of non-compliance which would be required to be reported to the Council's Monitoring Officer for consideration of the need for a report to the Council if they arose.</p>

Impact of laws and regulations

Question	Management response
4. Is there any actual or potential litigation or claims that would affect the financial statements?	Any contingent assets or liabilities arising as a result of litigation, claims or assessments are notified annually in the annual statement of accounts following a request by colleagues in Financial Services.
5. What arrangements does Nottinghamshire County Council have in place to identify, evaluate and account for litigation or claims?	Risk and Insurance manage insurance claims, together with the Council's insurers and having taken external legal advice where appropriate. Non-insured cases are managed by Legal Services together with external advisory support where appropriate with claims being pursued or settled on the basis of legal advice in accordance with provisions within the Constitution. Any contingent assets or liabilities arising as a result of litigation, claims or assessments are notified annually in the annual statement of accounts.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	We are not aware of any such reports.

Going Concern

Issue

Matters in relation to going concern

ISA (UK) 570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Going concern considerations have been set out below and management has provided its response.

Going concern considerations

Question	Management response
1. Has the management team carried out an assessment of the going concern basis for preparing the financial statements for Nottinghamshire County Council? What was the outcome of that assessment?	<p>It should be noted that 2019/20 was the final year of a four year settlement from Central Government. Despite a further one year settlement announced in December 2019, there is much uncertainty surrounding the delayed changes to the business rates methodology, the delayed fair funding review, the delayed social care green paper and the implications of Brexit. This does not however cast doubt on the Council's ability to continue as a going concern and the MTFS will continue to be reviewed regularly to ensure that it reflects the latest information available. The outcome of the going concern exercise can be seen in the Annual Budget Reports that are submitted to Full Council in February of each year.</p> <p>PF Because of the nature of the Pension Fund, and its assets and liabilities the going concern basis is appropriate. The Council is currently responding to the consequences of COVID-19. A report which sets out the impact of the COVID19 crisis on the work of the Council was reported to Policy Committee on 17 June 2020. A Finance Resilience Group has been established to consider the impact of the crisis and will be reviewing all of the assumptions in the MTFS. Regular reports will be provided to the Corporate Leadership Team and Members to keep them informed of the financial implications of the crisis</p>
2. Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with Nottinghamshire County Council's Nottinghamshire County Council and the financial information provided to Nottinghamshire County Council throughout the year?	<p>Your Nottinghamshire, Your Future, the County Council Plan sets out the strategic ambition for the future of Nottinghamshire and the Council, structured around four vision statements and supported by twelve commitments. The annual budget report sets out the financial framework around which the County Council will achieve its strategic vision statements and meet the success factors that underpin the County Council's twelve commitments. The Council's Planning and Performance Management Framework ensures the alignment of the Council Plan, the Departmental Strategies and the MTFS.</p>

Going concern considerations

Question	Management response
3. Are the implications of statutory or policy changes appropriately reflected in Nottinghamshire County Council, financial forecasts and report on going concern?	The Council undertakes a robust process each year to identify new cost pressures as well as justifying any existing cost pressures within the MTFS. An on-going process to identify and potential savings and efficiencies across the Council also takes place. The implications of any statutory or policy changes are picked up either as part of these exercises or through the rigorous view of the Council's other MTFS assumptions
4. Have there been any significant issues raised with the Nottinghamshire County Council Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	Both internal audit and external audit report regularly to the Governance and Ethics Committee. During 2019/20, no adverse comments have been raised with regard to either financial performance or significant weaknesses in systems of financial control.
5. Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?	<p>The financial position of the Council is reported to the Finance and Major Contracts Managements Committee on a monthly basis. The financial monitoring reports show the current position with regard to the revenue budget and the capital programme. It also provides an update on the current position with regard to Treasury Management. On a quarterly basis, the financial monitoring reports also report on the performance of Accounts Payable, Account Receivable and Procurement. The financial monitoring process has not picked up any adverse financial indicators during 2019/20.</p> <p>Detailed progress on the Council's plans, departmental strategies and details of achieving the councils savings and transformation plans are reported quarterly to the Improvement & Change Sub-Committee. Both Committees receive reports identifying improvement actions where necessary.</p>

Going concern considerations

Question	Management response
<p>6. Does Nottinghamshire County Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of Nottinghamshire County Council's objectives? If not, what action is being taken to obtain those skills?</p>	<p>Yes. The Members of the Corporate Leadership Team (CLT) is a stable team that has a wealth of experience in many facets of County Council services. They have the skills and knowledge necessary to ensure that the Council's objectives, set out in the Council Plan – Your Nottinghamshire, Your Future - are delivered. The Section 151 officer sits on CLT who receive regular performance, finance and service reports to ensure that progress is made against all objectives. In addition, Senior Leadership Teams across all Departments meet regularly and are supported by dedicated finance teams.</p> <p>From a financial viewpoint, the Council has the appropriate mix of qualified, part-qualified and trainees to undertake financial management & support activities. The senior finance managers including the Service Director, Group Managers and Team Managers are qualified accountants with considerable experience. Junior Officers in Finance Group are either qualified or part-qualified accountants or AAT qualified staff.</p> <p>The Council's robust Employee Performance & Development Review process records training and development undertaken and required to be undertaken and meets the various professional accounting bodies requirements for CPD.</p>

Going concern considerations

Question	Management response
7. Does Nottinghamshire County Council have procedures in place to assess their ability to continue as a going concern?	The County Council on the 28 February 2019 set the annual budget and capital programme budget to 2021/22 and the Medium Term Financial Strategy over the same period. This report included the formal assessment by the Section 151 Officer on the robustness of the Budget Estimates and the adequacy of the County Council's reserves in accordance with the 2003 Local Government Act. This indicates the Section 151 Officer has considered that the Council has is a going concern. As set out above, a Finance Resilience Group has been established to consider the impact of the COVID-19 crisis and will be reviewing all of the assumptions in the MTFS. Regular reports will be provided to the Corporate Leadership Team and Members to keep them informed of the financial implications of the crisis
8. Is management aware of the existence of events or conditions that may cast doubt on Nottinghamshire County Council's ability to continue as a going concern?	As set out above, despite the uncertain financial environment that the Council is working within and the CIVID-19 crisis, this does not cast doubt on the Council's ability to continue as a going concern and the MTFS will continue to be reviewed regularly to ensure that it reflects the latest information available.



Going concern considerations

Question	Management response
<p>9. Are arrangements in place to report the going concern assessment to the Nottinghamshire County Council Committee ?</p> <p>How has the Nottinghamshire County Council Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing financial statements?</p>	<p>The County Council on the 28 February 2019 set the annual budget and capital programme budget to 2021/22 and the Medium Term Financial Strategy over the same period. This report included the formal assessment by the Section 151 Officer on the robustness of the Budget Estimates and the adequacy of the County Council's reserves in accordance with the 2003 Local Government Act. This indicates the Section 151 Officer has considered that the Council has is a going concern.</p>

Related Parties

Issue

Matters in relation to Related Parties

Nottinghamshire County Council are required to comply with IAS 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Nottinghamshire County Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over Nottinghamshire County Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees Nottinghamshire County Council, or of any entity that is a related party of Nottinghamshire County Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Nottinghamshire County Council perspective but material from a related party viewpoint then Nottinghamshire County Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Relating Parties

Question	Management response
<p>1. What controls does Nottinghamshire County Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>The Financial Statements identify all the related parties for the Council and the Pension fund.</p> <p>Central Government – through the framework for grants and funding (Council tax and benefit payments)</p> <p>Relationships in relation to members were identified where they held position with bodies receiving grants.</p> <p>Related transactions related to Arc, Via, Nottinghamshire (Futures), Inspire and LGPS Central (PF) are detailed within notes to the financial statements.</p> <p>Related parties in relation to individuals are identified during the financial statements generation and are reviewed prior to declaration.</p>

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

Nottinghamshire County Council apply appropriate estimates in the preparation of their financial statements. ISA (UK) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Combined Authority identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Combined Authority is using as part of its accounts preparation; these are detailed in appendix 1 to this report. The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

We would ask the Nottinghamshire County Council Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates

Question	Management response
1. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	<p>The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.</p> <p>PF The statement of accounts includes valuations of Level 2 and Level 3 financial instruments which involve an element of judgement</p>
2. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	It is the view of the Section 151 officer that the estimates made within the Statement of Accounts are consistent with the Local Authority Accounting Code of Practice and are both prudent and reasonable.
3. How is the Nottinghamshire County Council Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The Accounting Policies which set out the specific principles , rules and practices applied by the Authority in preparing and presenting the financial statements are approved each year by the Governance and Ethics Committee. The financial statements are presented to Governance and Ethics Committee each year which set out the accounting estimates used.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property, plant & equipment valuations	Fair value for land/buildings defined as 'existing use' by Nottinghamshire County Council.	Valuations are performed annually to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. For land and buildings all material assets will be considered in 2019/20.	Nottinghamshire County Council	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion.	No
Estimated remaining useful lives of PPE	Each part of an item of property, plant and equipment with a significant cost in relation to the total cost is depreciated separately. Depreciation methods, useful lives and residual values are reviewed each financial year and adjusted if appropriate.	See left box	Discussion with internal asset team and where applicable Nottinghamshire County Council as the valuer.	Depreciation is calculated on a straight line basis as this reflects consumption of assets and is a reasonable assumption.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation and Amortisation	See above	See above	See above	See above	No
Impairments	Review of all assets undertaken annually in line with Nottinghamshire County Council.	See left.	Discussion with internal asset team as appropriate.	N/A.	No.
Measurement of Financial Instruments	Financial instruments consist of investments (Collective Investment Fund (CIF)). Measured initially at cost and subsequently at amortised cost using the effective interest method.	Knowledge by the Investment team who manages the CIF portfolio in assessing the potential risk in credit losses.	Fund advisers – Nottinghamshire County Council	The CIF portfolio is assessed on an individual borrower for its expected credit losses using: i) Probability of default ii) Loss of given default	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	Provisions are identified through detailed monthly management accounts which flags any potential issues to management.	Each provision is separately reviewed by financial accounts and a working is put together to support the calculation.	As necessary on an individual basis	Each provision is assessed on an individual basis to ensure that it meets the criteria of a provision per IAS 37. The degree of uncertainty is assessed when determining whether a provision is the correct treatment for an item.	No.
Bad Debt Provision	Debts are reviewed monthly and any debts that are deemed to be irrecoverable are written off to Nottinghamshire County Council.	Knowledge by the Accounts Receivables team in likelihood of recoverability and the aging of the debts. Nottinghamshire County Council signs off the write off.	N/A	N/A	No.

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	We use standard accruals accounting –accruals are based on expenses incurred that have not yet been paid.	Monthly management accounts provides rigorous analysis so that any accruals are highlighted and actioned throughout the year.	N/A.	N/A.	No.
Non Adjusting events – events after the balance sheet date	Monthly management accounts prepared would flag any adjusting/non-adjusting events.	See left.	N/A.	N/A.	No.

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension Fund (LGPS) Actuarial gains/losses	The actuarial gains and losses figures are calculated by the actuarial expert Nottinghamshire County Council. These figures are based on making % adjustments to the closing values of assets/liabilities.	The Nottinghamshire County Council responds to queries raised by the administering body, Nottinghamshire County Council.	The Nottinghamshire County Council are provided with an actuarial report by Nottinghamshire County Council (LGPS).	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No.



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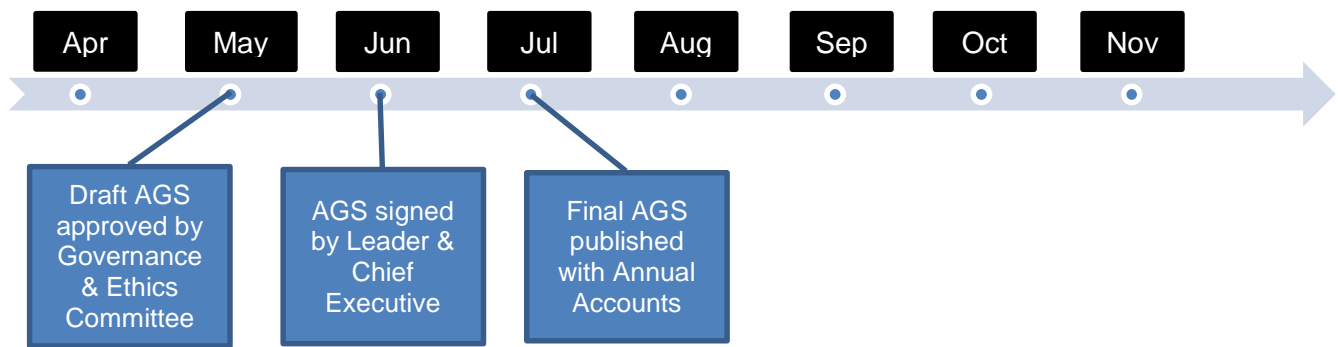
21 July 2020**Agenda Item: 9****REPORT OF SERVICE DIRECTOR, FINANCE, PROCUREMENT &
IMPROVEMENT****LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL
GOVERNANCE STATEMENT – 2019/20****Purpose of the Report**

1. To review the Local Code of Corporate Governance for Nottinghamshire County Council, and to seek approval for the proposed Annual Governance Statement 2019/20.

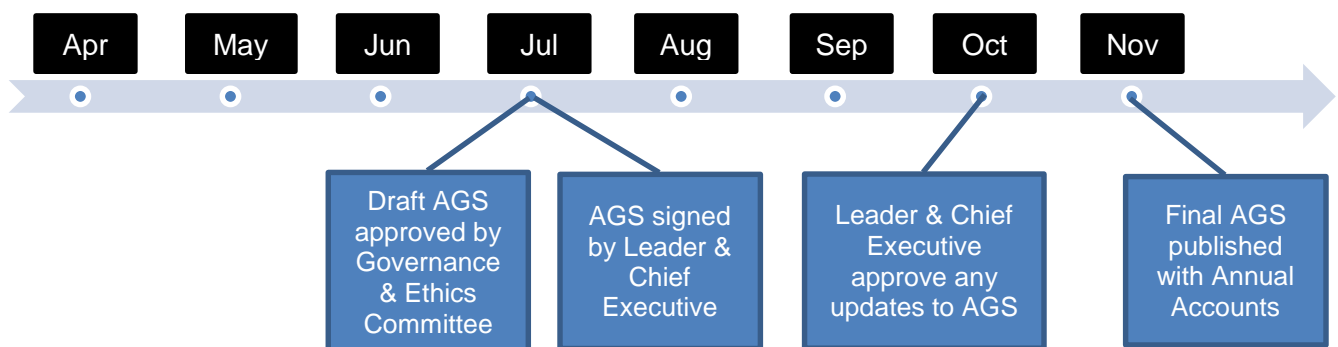
Information and Advice

2. The Accounts and Audit (England) Regulations 2011 require the Authority to review the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS), prepared in accordance with proper practices in relation to internal control.
3. The focus of the AGS is to assess the extent to which the Council's Local Code of Corporate Governance (**Appendix A**) has been complied with in 2019/20. The opportunity should also be taken to review and update the content of the Local Code. No changes are proposed at this point, however this should be kept under review as the Council works through its recovery from the COVID-19 pandemic. The quarterly governance update reports to the Governance & Ethics Committee will provide the means for doing that.
4. This AGS assesses governance in place during 2019/20, therefore most of the year was unaffected by coronavirus. However, the significant impact of the pandemic took hold during March 2020, and the Council needs to ensure that the AGS is current at the time of its publication. The AGS is published alongside the annual accounts, the timescales for which have been pushed back to November 2020. This may mean updates to the AGS are required prior to its final publication in November. In order to accommodate this, it is proposed that authority to make changes to the statement be delegated to the Chief Executive, in consultation with the Leader of the County Council, and that any significant changes be reported back to Committee following publication. The following timelines depict the usual and proposed process.

Usual process and timeline



Proposed process and timeline for 2019/20 AGS



5. The AGS has been drawn up on the basis of a range of evidence sources, which are described at paragraph 3.3 of the Statement.
6. The draft Statement has been endorsed by the Corporate Leadership Team, and it is attached as **Appendix B** for consideration by the Committee.

Other Options Considered

7. The requirement to publish an annual governance statement is set out in the Accounts and Audit Regulations 2011. No other options are available.

Reason for Recommendation

8. To set out how the Authority has met its governance responsibilities for 2019/20.

Statutory and Policy Implications

9. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

- 1) That the Committee approves the Annual Governance Statement 2019/20 and makes any comments or recommendations which it agrees ought to be included in the statement.
- 2) That authority be delegated to the Chief Executive, in consultation with the Leader of the Council, to make any updates required to the AGS prior to its final publication in November 2020, with any significant changes reported back to a subsequent meeting of the Committee.

Nigel Stevenson

Service Director – Finance, Infrastructure & Improvement

For any enquiries about this report please contact:

Rob Disney

Group Manager - Assurance

Constitutional Comments (LW 23/06/2020)

Governance and Ethics Committee is the appropriate body to consider the content of the report.

Financial Comments (RWK 18/06/2020)

There are no specific financial implications arising directly from the report.

Background Papers

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



Nottinghamshire County Council

LOCAL CODE OF CORPORATE GOVERNANCE

1. Defining governance

- 1.1. Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 1.2. The governance framework comprises the culture, values and duties of the Authority, supported by the systems and processes put in place to provide assurance that the culture, values and duties are complied with in practice. The Authority uses this framework to direct and control its work and ensure that it engages with, leads, and accounts to the community it serves. The framework enables the Authority to provide assurance over the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services within the existing legal framework.
- 1.3. 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 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 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.

2. Annual Governance Statement and Assurance Mapping

- 2.1. Each year the Council will carry out a review of its governance arrangements to ensure compliance with this Code. The purpose of the review will be to provide assurance that governance arrangements are adequate and operating effectively, or to identify action that is planned to ensure effective governance in the future.
- 2.2. The outcome of the review will take the form of an Annual Governance Statement prepared on behalf of the Leader and Chief Executive. It will be submitted to the Governance & Ethics Committee for consideration and review. The Annual Governance Statement will accompany the Council's Statutory Statement of Accounts, as required by the Accounts and Audit Regulations.
- 2.3. The Council undertakes annual assurance mapping, to co-ordinate the sources of assurance available in the Council in respect of its governance arrangements. The Governance & Ethics Committee receives an annual assurance mapping report, the outcomes of which are used as a further source of evidence for the Annual Governance Statement.

3. Core Principles of Good Governance

- 3.1. The County Council has adopted a Code of Corporate Governance based upon the CIPFA / SOLACE document entitled "Delivering Good Governance in Local Government: Framework." The Framework identifies seven core principles of good governance, along with a number of sub-principles. These are set out below, along with details of the actions and behaviours Nottinghamshire County Council adopts to put these principles into practice.

Key governance principles and supporting actions and behaviours:	What the Council does to apply them:
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<p><i>Behaving with integrity:</i></p> <ul style="list-style-type: none"> ➤ Maintains appropriate Codes of Conduct, for both members and staff, together with a Code on Member and Officer Relationships ➤ Complaints relating to breaches of the Code of Conduct for Councillors and Co-opted Members are considered by the Governance & Ethics Committee ➤ Sets out the required standards of conduct at meetings ➤ Has in place a Member induction and development programme ➤ Maintains a comprehensive, online staff induction programme ➤ Maintains the Council's Constitution, setting out how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. ➤ Incorporates in the Constitution a formal scheme of delegation, setting out the delegated powers of the Authority's most senior officers ➤ Implements and publicises a policy and strategy for countering fraud and corruption, along with a Fraud Response Plan. ➤ Maintains an up-to-date register of interests for members and staff ➤ Maintains an up-to-date register of gifts and hospitality ➤ Provides for declarations of interest at all Council and committee meetings <p><i>Demonstrating strong commitment to ethical values:</i></p> <ul style="list-style-type: none"> ➤ Sets out its shared values in its strategic plan: treating people fairly; value for money; working together. ➤ Sets out in the Equality Policy how the Authority aims to achieve its equality objectives, both in terms of the delivery of services and in terms of its employment practices. ➤ Carries out equality impact assessments for change proposals, including consultation with the relevant staff networks <p><i>Respecting the rule of law:</i></p> <ul style="list-style-type: none"> ➤ Allocates to the Head of Paid Service responsibility for reporting to Full Council on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of officers required for the discharge of functions and the organisation of officers. ➤ Allocates to the Monitoring Officer key responsibilities for: <ul style="list-style-type: none"> • ensuring the lawfulness and fairness of decision-making. This includes responsibility, after consulting with the Head of Paid Service and Chief Finance Officer, for reporting to Full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration • contributing to the promotion and maintenance of high standards of conduct. ➤ Includes constitutional comments in reports to Council and Committees to advise on compliance with the policy framework and the Constitution. ➤ Allocates responsibility to the Service Director – Finance, Procurement and Improvement to highlight any proposal, decision or course of action which will involve any unlawful expenditure. ➤ Relies on the External Auditors to bring to the attention of the Council any concerns over compliance with legislative requirements

Key governance principles and supporting actions and behaviours:	What the Council does to apply them:
	<p>highlighted by the audit process</p> <ul style="list-style-type: none"> ➤ Conforms with the governance requirements of the CIPFA Statement on the Role of The Chief Financial Officer in Local Government. ➤ Maintains an effective Legal Service for the provision of ongoing advice to members and officers on all matters of legality
B. Ensuring openness and comprehensive stakeholder engagement	<p>Openness:</p> <ul style="list-style-type: none"> ➤ Prepares and widely publishes a Strategic Plan, identifying and communicating the Authority's vision and intended outcomes for citizens and service users. Specifically, it provides for the following: <ul style="list-style-type: none"> • Providing a clear statement of the Authority's vision, priorities and values, together with a commitment to treat people fairly, provide value for money and to work together with partners and residents. • Enabling agreed political objectives and statutory requirements to drive the Authority's activities • Enabling the communication of the Authority's priorities to the community of Nottinghamshire, partner organisations and staff. • Providing a broad framework of objectives and performance indicators, to ensure effective performance management. ➤ Sets out on the Council's website a range of information that is freely available to the public under its publication scheme. This covers: organisational structures; priorities and performance; policies and procedures; spending and financial information; decision-making, including schedules of council meetings and supporting papers; land and property; parking; lists and registers; services provided by the council; trade union liaison. ➤ Publishes an annual performance report <p>Engaging comprehensively with stakeholders, individual citizens and service users:</p> <ul style="list-style-type: none"> ➤ Offers a range of communication channels which are cost-effective and targeted. ➤ Has in place an established Social Media Policy ➤ Operates a Citizens' Panel to engage with citizens throughout the County on a wide range of issues
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits	<p>Defining outcomes:</p> <ul style="list-style-type: none"> ➤ Sets out the council's intended outcomes in its strategic plan ➤ Sets out in a Planning & Performance Management Framework the Council's approach to planning, commissioning and performance management based on outcomes and intelligence. ➤ Details in its Planning & Performance Management Framework the Council's plans and the relationship between them as part of the strategic management cycle, linking the outcomes and actions of service plans, the strategic plan and key strategies. As part of this cycle Service Plans should be developed to commence from the beginning of April each year. ➤ Regularly monitors and reports on progress against key performance indicators <p>Sustainable economic, social and environmental benefits:</p> <ul style="list-style-type: none"> ➤ Approves and publishes a Sustainable Community Strategy, setting

Key governance principles and supporting actions and behaviours:	What the Council does to apply them:
	<p>out the key priorities for Nottinghamshire over a ten year period</p> <ul style="list-style-type: none"> ➤ Maintains a rolling Medium Term Financial Strategy, to serve as the financial plan which underpins the Strategic Plan. ➤ Approves the annual budget and capital programme, which includes an update of the Medium Term Financial Strategy. ➤ Takes a regular report on the Council's financial position to the Finance and Major Contracts Management Committee, and submits separate progress reports to the Improvement & Change Sub-Committee regarding delivery of the options for change to achieve the required cost savings the Authority needs to make to achieve a balanced budget. ➤ Maintains a capital investment strategy and capital programme which is funded within a prudential financial framework.
D. Determining the interventions necessary to optimise the achievement of the intended outcomes	<p>Determining interventions</p> <ul style="list-style-type: none"> ➤ Develops, and continues to implement, an extensive programme of change in response to the conflicting pressures the Council faces of reducing financial resources at a time of increasing demand for services. The Council's strategic plan seeks to ensure that the Council can deliver the services that the people of Nottinghamshire value in a sustainable way. ➤ Develops and presents option appraisals to members. ➤ Consults appropriately to ensure the Council's plans for service development are well informed by the input of stakeholders. <p>Planning interventions</p> <ul style="list-style-type: none"> ➤ Sets out, in the Planning & Performance Management Framework, the Council's planning and control cycles that cover strategic and operational plans, priorities and targets. ➤ Aligns the Council's annual budget process with the organisation's objectives and the over-arching Medium Term Financial Strategy. ➤ Maintains a list of key strategic services for which a business continuity plan is required to be in place. The Council's Emergency Planning Team oversees and advises on the arrangements in place for disaster recovery. <p>Optimising achievement of intended outcomes</p> <ul style="list-style-type: none"> ➤ Uses the Medium Term Financial Strategy to balance service priorities, affordability and other resource constraints. ➤ Operates a budgeting process that takes account of the full cost of operations over the medium and longer term.
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	<p>Developing the entity's capacity:</p> <ul style="list-style-type: none"> ➤ Develops and maintains an effective Workforce Strategy to support the delivery of the Council's strategic priorities. ➤ Undertakes regular reviews of activities, outputs and planned outcomes to identify areas for improvement. ➤ Makes appropriate use of research and benchmarking to inform priorities for service development. ➤ Makes appropriate use of partnerships and collaborative working where added value can be achieved.

Key governance principles and supporting actions and behaviours:	What the Council does to apply them:
	<p>Developing the capability of the entity's leadership and other individuals:</p> <ul style="list-style-type: none"> ➤ Establishes protocols to ensure a shared understanding between members and the Chief Executive and the Corporate Leadership Team of respective roles and objectives. ➤ Ensures the Leader and the Chief Executive have clearly defined and distinctive leadership roles ➤ Has in place a scheme of delegation which is reviewed annually. ➤ Maintains its standing orders and financial regulations ➤ Maintains an effective induction and development programme both for members and officers.
<p>F. Managing risks and performance through robust internal control and strong public financial management</p>	<p>Managing risk:</p> <ul style="list-style-type: none"> ➤ Operates a Risk, Safety and Emergency Management Board to oversee the process of risk management in the Council. The Board meets periodically throughout the year. The corporate risk register is reviewed at each of the Board's meetings, to determine whether additional steps are required to mitigate key risks. ➤ Supports the Board through Risk, Safety and Emergency Management Groups, one for each department. The Groups are responsible for having an overview of risk management in each department and for maintaining a departmental risk register. <p>Managing performance:</p> <ul style="list-style-type: none"> ➤ Implements and complies with a performance management framework to monitor delivery of the Council's strategy and key plans. <p>Robust internal control:</p> <ul style="list-style-type: none"> ➤ Operates an effective Governance & Ethics Committee which meets regularly during the year and fulfils the recommended core functions as set out in CIPFA's publication, 'Audit Committees – Practical Guidance for Local Authorities'. ➤ Ensures the Council's Internal Audit service is delivered in accordance with the requirements of the Public Sector Internal Audit Standards ➤ Reviews and publicises the Council's counter-fraud and counter-corruption strategy <p>Managing data:</p> <ul style="list-style-type: none"> ➤ Implements a data management framework, featuring procedures and policies for the safe collection, storage, use and sharing of data. Particular emphasis is given to safeguarding personal data. ➤ Employs a designated data protection officer with primary responsibility for promoting awareness of the Council's information management policies and procedures. ➤ Ensures effective arrangements are in place for sharing data with other bodies. <p>Strong public financial management:</p> <ul style="list-style-type: none"> ➤ Ensures an effective system of budgetary control is in operation at all levels of financial planning and control.
<p>G. Implementing good</p>	<p>Implementing good practice in transparency:</p>

Key governance principles and supporting actions and behaviours:	What the Council does to apply them:
<p>practices in transparency, reporting, and audit to deliver effective accountability</p>	<ul style="list-style-type: none"> ➤ Complies with the local government transparency code and publishes all information in a timely manner ➤ Puts in place effective, transparent and accessible arrangements for dealing with complaints ➤ Keeps under review, publicises and reports on the Council's Whistleblowing Policy ➤ Establishes, monitors and reports on the Council's complaints procedure <p>Implementing good practices in reporting:</p> <ul style="list-style-type: none"> ➤ Publishes a formal, annual report covering performance, value for money and stewardship of resources ➤ Publishes the annual financial statements in a timely manner ➤ Prepares and publishes an Annual Governance Statement to assess the Council's compliance with this Code of Corporate Governance, identifying any areas for improvement and proposed actions to address them. <p>Assurance and effective accountability:</p> <ul style="list-style-type: none"> ➤ Complies with CIPFA's Statement on the Role of the Head of Internal Audit ➤ Allows its Internal Audit service direct access to Members, such that assurance can be provided with regard to effective governance, risk management and control ➤ Provides regular updates on actions taken to implement agreed Internal Audit recommendations ➤ Ensures that the recommendations of external audit and of other regulatory bodies and inspectorates are properly considered and acted upon.

NOTTINGHAMSHIRE COUNTY COUNCIL
ANNUAL GOVERNANCE STATEMENT 2019/20

1. SCOPE OF RESPONSIBILITY

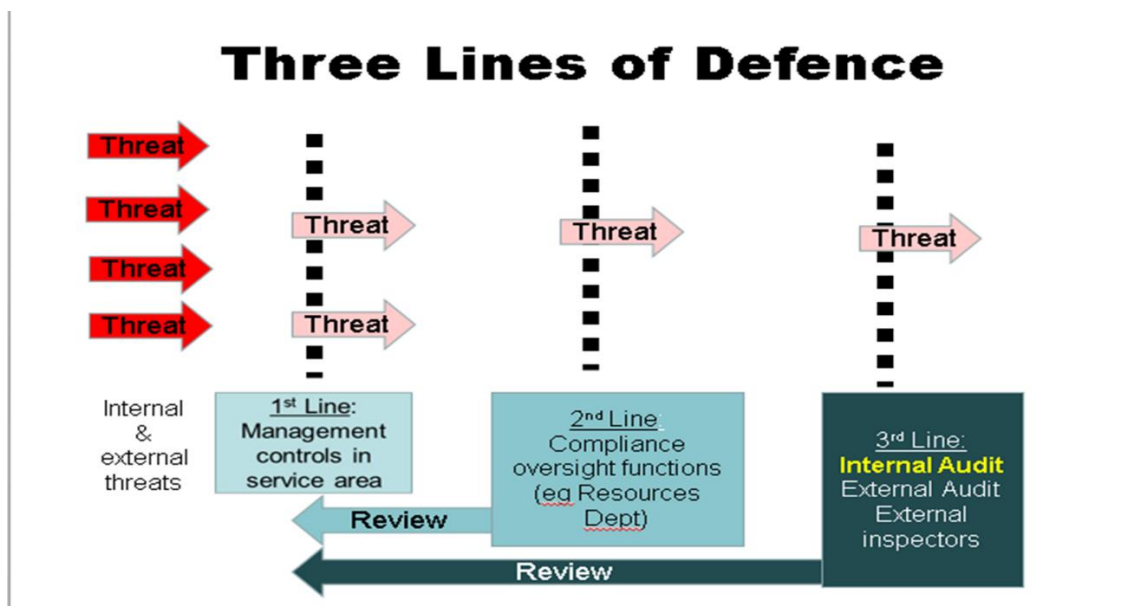
- 1.1. Nottinghamshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. Public money must be safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority has a duty under the Local Government 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 (AGS).

2. THE LOCAL CODE OF CORPORATE GOVERNANCE

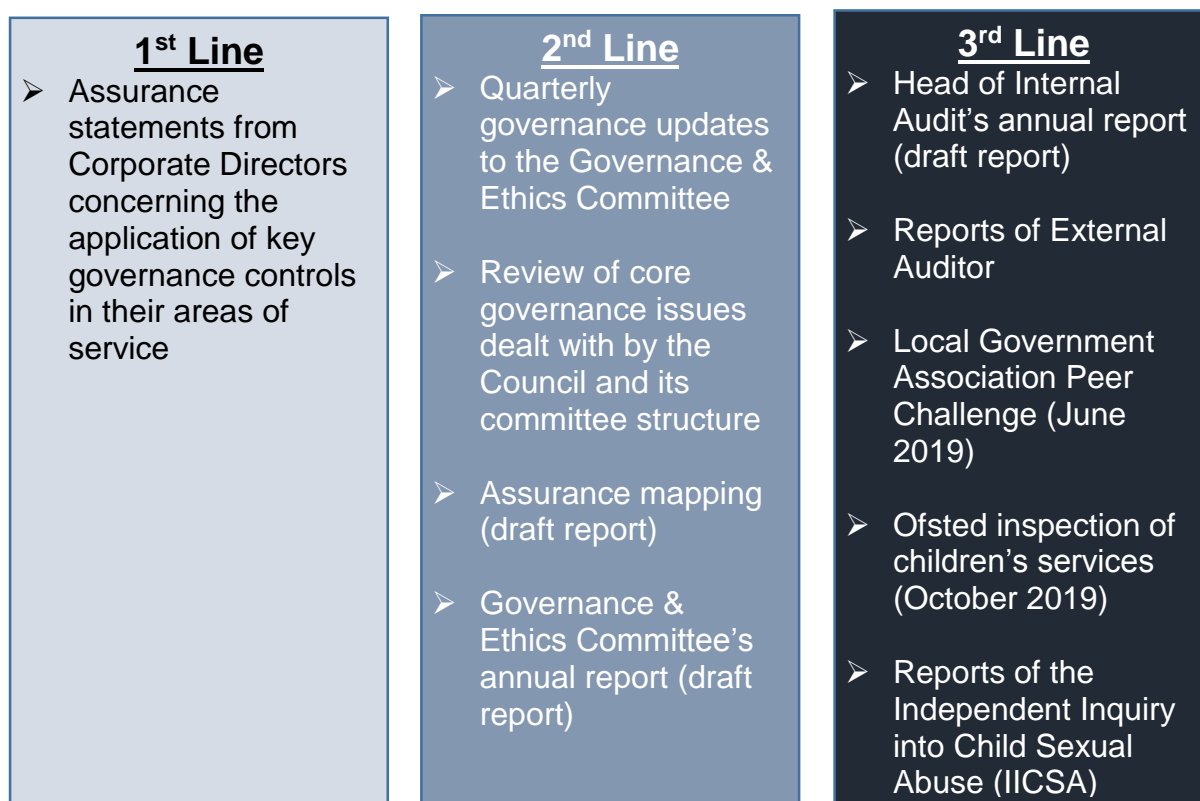
- 2.1. Nottinghamshire County Council has adopted a local Code of Corporate Governance. This Code is subject to annual review and approval by the Governance and Ethics Committee, and it is published on the Council's website.
- 2.2. The Code is based on the seven core principles of good governance, as 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 2019/20. 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 Council operates a 'Three Lines of Defence' model to deliver assurance about the effectiveness of its governance arrangements, as depicted in the following chart.



- 3.3. The evidence to assess effectiveness with the Local Code in 2019/20 is drawn from a range of sources across the three lines of defence, as summarised in the following chart.



- 3.4. The quarterly governance update reports to the Corporate Leadership Team and to the Governance & Ethics Committee prompt a review of the significant governance issues facing the Council, along with progress against the AGS Action Plan. In effect, the update reports provide for a quarterly refresh of the AGS, to enable it to be used pro-actively throughout the year as part of the Council's governance framework.

- 3.5. 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.

Impact of COVID-19 pandemic on the AGS

- 3.6. This AGS assesses governance in place during 2019/20, so the majority of the year was unaffected by coronavirus. However, coronavirus impacted on governance during March 2020, and the Council needs to ensure that the AGS is current at the time of publication. This has been delayed due to the pandemic, therefore this statement reflects issues the Council is dealing with in responding to, and recovering from, the pandemic.
- 3.7. It has not been possible to report the usual separate, annual assurance reports to the Governance and Ethics Committee for consideration and approval. As indicated in the chart above, the evidence required in drafting these reports has been gathered and used to inform this statement. The annual assurance reports will be finalised and reported for approval at the earliest opportunity.
- 3.8. It is also recognised that the Council's response to the COVID-19 pandemic has required a widespread refocusing of the Council's operating model and its supporting governance arrangements. The response to the pandemic represented a significant resilience test for the Council's governance framework. Once the emergency response period is over, it will be important to conduct a comprehensive post-pandemic review, to ensure learning is captured and applied. An internal audit review of the Council's response is underway and should provide initial insights toward this.
- 3.9. The Council has set up a Resilience, Recovery and Renewal Committee to oversee the county's recovery from the coronavirus outbreak. The new committee will review the Council's response to the COVID-19 crisis and manage policy development relating to the county's recovery, including the Council's approach to the renewal of the local economy and reform of local government services, including the future structure of local government in Nottinghamshire.
- 3.10. The lasting impact of the pandemic on the Council is unclear at the time of compiling this statement, but it will be profound. In view of this, the quarterly refresh of this statement in the coming year will prove especially beneficial, and should also prompt consideration of the need to update the Local Code of Corporate Governance.

Core Principle	Review of compliance with the Code of Corporate Governance in 2019/20
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: Reasonable</p> <p>The key policies, procedures and practices set out in the Local Code of Corporate Governance remained in force during 2019/20.</p> <p>Corporate Directors report, overall, a substantial level of compliance with the Council's procedures in their service areas.</p> <p>A review of the Council's Constitution continued to progress during the year, with proposals for revised Full Council Procedure Rules and Committee Procedure Rules being considered by the Governance and Ethics Committee and a member working group being established to finalise the proposed changes. These were approved by Full Council in December 2019. The work to review other aspects of the Constitution will progress further in 2020/21, as soon as post-pandemic priorities allow.</p> <p>Progress against the AGS action plan for this aspect of governance is summarised as follows:</p> <ul style="list-style-type: none"> - Improving the consistency with which Equality Impact Assessments (EIA) are carried out across the Council – following a review during 2019/20, a programme of management training, comprising a blend of workshops and online e-learning, was due to commence roll-out towards the end of the year and into 2020/21. Work is being commissioned through Corporate Equalities Group, working with the self-managed staff support groups, to review and progress this particularly in the light of issues such Black Lives Matter. - The Council's Legal Services Team is progressing a review of the corporate arrangements for officers to register interests, gifts and hospitality. - An objection to the 2015/16 financial accounts was raised by a member of the public. The matter was investigated by the Ombudsman, the Police and by the External Auditor. The latter's report was finalised during the year and an action plan to address the recommendations raised was approved by the Governance and Ethics Committee in March 2020. <p>Member training has been provided throughout the year and this is an area which is under review through the Member Communication and Engagement programme. An action plan is in place to pursue opportunities to expand the current provisions. A report will be brought to Members in the early Autumn with further recommendations, including Unconscious Bias training.</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, 'Your Nottinghamshire, Your Future', was published to run from 2017 through to 2021. The Council complied with the requirements of the Transparency Code in 2019/20.</p> <p>The Council's Planning and Performance Management Framework was refreshed during the year, and the format of reporting progress against the Council Plan was revised with the aim of bringing improved focus for Members and the public.</p> <p>The LGA Peer Challenge confirmed that the Council delivers good quality, citizen-focused services, and that it is viewed by its strategic partners as a dependable, reliable and solid organisation. The Peer Challenge identified opportunities for the Council to work closely with its strategic partners to develop a vision for the whole of</p>

Core Principle	Review of compliance with the Code of Corporate Governance in 2019/20
	<p>Nottinghamshire. This recommendation will be taken forward by the Council's newly established Resilience, Recovery and Renewal Committee.</p> <p>The Council continued to fully support the Independent Inquiry into Child Sexual Abuse (IICSA), publishing its action plan to implement the Inquiry's one recommendation for the County Council. Progress against the Plan is being monitored by the Children and Young People's Committee, and the Committee will receive further recommendations from a cross-party working group of Members and officers on the governance of Looked After Children care settings.</p> <p>The Ofsted inspection of children's services rated the overall effectiveness of the service as 'Good', confirming the Council has maintained its good practice since the previous inspection in 2015. Within this overall judgement, services for children who need help and protection were identified as requiring improvement. This confirmed the Council's self-assessment that discrete aspects of the service require improvement, and it endorsed the Council's action plan to put the changes in place.</p> <p>Corporate Directors report, overall, a substantial level of assurance over the arrangements for stakeholder engagement with their services.</p> <p>The Communications Policy and Social Media Policy remained in place during the year, securing stakeholder engagement through a range of pathways. A cross-Council programme has been established as part of Phase II of the Council Plan, 'Your Nottinghamshire, Your Future 2019-2021', to improve customer experiences through digital development. This is addressing the LGA Peer Challenge recommendation that the Council explores new and creative ways of engaging with residents.</p> <p>The annual Residents' Survey was completed in December 2019 with an overall positive result which was reported back to Policy Committee. The Council continues to operate its Citizen's Panel to consult with panel members about County Council services.</p>
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 2019/20 and were further developed in some areas.</p> <p>Agreed changes to the Council's Planning and Performance Management Framework were implemented in 2019/20. These changes improved the clarity of progress reporting against the Council Plan, and better defined how the objectives of the over-arching Plan link with other, key Council strategies.</p> <p>The Council's Medium-Term Financial Strategy (MTFS) continued to be a key focus to drive sustainable development in the Council. Progress with implementing options for change approved by the relevant service committees was monitored quarterly by the Improvement and Change Sub-Committee throughout the year. The LGA Peer Challenge considered the Council to be financially stable.</p> <p>At the time of compiling this Statement, the Council had established a new Committee, the COVID-19 Resilience, Recovery and Renewal Committee, along with</p>

Core Principle	Review of compliance with the Code of Corporate Governance in 2019/20
	<p>agreed Terms of Reference for its areas of responsibility. The Committee will play a key role in overseeing the Council's approach to this aspect of governance as it focusses on recovery and renewal.</p> <p>A Finance Recovery Group has been established to assess and capture the significant, financial impact of the pandemic. The MTFS is kept under constant review. This will continue as a key driver for the Council's transformation and change agenda, to maintain sustainability over the coming years.</p> <p>Separately to this, the Council is monitoring and reporting the financial impacts of the pandemic on a monthly basis to CLT, Members and the Ministry of Housing, Communities & Local Government (MHCLG).</p> <p>For health and safety reasons, meetings of the Finance & Major Contracts Management Committee (F&MCM) have not been held since the outbreak of the pandemic. However, a meeting has now been scheduled with a focus on the Council's emerging financial position prior to the summer recess.</p> <p>Interim reporting to Members of the Council's developing financial position has been maintained by a number of means:</p> <ul style="list-style-type: none"> - Sharing the usual format of financial reporting with F&MCM Committee Members each month - Fortnightly meetings between the Chief Finance Officer and the Chairman and two Vice-Chairs of the F&MCM Committee, as well as fortnightly meetings between the Chief Financial Officer and Opposition Members of the Committee - Production and sharing of the draft management accounts with the F&MCM Committee Members.
<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 Council strategy, 'Your Nottinghamshire, Your Future', is supported by the departmental strategies. These strategies were refreshed and approved by Policy Committee in May 2019 and progress against them was monitored by the appropriate service committees.</p> <p>As set out above, the Improvement and Change Sub-Committee oversaw progress against the Council's Transformation and Change Programme. In determining the projects proposed for inclusion in the Programme, Corporate Directors report, overall, substantial assurance that change proposals are informed by the input of stakeholders.</p> <p>The LGA Peer Challenge highlighted the Council's strong and impressive track-record of delivering savings whilst also protecting frontline services, over a long period of time. Nonetheless, LGA Peers encouraged the Council to stretch its transformation ambitions further, to embrace a culture-led and cross-departmental approach.</p> <p>In response, the Council engaged the services of an external partner during 2019/20, to input specialist expertise in redefining the Authority's approach to transformation and change. A two-phase process is being followed; a diagnostic approach in the first</p>

Core Principle	Review of compliance with the Code of Corporate Governance in 2019/20
	<p>phase, with the second phase setting out the key themes and transformation journey for the medium-term. Phase 1 was nearing completion at the end of the year, and this is being re-evaluated for the post-COVID19 period.</p> <p>The AGS Action Plan for 2019/20 contained a number of actions relating to this aspect of governance. Progress against the action plan was monitored quarterly by the Governance and Ethics Committee. At the end of the year, some actions remained in progress, partly due to the impact of COVID19. In carrying forward actions for completion in 2020/21, the nature and timing of some actions will need to be re-evaluated for the impact of COVID19. See action plan.</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>A refreshed Workforce Strategy for the Council was agreed during the year, to run to 2021. This is now being reviewed to reflect the impact of and learning from COVID-19 and a Workforce Recovery Plan is being developed.</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 ➤ conducting regular employee appraisals. ➤ 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>During the COVID-19 Pandemic some of these will have been delivered differently. For example, induction programmes for new staff employed to respond to the pandemic were delivered virtually. Approximately 7,000 modules of e-learning were delivered to new employees and as refresher training to existing employees working in front line services during the pandemic.</p> <p>With regard to Members of the Council, there was no requirement to apply the induction programme during 2019/20, as no new Members joined the Council during the year. This programme is being reviewed in preparation for the next Council elections in 2021. Specific areas of training delivered for Members during 2019/20 covered standards and personal safety.</p> <p>A Member Communication and Engagement Programme was launched in July 2019, incorporating a workstream for Members' training and development. This will provide for a rolling programme of development for all Members.</p> <p>The impact of the pandemic on the Council's Members and staff has been significant, posing a severe test of its leadership and of its capacity to maintain delivery of critical service. Council staff are playing a full and active role in the response to the pandemic with its Local Resilience Forum (LRF) partners, and its Corporate Leadership Team (CLT) and Risk, Safety and Emergency Management Board (RSEMB) have managed the Council's own response. Data dashboards have been developed to give CLT a clear view of daily capacity in critical services, allowing it to take informed decisions.</p>

Core Principle	Review of compliance with the Code of Corporate Governance in 2019/20
	<p>Through the leadership of these senior officer groups, and with the support and guidance of senior Members and the Policy Committee, the Council's response was successfully refocussed around five programmes of work, prioritising: support for vulnerable adults; support for vulnerable children and families (including schools); community support and resilience; support for business and the local economy; and corporate resilience.</p> <p>The new ways of working made necessary by COVID-19 resulted in a number of pressures on the Council's ICT systems. The implementation of new applications was accelerated, to allow most staff to work remotely. This caused connectivity issues for some users, and actions were taken to improve resilience. As we progress through 2020/21, it will be important to build on these improved ICT resilience and digital developments.</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 2019/20.</p> <p>The Governance and Ethics Committee plays a pivotal role in overseeing the effectiveness of the Council's arrangements for governance, risk management and control. The Committee prepares an annual report of its activities, and its report for 2019/20 was being drafted just prior to the COVID19 pandemic outbreak. The draft report confirms that the Committee made appropriate use of the full range of powers delegated to it under the terms of the Constitution. The draft will be finalised for approval by Members at the earliest opportunity in 2020/21.</p> <p>The Council's Risk Safety and Emergency Management Board (RSEMB), and its supporting, departmental Risk Safety & Emergency Management Groups (RSEMGs) were active throughout 2019/20, and especially so at the turn of the year as they oversaw and managed the COVID19 response. Responsibility for risk management is due to transfer to the Authority's Assurance Group in 2020/21, to further co-ordinate with other governance processes of the Council. In doing this, the Council's approach to risk management will be refreshed, and this will include proposals for establishing and applying the Council's risk appetite.</p> <p>The usual procedure for the Council's Head of Internal Audit to report his annual opinion to the Governance and Ethics Committee was disrupted by the impact of the COVID19 pandemic. However, the service operates a continuous four-monthly planning cycle, therefore two reports on the outcomes of Internal Audit's work were considered by the Committee in 2019/20. These reports, and the outcomes of audit work carried out in the final third of 2019/20 have informed the Head of Internal Audit's Annual Opinion. This will be reported in full to the Governance and Ethics Committee at the earliest opportunity, and its key messages are the following:</p> <ul style="list-style-type: none"> - Overall, the Head of Internal Audit provides 'Reasonable Assurance' that the Council's arrangements for governance, risk management and control are effective. - An important issue flagged up by the Head of Internal Audit concerns the pace with which agreed audit recommendations are implemented in some key areas of service. The Governance and Ethics Committee continues to play an active role in holding services to account for the progress they are making.

Core Principle	Review of compliance with the Code of Corporate Governance in 2019/20
	<p>The Council's assurance mapping process continued to develop in 2019/20, with two new aspects of governance being incorporated: asset management and people management. These two new areas were still being collated at the time of the pandemic outbreak, but the update of the other three areas (risk, performance, finance) had been largely completed. Reporting of outcomes to the Governance and Ethics Committee for 2019/20 has yet to take place. The scope of the assurance map will be reviewed again, to reflect the impact of COVID19.</p> <p>External assurance was received from HM Revenue & Customs that Nottinghamshire County Council has been designated a 'low risk rating', following a business risk review of its tax arrangements.</p> <p>The Council's counter-fraud and counter-corruption strategy was refreshed during 2019/20 and updates presented regularly to the Governance and Ethics Committee. Whilst the incidence of fraud remains low, the Council recognises the significant threat level that fraud poses, and it remains pro-active in its stance against it. An ongoing process has been established to keep the threat from serious and organised scrutiny, and this enabled the issue to be downgraded as a significant governance issue for the Council.</p> <p>Good progress is being made against the Information Governance Action Plan, which the Governance and Ethics Committee has kept under quarterly review. Corporate Directors' annual assurance statement identify reasonable assurance, overall, in this area.</p>
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability	<p>Assessed assurance level for compliance with the Code of Corporate Governance: Reasonable</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 2019/20.</p> <p>The LGA Peer Challenge supported the Council's current review of its Constitution, recognising the opportunity to streamline, standardise and further enhance clarity, openness and transparency of decision-making. The LGA Peers recommended a focus on improving the consistency and pace with which decisions are made.</p> <p>Due to the impact of COVID-19, it has not been possible to publish a number of annual governance reports. Review work to assess the required evidence for these reports has been undertaken and used to inform this Statement. The reports concerned are the following, and all will be reported to Committee as soon as the pandemic restrictions are lifted:</p> <ul style="list-style-type: none"> - Annual assurance mapping report - Head of Internal Audit's Annual Report - Annual Report to Council of the work of the Governance & Ethics Committee in 2019/20. <p>When tabled, the Head of Internal Audit's Annual Report will confirm the Internal Audit service remained compliant with the Public Sector Internal Audit Standards in 2019/20, and it has updated its Quality Assurance and Improvement Plan for 2020/21. The service's direct lines of access to all senior Members and officers continued during 2019/20, and it conducted its duties without encumbrance.</p>

Core Principle	Review of compliance with the Code of Corporate Governance in 2019/20
	<p>The Council's former External Auditor completed its report on a long-standing objection to the annual accounts for 2016/17. The issue related to a sale of land, and the External Auditor's report and recommendations were accepted by the Governance and Ethics Committee.</p> <p>The Council's complaints procedure was revised in early 2020 and approved by the Governance and Ethics Committee. The Committee continued its transparent practice of considering the latest decisions of the Local Government and Social Care Ombudsman as a standing agenda item for each of its meetings.</p> <p>The impact of COVID-19 on the Council's well-established governance framework has been significant, with all Committees cancelled as actual meetings for health and safety reasons. A cross-group, political agreement was in place from March about how to manage decision making and governance in the face of the pandemic. Once legislation was in place to allow this and government guidance received, arrangements were made to conduct the work of Committees through virtual meetings with a number having taken place. An Extraordinary Full Council meeting was held virtually on 11th June 2020 which established the Council's Committee structure and governance arrangements for the next year until the Annual General Meeting in May 2021. A further virtual meeting of Full Council is planned for July 2020.</p> <p>Existing provisions under the Council's Constitution for broad delegations to Corporate Directors have been utilised to carry out service-related, operational decisions. These are widened further during times of emergency, to exercise the powers of the County Council. Emergency decisions and any decisions made under the Urgency Procedures set out in the Council's Constitution were taken after discussion with Group Leaders and reported back to the next, appropriate Committee or Council meeting. A summary was reported to Policy Committee.</p>

4. SIGNIFICANT GOVERNANCE ISSUES

- 4.1. **The transformation agenda:** the Council's transformation agenda was undergoing significant review during 2019/20, working alongside its external partner to develop a new, intelligence and insight-led model of transformation. The importance and urgency of this work has been compounded by the impact of the pandemic on the County's residents and businesses, alongside the impact on the Council's finances. The scope and focus for Transformation and Change is being reshaped around the Council's emerging resilience, recovery and renewal objectives.
- 4.2. **Financial resilience:** The COVID-19 pandemic has placed significant, unforeseen and additional financial burdens on the Council. The importance of effective management of the most volatile elements of the annual budget is now heightened and remains a key area of focus. Concern lies around processes for budget setting, forecasting and the effective use of data. The newly established Financial Recovery Group will play a lead role shaping the Council's response to any gap in Government funding for the impact of the pandemic. Maintaining the flow of transparent, financial data for Councillors will be a key priority.
- 4.3. **Fair Funding & Business Rates Retention:** Progress has been delayed again due to the pandemic. The Council will continue to campaign for the promised Fair Funding Review to occur.
- 4.4. **Pressure on core systems of internal control:** The findings of Internal Audit over recent Termly Audit Plans are not identifying a concerning number of areas in which only limited assurance can be provided over the effectiveness of internal controls. However, the Group Manager – Assurance has reported to the Governance & Ethics Committee a decline in implementation rates for agreed actions following audits. Understanding the impact of the pandemic on the internal control framework in the Council will be key to achieving an appropriate balance between probity and speed of response.
- 4.5. **Vulnerability to fraud:** An update on progress against the Annual Fraud Report's action plan was presented to the Governance & Ethics Committee in December 2019. The incidence of internal fraud remains low, but the Council continues to be the target of attacks from external sources, notably in relation to its suppliers' bank details. The Council is also alert to the opportunities that fraudsters seek to exploit from the pandemic situation.
- 4.6. **Independent Inquiry into Child Sexual Abuse (IICSA):** A comprehensive action plan was agreed by the Children & Young People's Committee in December 2019, and that Committee will perform ongoing scrutiny and monitoring at appropriate intervals. A second phase of public hearings took place in November 2019 for the Accountability & Reparations investigation, and an additional, special sitting-day was scheduled for 5 February 2020. The Council will consider that investigation's findings and recommendations when released, and incorporate further actions in to the Council's response.

- 4.7. **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. As the Administration Body for the Nottinghamshire Local Government Pension Scheme, the Council continues to be a focus of attention by the Nottingham Extinction Rebellion group on its stance on investments. The Council's stance and approach on this issue remains under active management.
- 4.8. **General Data Protection Regulations (GDPR):** The Information Governance Improvement Programme continues to help the Council manage the significant reputational and financial risks of breaches in data protection. Close monitoring of progress against the improvement plan is continuing to mitigate any risks. A separate risk assessment is underway as part of the recovery from COVID-19 to review decisions and activity during the response phase to identify any learning from an information governance perspective and ensure any necessary mitigations are put in place going forward.
- 4.9. **Move to the Cloud and ICT resilience:** The County Council currently stores its software and data within the ICT Data Centre on the County Hall campus. Work continues 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 most appropriate ICT systems and applications remain under review, both in light of the response to the pandemic and with a view to the Council's emerging plans for recovery and renewal.
- 4.10. **Brexit implications for the Council:** With ratification of the Withdrawal Agreement, the UK left the EU with a deal on 31 January 2020. The Government has now moved into a transition / implementation period in which it is negotiating its future relationship with the European Union. The Government's position is that it is expected to have a trade and other relevant agreements in place by December 2020. Further contingency planning work may be required to mitigate the risk that trade negotiations will not be completed in this timescale.
- 4.11. **Local Government Association Peer Challenge:** The LGA Peer Challenge was conducted in June 2019 and its subsequent report recognised a number of the Council's key attributes that underpin the positive findings of the Review Team. A report to Policy Committee in October 2019 agreed an action plan in response to the report's five recommendations. Progress is being monitored by the appropriate committee for each action.
- 4.12. **Ofsted inspection of Children's Services:** The inspection endorsed the actions set in train to deliver improvements in discrete aspects of the service, and the Children & Young People's Committee will oversee implementation.
- 4.13. **Return of Committee schedule:** A local, cross-group, political agreement was reached about how to manage the council's decision making and governance in the face of the pandemic. The Constitution's emergency and urgency provisions for decision-making enabled governance of the Council's response to the pandemic to continue in the early stages of the crisis. These decisions

have been reported to Members. The Council has now seen a return to its Committee and Full Council schedule in a safe and secure manner, with a number of meetings having been held virtually. This included an Extraordinary Full Council meeting on 11th June which agreed the Committee structure and decision-making processes for the year ahead.

5. Action Plan 2020/21

Planned action	Officer responsible	Target date for completion
1. Progress reporting against key governance action plans: compliance with agreed progress reporting against key action plans for significant aspects of the governance framework: a) LGA Peer Challenge b) IICSA c) Ofsted inspection of Children's services d) Counter-fraud e) Information Governance Improvement Programme	Group Manager Assurance to monitor and report compliance with agreed progress reporting	Continuous in 2020/21
2. Post-pandemic review: formally review the Council's response to capture and apply learning for the future. This will build on two reports to date to Policy Committee on the impact of COVID-19.	Chief Executive	
3. Return of Committee schedule: ensure the Committee and Full Council schedule is fully re-established and working safely and effectively.	Monitoring Officer	
4. Local Code of Corporate Governance: review the Local Code to ensure it remains up-to-date with the Council's revised governance practices and arrangements to support ongoing recovery and renewal from the pandemic	Group manage Assurance	March 2021
5. Equality Impact Assessments (EIA) – review the approach with key stakeholders and deliver refresher training workshops for completion of EIAs, along with an online e-learning package.	Monitoring Officer	
6. Constitution review: completion of the review of the Constitution, incorporating financial regulations for property transactions	Group Manager – Legal, Democratic & Complaints	
7. Register of Interests – completion of the current review by Legal Services, followed by approval of proposed changes and awareness raising.	Group Manager – Legal, Democratic & Complaints	
8. CIPFA Financial Management Code – shadow implementation during 2020/21, with periodic progress updates to the Governance & Ethics Committee	Group Manager – Finance Strategy & Compliance	The code is applicable from 1/4/2020, with the planned first full year of

		compliance being 2021/22
9. Planning & Performance Management Framework: implement co-ordinated reporting of finance, performance and transformation to the Corporate Leadership Team	Group Manager - Assurance	September 2020
10. Service Planning: review the content and timescales for 2020/21 service plans, to support the Council's COVID-19 recovery and renewal plans	Group Manager – Assurance to co-ordinate revised timescales and quality assurance checks	September 2020
11. Performance reporting in specific departments: revised arrangements for monthly performance board reporting in the Place and Chief Executive's Departments, incorporating the introduction of continuous assurance feeds for key corporate processes	Group Manager – Assurance	October 2020
12. Benchmarking: co-ordinate CIPFA benchmarking reports and consider its use within the performance management framework, along with other benchmarking tools (eg CFO Insights)	Group Manager – Assurance	December 2020
13. Audit of performance management: carry out an internal audit review of service planning	Group Manager – Assurance to arrange for completion of an independent review	October 2020
14. Transformation Operating Model: agree and implement a revised operating model for transformation in the Council	Corporate Leadership Team	July 2020 - approval of new model
15. Transformation best practice: carry out the National Audit Office self-assessment guidance for best practice in Member scrutiny of transformation	Group Manager Assurance and Group Manager Transformation & Change to prepare a joint report to the Improvement & Change Sub-Committee	November 2020
16. 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.	Group Manager – Assurance and Service Directors/Group managers with responsibility for social care services	Periodic updates to the Governance & Ethics Committee through Internal Audit's follow-up procedure
17. Risk management: a) Complete the transfer of responsibility for corporate risk management to the Assurance Group	Group Manager – Assurance	a) June 2020

b) Undertake a review of the Council's approach to risk management, including development of an approach to establishing the Council's risk appetite c) Deliver a training session on risk management for the Governance & Ethics Committee		b) October 2020 c) March 2021
18. Vacant property management: further progress report to Governance & Ethics Committee on actions to address the risks identified by the internal audit	Corporate Director - Place	
19. Data quality in Mosaic: greater priority given to addressing issues highlighted by routine reporting	Corporate Director – Adults Social Care and Health	To commence in the 3 rd quarter of 2019/20
20. Pension Fund Committee: active management of the Committee's meetings	Service Director – Finance, Infrastructure & Improvement	Ongoing in 2020/21
21. IICSA Accountability & Reparations: update the Council's response for the findings and recommendations of IICSA in its Accountability & Reparations Report	Corporate Director Children's & Families & Service Director Finance, Infrastructure & Improvement	To be determined following publication of the IICSA report
22. ICT resilience: keep the resilience of ICT provision, and development of digital working solutions, under frequent review to remain aligned with the Council's operating environment during recovery from the pandemic.	Group Manager - ICT	As part of established reporting to the Improvement & Change Sub-Committee
23. Fair Funding & Business Rates Retention: continue to be active in campaigning for the Fair Funding Review to take place.	Service Director – Finance, Infrastructure & Improvement	Ongoing pending an announcement from Government

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 1 May 2019. 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 2019/20 and beyond.

Signed:.....

LEADER

Signed:.....

CHIEF EXECUTIVE

21 July 2020

Agenda Item:

REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE & IMPROVEMENT

HEAD OF INTERNAL AUDIT'S ANNUAL REPORT FOR 2019/20

Purpose of the Report

1. To inform Members of the Head of Internal Audit's Annual Report for 2019/20 and his opinion on the adequacy of the County Council's arrangements for governance, risk management and control.

Information

2. The Internal Audit Service worked to the Public Sector Internal Audit Standards (PSIAS) during 2019/20. One requirement of the standards is that the Head of Internal Audit should provide an annual, written report to those charged with governance. The report must:
 - a) deliver an annual internal audit opinion
 - b) conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control
 - c) incorporate the opinion, a summary of the work that supports that opinion, and a statement on conformance with PSIAS and the results of the quality assurance and improvement programme.
3. The Annual Report for 2019/20 is set out in **Appendix 1**. Key points to note are the following:
 - a) Internal Audit complied with the Public Sector Internal Audit Standards throughout the year and continued to operate independently
 - b) Internal Audit's work contributed to the objectives of the Council and delivered beneficial impacts for the citizens of Nottinghamshire and the direct users of the County Council's services
 - c) The Group Manager – Assurance has provided his opinion on the arrangements in the Council for governance, risk management and control:

Governance



REASONABLE ASSURANCE

- Good evidence supporting the Annual Governance Statement
- Assurance from a range of external inspectors
- Governance framework amended to adapt to Covid19

Risk Management



REASONABLE ASSURANCE

- Corporate risk management structure remained in place
- Lack of assurance delivered to Governance & Ethics Committee
- Governance Action Plan items outstanding

Control



REASONABLE ASSURANCE

- Predominantly 'reasonable assurance' delivered from audit assurance work
- Delays with implementing Priority 1 actions

Other Options Considered

4. The Internal Audit Section is working to the Public Sector Internal Audit Standards. This report meets the requirement of the standards to submit an Annual Report by the Head of Internal Audit to the appropriate governance forum. No other option was considered.

Reason/s for Recommendation/s

5. To set out the Head of Internal Audit's Annual Report for 2019/20, providing Members with the opportunity to comment on its content and to make suggestions for future audit coverage.

Statutory and Policy Implications

6. 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.

Financial Implications

The Local Government Act 1972 requires, in Section 151 that the Authority appoint an officer who is responsible for the proper administration of the Council's financial affairs. The Service Director for Finance, Infrastructure & Improvement is the designated Section 151 officer within Nottinghamshire County Council. Section 6 of the Accounts and Audit Regulations 2011 requires Local Authorities to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The County Council has delegated the responsibility to maintain an internal audit function for the Authority to the Service Director for Finance, Infrastructure & Improvement and Section 151 Officer.

RECOMMENDATION/S

- 1) Arising from the content of this report, Members determine whether they wish to see any actions put in place or follow-up reports brought to a future meeting.

Nigel Stevenson

Service Director for Finance, Infrastructure & Improvement and Section 151 Officer

For any enquiries about this report please contact:

Rob Disney

Group Manager - Assurance

Constitutional Comments (GR 24/06/2020)

7. Pursuant to Nottinghamshire County Council's constitution this report and the recommendation contained within it fall within the scheme of delegation to this committee.

Financial Comments (SES 23/06/2020)

8. The financial implications are set out in paragraph 6 of the report which states that the Local Government Act 1972 requires, in Section 151 that the Authority appoint an officer who is responsible for the proper administration of the Council's financial affairs. The Service Director for Finance, Infrastructure & Improvement is the designated Section 151 officer within Nottinghamshire County Council. Section 6 of the Accounts and Audit Regulations 2011 requires Local Authorities to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The County Council has delegated the responsibility to maintain an internal audit function for the Authority to the Service Director for Finance, Infrastructure & Improvement and Section 151 Officer.

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

Internal Audit Annual Report 2019/20

SUMMARY OF INTERNAL AUDIT'S WORK IN 2019/20

1) The Authority has a statutory responsibility to undertake an adequate and effective internal audit of the County Council's operations. This responsibility is discharged by the Internal Audit Service which has unrestricted access to all activities undertaken by the County Council.

2) The work carried out by Internal Audit involves reviewing and reporting on the governance, risk management and control environment established by management to:

- determine and monitor the achievement of the Authority's objectives
- identify, assess and appropriately manage the risks to achieving the Authority's objectives
- facilitate policy and decision making
- ensure the economical, effective and efficient use of resources
- ensure compliance with established policies, procedures, laws and regulations
- safeguard the Authority's assets and interests.

3) Internal Audit's work is planned to cover these areas and to provide an independent assessment of whether the Authority's systems and procedures are working appropriately. The work of Internal Audit is carried out in compliance with the Public Sector Internal Audit Standards (PSIAS). The essential roles set out in the standards for effective internal audit are delivered at this Council as follows:

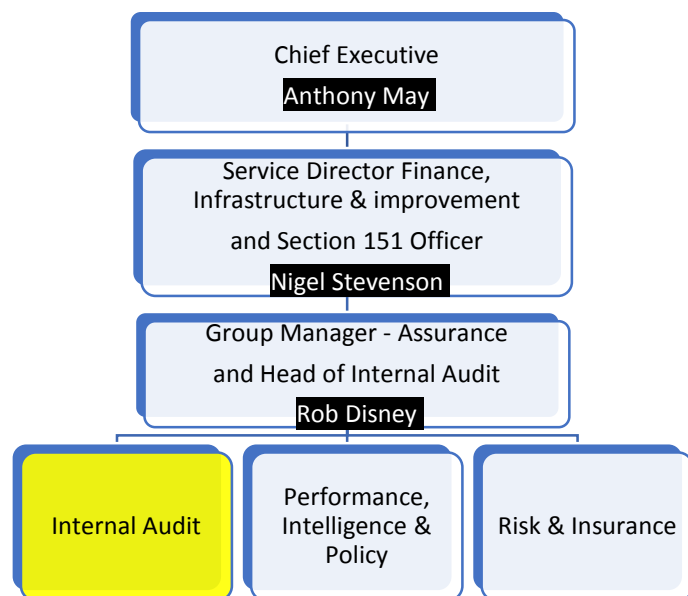
PSIAS Role	Delivered at NCC by:
Chief Audit Executive (CAE)	Group Manager - Assurance
Senior Management	Corporate Leadership Team
Board	Governance & Ethics Committee

4) Throughout 2019/20, Internal Audit continued to operate independently within the organisation. No impairments to its independence arose during the year.

5) The Covid-19 pandemic had a significant impact on the work of the Team during March 2020, and this is continuing into 2020/21. The Team shifted its focus away from its agreed Termly Plans, towards advisory input to assist the Council in its response to the emergency.

SUMMARY OF INTERNAL AUDIT'S WORK IN 2019/20

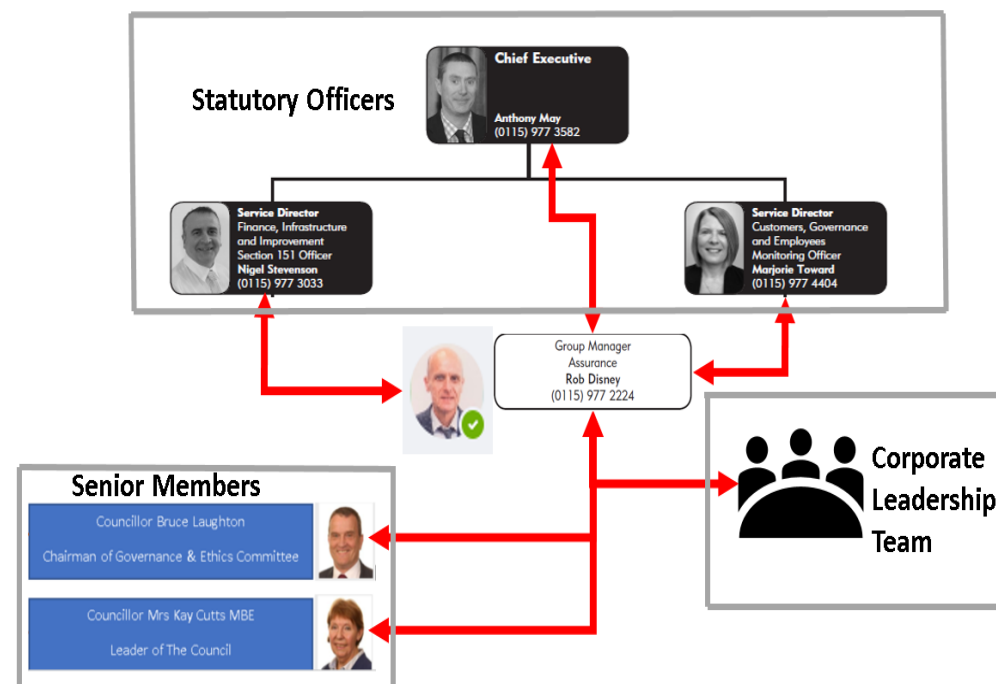
- 6) Internal Audit is positioned within the Assurance Group of the Chief Executive's Department. The Group Manager – Assurance reports directly to the Service Director – Finance, Infrastructure & Improvement, a member of the Corporate Leadership Team.



- 7) The Group Manager – Assurance formally recognises that this structure presents a potential impairment to his independence in respect of internal audit reviews of the Risk & Insurance and Performance services. To address this, fully independent and external providers of internal audit services are engaged to carry out such reviews, when they become due. From 2020/21, this arrangement

will also apply to audits of corporate risk management, as responsibility for this activity has now transferred to the Assurance Group.

- 8) The arrangements for the Section's organisational independence remained unchanged and are depicted in the diagram below. The Group Manager – Assurance has continued to have available direct reporting lines open to the principal officers and members with responsibility for governance, risk management and control in the Council.



SUMMARY OF INTERNAL AUDIT'S WORK IN 2019/20

- 9) A wide range of audit work was completed during the year, comprising formal reports and written advice, covering the following key types of Internal Audit input:
 - Assurance audits, for which an audit opinion is issued
 - Advice and consultancy – often relating to key developments and initiatives
 - Counter-fraud – including the investigation of suspected fraud and whistleblower reports
 - Certification audits – generally small jobs to sign off returns and accounts.
- 10) Most of Internal Audit's assurance work results in the issue of an opinion on the internal controls and procedures in place, categorised as follows:
 - *Substantial Assurance* – there are no weaknesses or only minor weaknesses
 - *Reasonable Assurance* – most of the arrangements for financial management are effective, but some weaknesses have been identified
 - *Limited Assurance* – there is an unacceptable level of risk which requires the prompt implementation of the recommendations made to correct the weaknesses identified.
- 11) Internal Audit provided advisory input to some key developments in the Council during the year, although fewer than in previous years due to reduced capacity. This type of input ensures that timely advice is delivered by the Section while new and changed systems are being designed and implemented, and it helps to maintain the influence the Section has to retain a proper focus on control issues. Advisory work relating to the impact of the Covid-19 pandemic became the primary focus of the Team during March 2020 and is continuing into 2020/21.
- 12) Internal Audit was involved with a number of irregularity investigations during the year. Details of this work will be incorporated in the Annual Fraud Report for 2019/20, which will be the subject of a separate report to the Governance & Ethics Committee in September 2020.
- 13) The outcomes from the work in each of three Termly Plans during the year have been reported to the Governance & Ethics Committee, as follows:
 - Term 1 November 2019
 - Term 2 March 2020
 - Term 3 July 2020 (as part of this report)

The key issues arising in these reports are summarised below in the 'annual opinion' section.

SUMMARY OF INTERNAL AUDIT'S WORK IN 2019/20

focus for the review of the Council's use of deputyship and appointeeship powers.

- 14) Internal Audit's ultimate objective is to bring beneficial impacts from its work for the citizens of Nottinghamshire and the direct users of the County Council's services. Arising from its work in 2019/20, the service can point to a number of positive impacts:



For Council Tax payers, helping the organisation to strengthen its stewardship of public funds. Audits of a number of the Council's core systems and procedures have identified opportunities to strengthen further the organisation's grip on its finances, as well as its wider approach to governance. Similarly, the service's key contribution towards promoting a counter-fraud culture in the Council plays an important role in helping minimise losses to fraud.



For children and families, audit follow-up work has helped to drive through agreed improvements in how scarce resources are put to best use by the services reviewed, for example in specialist education provision.



For adults, there has been a similar focus on the use of scarce resources, such as in the reviews of external day care, care home providers and continuing healthcare. Follow-up of agreed recommendations has also seen improved service provision with direct payments. The protection of vulnerable service users' interests was a primary

ANNUAL OPINION OF THE GROUP MANAGER - ASSURANCE

Governance



Limited assurance



REASONABLE ASSURANCE

Risk levels are acceptable

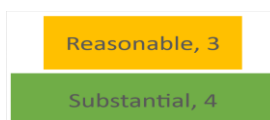


Substantial assurance

Basis for opinion in 2018/19

- 15) The Annual Governance Statement (AGS) for 2019/20 assesses compliance with the Council's Local Code of Corporate Governance, which 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).

Compliance rated
'substantial' for 4 of 7
principles



- 16) In support of the AGS, Corporate Directors provided their annual assurance statements for 2019/20, concerning the application of key governance issues in their areas of service. Corporate Directors report, overall, a substantial level of compliance with the Council's procedures.

- 17) Assurance mapping for five aspects of corporate governance was under completion at the time of preparing this report. The areas covered by the map in 2019/20 are the following:
- Financial management
 - Performance management
 - Risk management
 - Asset management
 - People management
- 18) Completion of assurance mapping has been hampered by the pandemic outbreak. Although the evidence for some areas had been fully gathered, others were at various stages of completion when progress had to be paused. The work completed was used to inform the Annual Governance Statement and, for the most part, this delivered positive assurance. However, partial completion of the mapping has not been used for this Annual Opinion.
- 19) Progress with the assurance map is now recommencing, and a full report will be submitted to the Governance & Ethics Committee in September 2020. This will include consideration of how the map should develop in the current year, as a result of the pandemic and the Council's recovery from it.
- 20) Other, important sources of assurance were delivered from external inspections during the year, as set out in the following extracts.

ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT



- 21) The Local Government Association Peer Challenge in June 2019 included a review stream around organisational leadership and governance. This concluded that, *'There is effective organisational leadership and governance in Nottinghamshire County Council, with respected and visible leadership from the Chief Executive.'*



- 22) The Ofsted inspection of Children's services in October 2019, which resulted in a 'Good' overall rating, delivered assurance that the Council's governance arrangements had already identified most of the areas for improvement identified by the inspection.



- 23) The Council's Legal Services Team retained the Law Society's legal practice quality mark for practice management and client care
- 24) Self-assessments against best practice have been considered by the Governance & Ethics Committee, providing an opportunity to critically review the Council's arrangements in some important aspects of governance. Authority Governance.



Statement on the Role of the Head of Internal Audit



- Cyber Security
- Cloud Services

These identified good levels of compliance, and action plans are in place to follow through on those areas in which improvements may be made.

Coronavirus (COVID-19)

- 25) The holding of Committee meetings in person was suspended in March 2020, to ensure compliance with the national and local response to the pandemic. Once legislation was passed allowing meetings to be held virtually and government guidance received, a number of virtual meetings were scheduled and took place. This included an extraordinary meeting of Full Council which approved the governance and committee structure for the year ahead.
- 26) The governance framework provides for the use of both urgency and emergency powers during such periods, and these provisions have been applied to enable the Council to respond to the emergency at the pace demanded. Policy Committee has received a report on

ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

decisions taken under these provisions in the last six months.

- 27) At the time of compiling this report, Internal Audit was engaged in a review of the Council's overall response to the pandemic. However, it has not yet been possible for Internal Audit to conduct a review of the use of the urgency and emergency powers, in order to deliver assurance of their effective and appropriate use.

Risk Management



Basis for opinion in 2019/20

- 28) Internal Audit's risk-based audit approach did not identify any high-level risks in 2019/20 which were either not recognised by the organisation or for which the mitigating actions in place were fundamentally inadequate.

- 29) In support of the Annual Governance Statement, Corporate Directors provided strong levels of assurance that the actions detailed in the Corporate Risk Register to mitigate the identified risks continue to be taken by designated officers. However, there is no routine process in place to evidence that these actions are taken.

> Corporate risk register mitigations carried out

Dept	Assurance Level
ASCPH	Substantial
C&F	Substantial
Place	Substantial
Chief Exec's	Substantial

- 30) The Group Manager – Assurance attends meetings of the Council's Risk, Safety & Emergency Management Board during the year. This provides ongoing assurance that the Council's over-arching framework for risk management continued to be applied, but it also confirmed the need for the Corporate Risk Register to be brought up to date.
- 31) The incidence of emergencies in the community necessitated a rapid and prolonged response from the Emergency Management Team, meaning it was unable to deliver risk management updates to the Governance & Ethics Committee. The planned training on this topic for Committee Members is also outstanding, as was the development of a formal approach to establishing the Council's risk appetite.
- 32) As indicated above, assurance mapping for risk management was under completion at the time of

ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

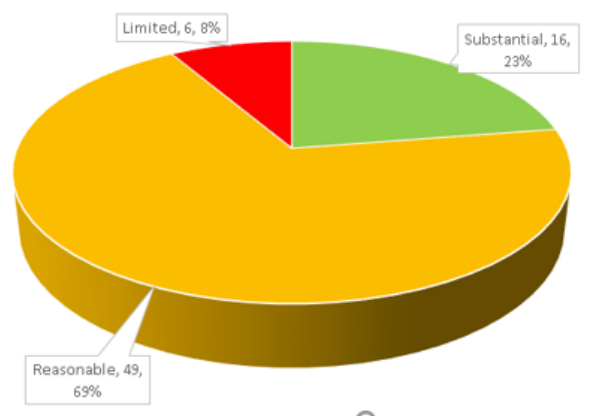
compiling this report and will be reported to the Governance & Ethics Committee in September 2020.

Control

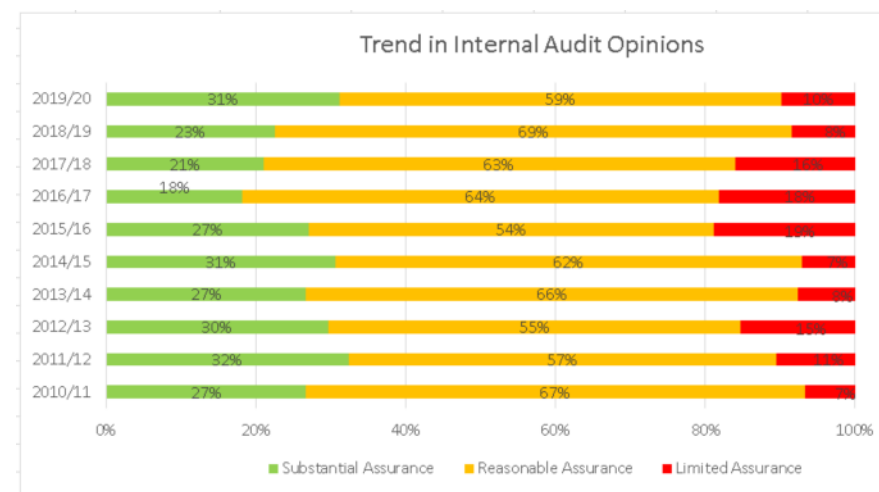


Basis for opinion in 19/20

- 33) Analysis of the opinion-based assurance work shows the following distribution of opinions issued during 2019/20.



- 34) The trend in the incidence of audit opinions over the past few years is illustrated in the graph below. This shows the positive picture that, in percentage terms, 2019/20 saw a reduction in the incidence of limited assurance opinions, alongside an increase in the percentage of substantial assurance opinions.



- 35) Nonetheless, the Annual Governance Statement for 2019/20 recognises continued pressure on core systems of internal control. This was manifested during the year through the slowing implementation rate for some Priority 1 actions agreed as a result of Internal Audit's work. The Governance & Ethics Committee continued to play a leading role in helping to drive progress in these specific areas of service, by continuing to receive implementation updates from service managers until the agreed improvements are put in place.

ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

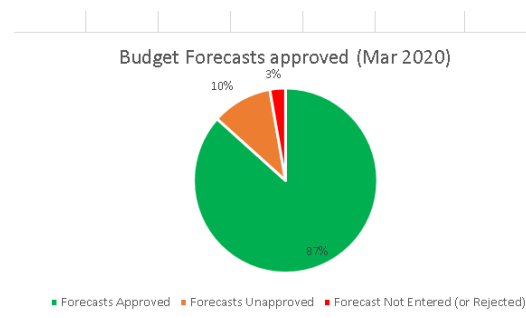
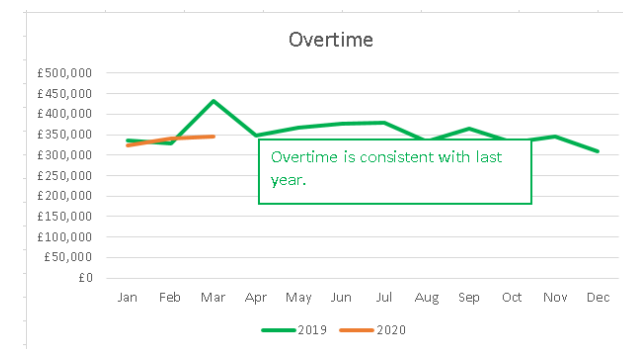
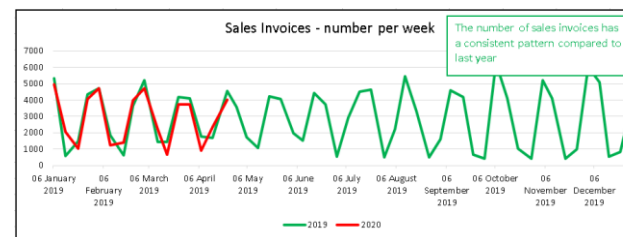


36) HMRC conducted a business risk review of the Council's tax arrangements, and its report concluded that:
'Nottinghamshire County Council has been designated a low risk rating.'

37) As part of Internal Audit's contribution to the response to Covid-19, it is developing a feed of continuous assurance about the effectiveness of many of the Council's key, corporate processes, embracing:

- Accounting & Budgetary Control
- Procurement
- Income and Debtors
- Purchasing
- Payments
- Payroll
- Pensions
- Health and Safety
- Constitutional decisions
- Information Governance

38) Although under development still in the 2020/21 financial year, early deliverables from the initiative are providing relevant assurance for the fourth quarter of the 2019/20 year. The following sets an extract of charts and metrics to illustrate the type of assurance that this approach will deliver.



Bank Reconciliation	
Latest Month:	April 2020
Bank rec done:	✓

PERFORMANCE OF THE INTERNAL AUDIT TEAM

Key Performance Indicators

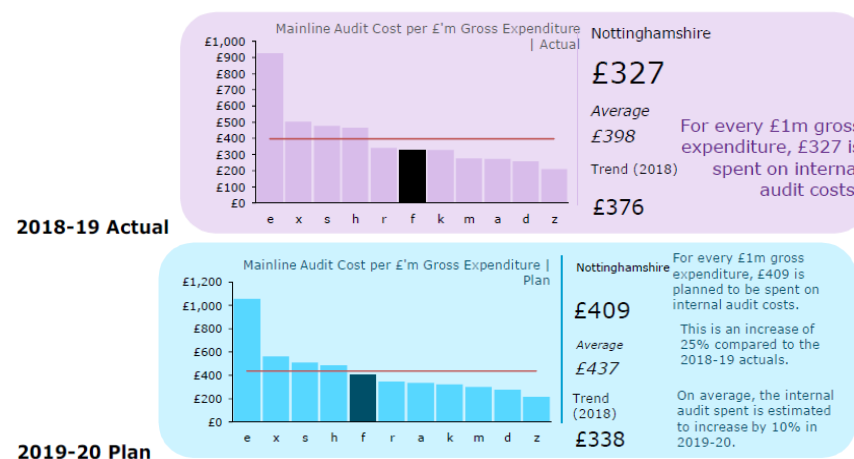
- 39) Progress against the Section's performance indicators is reported on a termly basis to the Governance & Ethics Committee. A summary of what has been achieved, and what has fallen short, is provided below.

Risk-aware Council	
Completion of Termly Plans	✓ with reduced level of input, pending establishment of the apprenticeship scheme
Regular progress reporting	✓ Termly reporting in place
Fraud awareness updates	✓ E-learning & annual fraud report
Influential Audit Section	
Recommendations agreed	✓ 100% agreement
Engagement with the Transformation agenda	✗ Fewer projects engaged with, due to reduced level of resource
Improved internal control & VFM	
Implementation of agreed actions	✗ Delays with Priority 1 actions highlighted
Quality measures	
Compliance with standards	✓ High degree of compliance
Customer feedback	✓ High levels of satisfaction

Benchmarking

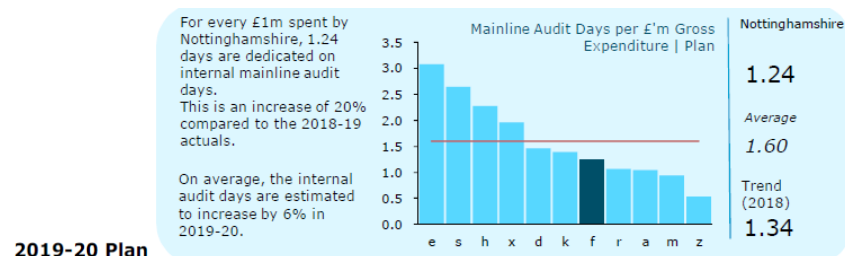
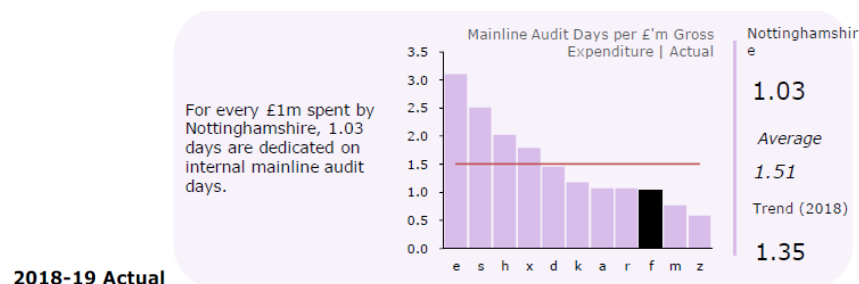
- 40) The Team participates in the CIPFA benchmarking club for internal audit. The report from the 2019 exercise covers 2018/19 actual and 2019/20 planned outcomes. The report also identifies that only 11 councils took part, just one of which was another county council. This continues a decline in participation in this club over recent years.
- 41) Whilst this means the value of the data is very limited, the following headline figures are picked out. These underline the known challenges for the service over the past couple of years, regarding its inability to recruit suitable staff. This makes for a low-cost audit service, but restricts its coverage of Council activities.

Cost of the service



PERFORMANCE OF THE INTERNAL AUDIT TEAM

Coverage of Council activities



- 42) For the coming year, it is proposed that this Council does not take part in the CIPFA exercise, focussing efforts instead on emerging benchmarking approaches being developed by other regional and national groups, such as:

- the national Chief Auditors' Network
 - the Midland Counties Heads of Internal Audit Group
- cost of the service and level of audit coverage are in line with the comparator average.

Public Sector Internal Audit Standards (PSIAS)

- 43) The Group Manager – Assurance carries out an annual self-assessment of compliance against the PSIAS. This

incorporates the requirements of the Local Government Application Note (LGAN), which provides additional advice and guidance to providers of internal audit services in a local government setting.

- 44) In addition to the self-assessment, the service is subject to an External Quality Assessment (EQA) once every five years. The most recent EQA was carried out in March 2018.
- 45) For 2019/20, the self-assessment has been updated and has been used to form the basis of the annual Quality Assurance and Improvement Programme (QAIP) for the service (see **Annex 1** below). The outcome of the assessment provides significant assurance to the Council that the Internal Audit service conducts its work with due professional care. It confirmed the following in respect of the work carried out by the service in 2019/20:
- a) The service applied a systematic, risk-based approach to the assurance work it delivered
 - b) Internal Audit staff performed their duties with due regard to the code of ethics set out in the standards
 - c) The only impairment to the independence and objectivity of the service during the year.
- 46) Nonetheless, the QAIP has identified some scope for improved compliance, with an action plan to provide a focus for continuous improvement in 2020/21.

REVIEW OF THE STRATEGIC AUDIT PLAN 2019-2021

- 47) In November 2019, Governance & Ethics Committee approved a Strategic Audit Plan for the period 2019 to 2021, along with a commitment to keep this under review on an annual basis.



Purpose of the Strategic Internal Audit Plan

- The purpose of the Strategy remains valid and unchanged.



Delivery model

- The Strategy remains to deliver the service through the in-house team, and to continue its outward-looking approach, notably through its collaboration with Assurance Lincolnshire.



Understanding the Council's assurance needs

- The termly, 4-monthly audit plans will continue, and should prove of particular benefit to maintain the

relevance of Internal Audit's work in the recovery from the pandemic.

- The balance of Internal Audit's work between advisory input and risk-based assurance reviews tipped significantly towards advice during the pandemic response, and this should continue through recovery and renewal to support the Council's transformation agenda. At the same time, opinion-based assurance work will increase through this period, embracing the possibilities offered by a 'continuous assurance' approach.
- The service's pro-active counter-fraud programme is heightening awareness of potential fraud vulnerabilities. Assurance work during the pandemic recovery period will be carried out with a sharpened focus on fraud detection, to provide assurance that the Council has not been the target for attacks.



Deploying Internal Audit resources

- The service will welcome on board its first internal audit apprentices, and begin their training with the Council for a rewarding career in the profession. It will also continue to exploit opportunities to bring in graduate and other developmental placements to the service, which provides a mutually beneficial opportunity for both the Team and the learner.

REVIEW OF THE STRATEGIC AUDIT PLAN 2019-2021

- 'Continuous auditing' will be progressed further, building on the impetus given to this approach by the assurance needs of the emergency response.
- The service will review its 'data-enabled audit strategy', to ensure it continues to upgrade and upskill its approach.



Maintaining quality and VFM

- The service remains committed to progressing its Quality Assurance & Improvement Programme.
- The experience of delivering the internal audit service through home-based staff during the pandemic emergency will be formally reviewed to inform the Team's approach going forward.



Reviewing and reporting progress

- Internal Audit's reporting schedule to the Corporate Leadership Team and to the Governance & Ethics Committee remains appropriate and timely.

ANNEX 1: QUALITY ASSURANCE & IMPROVEMENT PROGRAMME

Update on progress against the 2019/20 QAIP

	Audit Standard	Gap in meeting standard	Action Required	Officer responsible	Timeline	Progress as at July 2020
18-19 7	Impairment to independence and objectivity – Rotation of lead responsibilities for managing the audit service to each department of the Council	Responsibilities have not been rotated for some time	To further embed conformance, departments managed at the Audit Manager level be considered for rotation to other team members	Head of Internal Audit	With implementation of a revised structure for Internal Audit	Implemented The revised structure for the service addressed this issue.
19-20 1	Internal Audit's activity is aligned with the strategies, objectives and risks of the organisation	Scope to make this more explicit in the format and structure of audit plans	Alignment with the Council's strategies, objectives and risks to be made explicit Develop a Strategic Audit Plan to set the overall framework within which the termly plans are positioned	Group Manager - Assurance	From Term 3 Plan 2019/20	Implemented The Strategic Internal Audit Plan was approved by the Governance & Ethics Committee in November 2019.
19-20 2	Internal Audit is adequately resourced	Difficulties in recruitment	Short-term cover through the use of our partnership with Assurance Lincolnshire and the engagement of agency auditors.	Group Manager - Assurance	Throughout 2019/20	Implemented The input of Assurance Lincolnshire colleagues was commissioned during the year, helping to limit reliance on agency cover.

ANNEX 1: QUALITY ASSURANCE & IMPROVEMENT PROGRAMME

	Audit Standard	Gap in meeting standard	Action Required	Officer responsible	Timeline	Progress as at July 2020
			Restructure of the Internal Audit Service, building in apprentice posts	Group Manager – Assurance	Restructure proposal to Governance & Ethics Committee in September 2019	Implemented The revised structure for Internal Audit was approved by the Governance & Ethics Committee in September 2019. Existing staff have been enabled into it, and two new apprentices have been appointed.
			Identify how the resources required to deliver the risk-based audit plan have been assessed	Group Manager - Assurance	From the Term 3 Plan for 2019/20	Not yet implemented To be progressed in 2020/21
19-203	Internal Audit Charter	The Charter could more fully describe the scope and wide remit of Internal Audit's activities Charter needs to address the wider, non-audit remit of the Group	Annual refresh of the Internal Audit Charter to address these points	Group Manager - Assurance	September 2019	Implemented The updated Charter was approved by the Governance & Ethics Committee in September 2019

ANNEX 1: QUALITY ASSURANCE & IMPROVEMENT PROGRAMME

	Audit Standard	Gap in meeting standard	Action Required	Officer responsible	Timeline	Progress as at July 2020
		Manager – Assurance role				
19-20 4	Organisational independence	The annual report does not explicitly confirm that the Internal Audit Section is organisationally independent	Include this confirmation in the annual report	Group Manager - Assurance	July 2019	Implemented July 2019
19-20 5	The remuneration and performance assessment of the Head of Internal Audit should not be inappropriately influenced by those subject to audit	Scope to further widen the span of senior Members and Officers who contribute to the performance assessment of the Group Manager - Assurance	Widen contributors to the performance assessment of the Group Manager – Assurance to include: Chief Executive, Monitoring Officer, Governance & Ethics Committee Chairman, Vice-Chairman and Lead Opposition Member	Service Director – Finance, Infrastructure & Improvement	June 2019	Implemented The Head of Internal Audit's assessment in 2019/20
19-20 6	Co-ordination of assurance	Identify where assurance can be taken from work undertaken by other assurance providers	Identify in the risk-based assurance plan where reliance is to be placed on other assurance providers	Group Manager - Assurance	From Term 3 Plan for 2019/20	Not yet implemented To be progressed in 2020/21

ANNEX 1: QUALITY ASSURANCE & IMPROVEMENT PROGRAMME

	Audit Standard	Gap in meeting standard	Action Required	Officer responsible	Timeline	Progress as at July 2020
19-20 7	Review of Risk Management in the organisation	The assurance mapping process for risk management may be strengthened through the application of Institute of Internal Auditors' (IIA) guidance for the assessment of risk management	Build in the IIA guidance to the assurance mapping process for 2019/20	Group Manager - Assurance	Annual assurance mapping report for 2019/20	Not yet implemented To be progressed in 2020/21
19-20 8	Overall opinion	<p>The overall opinion of the Head of Internal Audit does not separate out the three linked strands of governance, risk management and control.</p> <p>The opinion could set out the sources of assurance supporting the assessment</p>	<p>Implement separate opinions for each of these elements</p> <p>Specify the sources of assurance on which the opinion is based, including sources other than that directly delivered by Internal Audit</p>	<p>Group Manager – Assurance</p> <p>Group Manager - Assurance</p>	<p>July 2019 – annual opinion for 2018/19</p> <p>July 2019 – annual opinion for 2018/19</p>	<p>Implemented From the 2018/19 Annual Opinion</p> <p>Implemented From the 2018/19 Annual Opinion</p>

ANNEX 1: QUALITY ASSURANCE & IMPROVEMENT PROGRAMME

	Audit Standard	Gap in meeting standard	Action Required	Officer responsible	Timeline	Progress as at July 2020
19-209	Follow-up of agreed actions	Not explicit how failure to implement agreed actions impacts on the annual opinion and risk-based planning of future audit work	Feature the outcome of follow-up testing in the annual report and in risk-based planning	Group Manager - Assurance	July 2018/19 for annual report for 2018/19 Term 3 Plan for 2019/20	Implemented Referred to in the annual opinion for 2019/20

New actions for 2020/21 – arising from the Head of Internal Audit's annual self-assessment

	Audit Standard	Gap in meeting standard	Action Required	Officer responsible	Timeline	(Progress – to be updated for 2020/21)
20-211	Bringing insight from Internal Audit's work	Continuing to embed a data analytic approach	Refresh of the Team's 'Data-enabled audit strategy'	Team Manager – Internal Audit	September 2020	
20-212	ICT specialist audit	Availability of in-house resource	Keep under active review the need to bring in specialist ICT audit capability, as and when required to meet needs identified in termly plans.	Group Manager - Assurance	Throughout 2020/21	
20-213	Contribution to transformation	Reduced allocation of resources to Council change programmes	Following the revision of the Council's transformation model in 2020/21, a greater portion of resources to be	Team Manager Internal Audit	From Term 3, 2020/21	

ANNEX 1: QUALITY ASSURANCE & IMPROVEMENT PROGRAMME

	Audit Standard	Gap in meeting standard	Action Required	Officer responsible	Timeline	(Progress – to be updated for 2020/21)
			allocated to internal audit input to the Council's major transformation programmes.			
20/21 4	Timely assurance	Scope to deliver more audit assignments to planned timescales	Continued focus on identifying barriers to timely delivery and implementing corrective actions	Team Manager Internal Audit	Improved performance outcomes in 2020/21	

REPORT OF THE SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE AND IMPROVEMENT

UPDATE ON THE NATIONAL AUDIT OFFICE CYBER SECURITY AND INFORMATION RISK GUIDANCE FOR AUDIT COMMITTEES

Purpose of the Report

1. To provide Members with an update to the report reviewing the advice for audit committees on cyber security provided by the national audit office (NAO).

Information and Advice

Background

2. A report was presented to the Governance and Ethics committee in July 2019 which briefed Members on the advice published by the NAO for audit committees on the subject of cyber security.
3. The report included an assessment of the current position of the authority against the questions posed by the advice. Members of the Governance and Ethics committee agreed to receive an update to the report in 6 months' time.

Current state assessment

4. The guidance groups the questions into three sections:
 - a. Section 3. High level questions
 - b. Section 4. More detailed areas to explore
 - c. Section 5. Additional questions

3. High Level Questions	Dec 18	June 19	Dec 19	June 20
1. Has the organisation implemented a formal regime or structured approach to cyber security which guides its activities and expenditure?	Amber	Amber	Amber	Green
2. How has management decided what risk it will tolerate and how does it manage that risk?	Red	Amber	Green	Green
3. Has the organisation identified and deployed the capability it needs in this area?	Amber	Amber	Amber	Green

Assessment summary:

5. Question 3.1 is now rated as green from amber. A formal IT Security Strategy is now produced annually, incorporating compliance and best practice. This guides activities and expenditure in cyber security. IT Security policies are reviewed annually and NCC's cyber security is externally certified against Cyber Essentials, the Public Services Network Code of Connection and the Data Security Protection Toolkit.
6. Question 3.2 continues to be rated green. The governance arrangements for information risk deliver a more corporate approach to information risk management through the information governance management board.
7. Question 3.3 is now rated as green from amber. Both the ICT Security and Information Governance Teams are appropriately resourced and trained. There are clear policies covering IT security and data protection, supplemented with appropriate staff training. Significant investments in new technology are being implemented currently, better protecting endpoint devices and servers, improving email filtering and extending cyber security defences to align with the move to cloud-based Office 365 services.

4. More detailed areas to explore	Dec 18	June 19	Dec 19	June 20
1. Information risk management regime	Amber	Amber	Amber	Green
2. Secure configuration	Green	Green	Green	Green
3. Network Security	Green	Green	Green	Green
4. Managing User Privileges	Amber	Amber	Amber	Green
5. User education and awareness	Green	Green	Green	Green
6. Incident management	Green	Green	Green	Green
7. Malware protection	Green	Green	Green	Green
8. Monitoring	Amber	Amber	Green	Green
9. Removable media controls	Green	Green	Green	Green
10. Home and mobile working	Green	Green	Green	Green

Assessment summary:

8. Question 4.1 is now rated as green from amber. The classification of data is a key driver for risk management activities, including the Data Protection Impact Assessment (DPIA) procedure. NCC's information professionals liaise with central government, stakeholders

and suppliers as necessary, and there is engagement in risk management across the authority involving senior management where appropriate.

9. Question 4.4 is now rated as green from amber. Additional procedural controls in ICT coupled with new Microsoft tools limit the use of privileged accounts and provide additional monitoring and oversight. New investments in protective monitoring platforms for 2020 provide active monitoring of activity and audit logs to help detect unusual behaviour. These are supplemented by system level process controls tied to the DPIA procedure that ensure all systems storing or processing NCC data have their access controls appropriately managed.

5. Additional questions	Dec 18	June 19	Dec 19	June 20
1. Using Cloud Services	Green	Green	Green	Green
2. Development of new services or technology	Green	Green	Green	Green

Summary

10. Improvements have been targeted at areas previously rated as amber, ensuring that all controls are now to be rated as green. This demonstrates a strong organisational and technical position with respect to cyber security.

Other Options Considered

11. None.

Reason for Recommendations

12. As all control measures are now assessed as green, Members are asked to agree that the Council is now compliant.

Statutory and Policy Implications

13. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATIONS

That the Committee:-

- 1) Agrees that the Council can now be assessed as compliant with the National Audit Office's cyber security requirements.
- 2) Considers whether any further actions or information are required on this issue.

Nigel Stevenson
Service Director Finance, Infrastructure and Improvement

For any enquiries about this report please contact:
Mark Davies, Head of ICT (Interim)

Constitutional Comments (KK 01/07/2020)

The recommendations fall within the remit of the Governance and Ethics Committee by virtue of its terms of reference.

Financial Comments: (SES 30/06/2020)

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

Background Papers

None

Electoral Division(s) and Member(s) Affected

All

21 July 2020**Agenda Item:****REPORT OF THE MONITORING OFFICER****LOCAL GOVERNMENT ASSOCIATION - CONSULTATION ON DRAFT MODEL
MEMBER CODE OF CONDUCT****Purpose of the Report**

1. To inform members of the Local Government Association (LGA) consultation on the Draft Model Member Code of Conduct and agree the responses to the consultation.
2. To approve the general content of the consultation response and to authorise the Monitoring Officer to finalise the detailed drafting of the response in consultation with the Chairman prior to submission to the LGA.

Information

3. In May 2018, this Committee considered the consultation document on local government ethical standards issued by the Committee on Standards in Public Life (CoSPL) and agreed a response. In May 2019, it considered the CoSPL's report. The CoSPL considered that high standards of conduct in local government were needed to protect the integrity of decision-making, maintain public confidence and safeguard local democracy. They were concerned about a risk to standards under the current arrangements, as a result of the current rules around declaring interests, gifts and hospitality and the increasing complexity of local government decision-making. They made 26 recommendations.
4. The CoSPL was concerned that, although local authorities are required to have in place a code of conduct, there was considerable variation in length, quality and clarity. They considered that many codes failed to address adequately important areas of behaviour such as use of social media and bullying and harassment. It was therefore recommended that the LGA should create an updated model code of conduct. However, the CoSPL stated that any model should be capable of adaptation so that local authorities were able to take ownership of their code. The Draft Model Member Code of Conduct produced by the LGA is attached at Appendix 1. In order to assist the process of commenting on the Draft Model Member Code of Conduct the LGA has produced a questionnaire to be completed. This is attached at Appendix 2. It should be noted that this report relates to the County Council's response to the consultation and that the suggested response set out in the draft at Appendix 2 is subject to members' views and agreement on any changes they would prefer to see included. Members may also respond individually or as a group.

5. The questionnaire addresses key areas that the LGA are consulting upon in order to inform the final version of the Code. The Code begins with an introduction which refers to the Code being “offered as a template for Councils to adopt in whole and/or with local amendments”. It is suggested that this should be clarified and that in order to meet the CoSPL’s identified concern around variations in code contents, the draft code once finalised should operate as a minimum requirement for all Councils, with local adaptations only adding to and not taking away any of the standard content.
6. Page 3 of the Code then continues by setting out general principles in respect of standards of behaviour, including references to the Nolan principles of standards on public life. It is suggested that there should be greater clarity within the Code about whether these principles serve only as general background against which the following section should be read or whether breach of these elements of the Code may also result in complaints for consideration and subsequent action under local code procedures. The draft then goes on to detail 12 specific obligations which councillors are asked to commit to, and comments are requested on those obligations. Further detailed comments are requested on particular aspects, for example, whether the concept of ‘acting with civility’ and ‘bringing the council into disrepute’ are clear. Specific comments are also requested in relation to the definition of bullying and harassment, which is a key matter that the CoSPL considered should be included in any new Model Code.
7. Members will see from the suggested responses that further clarity would be helpful for the concept of “civility”. This could be done by either by changing the definition to remove reference to the Code applying when members are “giving the impression” that they are acting in the fulfilment of their official role, which is a rather subjective judgement. Alternatively, members may feel that some sort of threshold level would assist to avoid very minor incivilities becoming the subject of complaints, whilst retaining scope for consideration of the cumulative effect of persistent low level infringements.
8. With regard to bringing the Council into disrepute, it is suggested that this should not only be linked in the guidance to deceitful or dishonest behaviour but to cover any behaviour which might cast the role of Councillors or their Council in a dim light. If a broader context is set for this obligation it is again suggested that a threshold of some sort be included to avoid complaints about minor or immaterial issues, to manage the expectations of the public and members alike and also to ensure that the process of considering and possibly investigating complaints is limited to those issues of a material nature.
9. In terms of bullying and harassment, it is suggested that this should include a specific reference to discrimination as the current links to protected characteristics in the context only of behaviour that is bullying, or harassing does not seem broad enough to capture any discriminatory behaviour.
10. The use of social media is highlighted, and comments are requested on whether there is sufficient reference to it. It also asks whether social media should be covered in a separate code or integrated into the overall code of conduct. The proposed response suggests that a compromise approach would be to have stronger reference to the impact of social media in the Code and the need for a specific policy but then to reference the detail, including a suggested standard social media policy wording, within a separate appendix. It should be noted that LLG (Lawyers in Local Government) are currently working on a policy and guidance on use of social media which is expected to be ready at the end of July.

11. There is also a presumption in the new Code that members are acting in an official capacity whenever they are on social media platforms. This is suggested as being too invasive into the private lives of members and would mean that they must first overcome the presumption that they were acting in an official capacity to enable Monitoring Officers to determine that the incident was not caught by the Code. It is important that members aim to maintain high standards at all times as local leaders and role models, however it is suggested that members are entitled to some degree of private life where those standards may not always apply. In order to achieve some balance in this area, the response is suggesting that either the concept of proportionality or a threshold is introduced to ensure that it is clear that members are acting in an official capacity.
12. There is greater detail on declaration of interests and the LGA has broadened the requirement to declare interests beyond the statutory minimum in line with the recommendations from the CoSPL. It also includes additional categories for registration of interests. These provisions are included in Appendix B of the Code. Specific questions are posed about these provisions and where they should sit in the Code. The suggested responses request greater clarity on what would constitute a family member or close associate so that is not left to local interpretation and so members and the public alike are then clear on expectations around when interests must be registered and declared. In terms of the need for registration and declaration of interests where members have been appointed to sit on outside bodies as representatives of the Council in unremunerated roles, it is suggested that these should form a different class of interests where members declare their interests in meeting but are able to remain and vote as they will most likely have the greatest insight to share with fellow members.
13. Comments are requested on the acceptance of gifts and hospitality. There are two proposed requirements here; firstly, a requirement not to accept any “significant” gift and secondly a threshold of £25 for the registration of gifts which have been received. The consultation requests comments on whether it is an appropriate sum. The proposed response suggests that the term “significant” is vague and lacks clarity for members and the public around what is expected. Instead, either a defined sum or a way to assess significance by way of objective criteria is suggested.
14. Members’ views are sought on the appropriate threshold and the draft response suggests that there be some exceptions in the case of Civic heads, such as Chairman and Vice Chairman of Councils and Leaders who are often invited to events as representatives of the Council where there is a high expectation of attendance and where gifts are often offered and would cause offence to official visitors or groups, if refused. Provided such gifts/hospitality are registered if over the relevant threshold, it is suggested that such exceptions would assist in providing clarity to current arrangements. Finally, the response also includes the suggestion that no money of any value should ever be accepted by members. This offers clarity and protection to members and is consistent with the Council’s obligations in respect of bribery and corruption legislation.
15. With regard to some of the proposed changes, legislation is required, for example, when the Code applies as changes need to be made to Section 27 of the Localism Act 2011 to accommodate this change to include a presumption that councillors are acting in an official capacity at all times. The draft response suggests this goes too far and that there should be clarity over when members are caught by the code in their official roles and when they are not, rather than leaving this always to subjective judgements of Monitoring Officers whose role it is to assess initial complaints to ensure they are caught by the Code before taking further action.

16. Members views are also sought on the way in which the code is written – in the personal tense “I will” or the passive tense “Councillors should”. There are arguments either way which are set out at question 3 of the questionnaire and members are asked to determine which of these they feel is most appropriate.

Other Options Considered

17. The Council could choose not to engage with the consultation and to leave it to individuals to provide a response, however it is felt more appropriate to provide feedback on the proposals as they stand to assist in shaping an improved end product. Further consideration will be given to local arrangements following the finalisation of the LGA Code of Conduct and any changes to primary legislation which may come forward from Government.

Reason/s for Recommendation/s

18. To provide a response to the LGA consultation on behalf of the County Council.

Statutory and Policy Implications

19. 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.

RECOMMENDATION/S

It is recommended that:

- 1) Members note the content of the Draft Model Member Code of Conduct and consider the responses to be submitted to the LGA as part of the consultation process.
- 2) Approve the general content of the consultation response and authorise the Monitoring Officer to finalise the detailed drafting of the response in consultation with the Chairman prior to submission to the LGA.

Marjorie Toward

Monitoring Officer and Service Director – Customers, Governance and Employees

For any enquiries about this report please contact:

Linda Walker, Solicitor (Corporate & Environmental Law)

linda.walker@nottscc.gov.uk

0115 9772438

Constitutional Comments

LW 24/06/2020

Governance and Ethics Committee is the appropriate body to consider the content of the report.

Financial Comments

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.

- The Local Government Ethical Standards Review is published
<https://www.gov.uk/government/publications/local-government-ethical-standards-report>

Electoral Division(s) and Member(s) Affected

- All

Local Government Association Model Member Code of Conduct

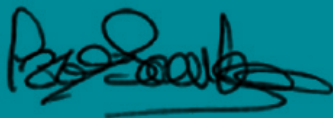
Introduction

The Local Government Association (LGA) is providing this Model Member Code of Conduct as part of its work on supporting the sector to continue to aspire to high standards of leadership and performance.

The role of councillor in all tiers of local government is a vital part of our country's system of democracy. In voting for a local councillor, the public is imbuing that person and position with their trust. As such, it is important that as councillors we can be held accountable and all adopt the behaviours and responsibilities associated with the role. The conduct of an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to and want to participate with. We want to continue to attract individuals from a range of backgrounds and circumstances who understand the responsibility they take on and are motivated to make a positive difference to their local communities.

All councils are required to have a local Member Code of Conduct. This Model Member Code of Conduct has been developed in consultation with the sector and is offered as a template for councils to adopt in whole and/or with local amendments. The LGA will undertake an annual review of the Code to ensure it continues to be fit-for-purpose, particularly with respect to advances in technology, social media and any relevant changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code, whilst the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

As a councillor we all represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent everyone (in our ward/town/parish), taking decisions fairly, openly, transparently and with civility. Councillors should also be treated with civility by members of the public, other councillors and council employees. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations. This Code, therefore, has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.



Councillor Izzi Seccombe OBE
Leader, LGA Conservative Group



Councillor Nick Forbes CBE
Leader, LGA Labour Group



Councillor Howard Sykes MBE
Leader, LGA Liberal Democrats Group



Councillor Marianne Overton MBE
Leader, LGA independent Group

Purpose

The purpose of this Code of Conduct is to assist councillors in modelling the behaviour that is expected of them, to provide a personal check and balance, and to set out the type of conduct against which appropriate action may be taken. It is also to protect yourself, the public, fellow councillors, council officers and the reputation of local government. It sets out the conduct expected of all members and a minimum set of obligations relating to conduct. The overarching aim is to create and maintain public confidence in the role of member and local government.

Application of the Code

The Code of Conduct applies to you when you are acting [or claiming or giving the impression that you are acting]¹ in [public or in]² your capacity as a member or representative of your council, although you are expected to uphold high standards of conduct and show leadership at all times. The Code applies to all forms of member communication and interaction, including written, verbal, non-verbal, electronic and via social media, [including where you could be deemed to be representing your council or if there are potential implications for the council's reputation.] Model conduct and expectations is for guidance only, whereas the specific obligations set out instances where action will be taken.

The seven principles of public life

Everyone in public office at all levels – ministers, civil servants, members, council officers – all who serve the public or deliver public services should uphold the seven principles of public life. This Code has been developed in line with these seven principles of public life, which are set out in appendix A.

Model member conduct

In accordance with the public trust placed in me, on all occasions I will:

- act with integrity and honesty
- act lawfully
- treat all persons with civility; and
- lead by example and act in a way that secures public confidence in the office of councillor

In undertaking my role, I will:

- impartially exercise my responsibilities in the interests of the local community
- not improperly seek to confer an advantage, or disadvantage, on any person
- avoid conflicts of interest
- exercise reasonable care and diligence; and
- ensure that public resources are used prudently and in the public interest

Specific obligations of general conduct

This section sets out the minimum requirements of member conduct. Guidance is included to help explain the reasons for the obligations and how they should be followed. These obligations must be observed in all situations where you act [or claim or give the impression that you are acting] as a councillor [or in public], including representing your council on official business and when using social media.

Civility

- 1. Treating other councillors and members of the public with civility.**
- 2. Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.**

Civility means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a civil manner. You should not subject individuals, groups of people or organisations to unreasonable or excessive personal attack.

In your contact with the public you should treat them courteously. Rude and offensive behaviour lowers the public's expectations and confidence in its elected representatives.

In return you have a right to expect courtesy from the public. If members of the public are being abusive, threatening or intimidatory you are entitled to close down any conversation in person or online, refer them to the council, any social media provider or if necessary, the police. This also applies to members, where action could then be taken under the Member Code of Conduct.

Bullying and harassment

- 3. Not bullying or harassing any person.**

Bullying may be characterised as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. The bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and not always be obvious or noticed by others.

The Equality Act 2010 defines harassment as 'unwanted conduct related to a relevant protected characteristic, which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for that individual'. The relevant protected characteristics are age, disability, gender reassignment, race, religion or belief, sex, and sexual orientation.

Impartiality of officers of the council

- 4. Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the council.**

Officers work for the council as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. Although you can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

Confidentiality and access to information

- 5. Not disclosing information given to me in confidence or disclosing information acquired by me which I believe is of a confidential nature, unless I have received the consent of a person authorised to give it or I am required by law to do so.**
- 6. Not preventing anyone getting information that they are entitled to by law.**

Local authorities must work openly and transparently, and their proceedings and

printed materials are open to the public except in certain circumstances. You should work on this basis but there will be times when it is required by law that discussions, documents and other information relating to or held by the council are treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

Disrepute

7. Not bringing my role or council into disrepute.

Behaviour that is considered dishonest and/or deceitful can bring your council into disrepute. As a member you have been entrusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on other councillors and/or your council.

Your position

8. Not using, or attempting to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the council provides you with certain opportunities, responsibilities and privileges. However, you should not take advantage of these opportunities to further private interests.

Use of council resources and facilities

9. Not misusing council resources.

You may be provided with resources and facilities by the council to assist you in carrying out your duties as a councillor. Examples include office support, stationery and equipment such as phones, and computers and transport. These are given

to you to help you carry out your role as a councillor more effectively and not to benefit you personally.

Interests

10. Registering and declaring my interests.

You need to register your interests so that the public, council employees and fellow members know which of your interests might give rise to a conflict of interest. The register is a document that can be consulted when (or before) an issue arises, and so allows others to know what interests you have, and whether they might give rise to a possible conflict of interest. The register also protects you. You are responsible for deciding whether or not you should declare an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise.

It is also important that the public know about any interest that might have to be declared by you or other members, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained. Discuss the registering and declaration of interests with your Monitoring Officer/Town or Parish Clerk and more detail is set out in appendix B.

Gifts and hospitality

11. Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage.

12. Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.

You should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you

because you are a member. However, you do not need to register gifts and hospitality which are not related to your role as a member, such as Christmas gifts from your friends and family, or gifts which you do not accept. However, you may wish to notify your monitoring officer of any significant gifts you are offered but refuse which you think may have been offered to influence you.

Note – items in square brackets [x] refer to recommendations made by the Committee on Standards in Public Life and may be part of a future Government consultation. This includes possible future sanctions and appeals processes.

Breaches of the Code of Conduct

Most councillors conduct themselves appropriately and in accordance with these standards. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations.

Section 27 of the Localism Act 2011 requires relevant authorities to promote and maintain high standards of conduct by members and co-opted members of the authority. Each local authority must publish a code of conduct, and it must cover the registration of pecuniary interests, the role of an 'independent person', and sanctions to be imposed on any councillors who breach the Code.

The 2011 Act also requires local authorities to have mechanisms in place to investigate allegations that a member has not complied with the Code of Conduct, and arrangements under which decisions on allegation may be made.

Failure to comply with the requirements to register or declare disclosable pecuniary interests is a criminal offence. Taking part in a meeting or voting, when prevented from doing so by a conflict caused by disclosable pecuniary interests, is also a criminal offence.

Political parties may have its own internal standards and resolution procedures in addition to the Member Code of Conduct that members should be aware of.

Example

LGA guidance and recommendations

Internal resolution procedure

Councils must have in place an internal resolution procedure to address conduct that is in breach of the Member Code of Conduct. The internal resolution process should make it clear how allegations of breaches of the Code of Conduct are to be handled, including the role of an Independent Person, the appeals process and can also include a local standards committee. The internal resolution procedure should be proportionate, allow for members to appeal allegations and decisions, and allow for an escalating scale of intervention. The procedure should be voted on by the council as a whole.

In the case of a non-criminal breach of the Code, the following escalating approach can be undertaken.

If the breach is confirmed and of a serious nature, action can be automatically escalated.

1. an informal discussion with the monitoring officer or appropriate senior officer
2. an informal opportunity to speak with the affected party/ies
3. a written apology
4. mediation
5. peer support
6. requirement to attend relevant training
7. where of a serious nature, a bar on chairing advisory or special committees for up to two months
8. where of a serious nature, a bar on attending committees for up to two months.

Where serious misconduct affects an employee, a member may be barred from contact with that individual; or if it relates to a specific responsibility of the council, barred from participating in decisions or information relating to that responsibility.

Endnotes

1. CSPL recommend that “Section 27(2) of the Localism Act 2011 should be amended to state that a local authority’s code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority”.
2. CSPL recommend that “councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.”
3. Subject to footnotes 1 and 2 above
4. See CSPL website for further details www.gov.uk/government/news/the-principles-of-public-life-25-years
5. ACAS’s definition of bullying

Appendices

Code Appendix A

The principles are :

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Code Appendix B

Registering interests

1. Within 28 days of this Code of Conduct being adopted by the council or your election or appointment to office (where that is later) you must register with the Monitoring Officer the interests which fall within the categories set out in Table 1 (Disclosable Pecuniary Interests) and Table 2 (Other Registerable Interests).
2. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest in Table 1 or 2, or of any change to a registered interest, notify the Monitoring Officer.

Declaring interests

3. Where a matter arises at a meeting which directly relates to an interest in Table 1, you must declare the interest, not participate in any discussion or vote on the matter and must not remain in the room unless granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
4. Where a matter arises at a meeting which directly relates to an interest in Table 2, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

5. Where a matter arises at a meeting which directly relates to your financial interest or well-being (and is not a Disclosable Pecuniary Interest) or a financial interest or well-being of a relative or close associate, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
6. Where a matter arises at a meeting which affects –
 - a. your own financial interest or well-being;
 - b. a financial interest or well-being of a friend, relative, close associate; or
 - c. a body covered by table 1 below

you must disclose the interest.

7. Where the matter affects the financial interest or well-being to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

Table 1: Disclosable Pecuniary Interests

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992 .
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. ‘Land’ excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer.
Corporate tenancies	Any tenancy where (to the councillor’s knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the councillor’s knowledge) has a place of business or land in the area of the council; and (b) either— (i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

*'director' includes a member of the committee of management of an industrial and provident society.

*'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registerable Interests

Any Body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council;	
Any Body—	(a) exercising functions of a public nature;
	(b) directed to charitable purposes; or
	(c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)
of which you are a member or in a position of general control or management.	



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We consider requests on an individual basis.

Application of the Code

Under the Localism Act 2012, the Code of Conduct applies to councillors only when they are acting in their capacity as a member. The LGA believes that because councillors are elected by the public and widely recognised by the public, it makes sense for them to continue to model these behaviours when they are making public comment, are identifying as a councillor and when it would be reasonable for the public to identify them as acting or speaking as a councillor. The Committee on Standards in Public Life supported this approach in their report into Local Government Ethical Standards. Whilst the LGA is waiting for Government's response to these recommendations the option has been added in square brackets as it would need changes in legislation.

Q1. To what extent do you support the proposal that councillors demonstrate the behaviours set out in the Code when they are publicly acting as, identifying as, and/or giving the impression that they are acting as a councillor, including when representing their council on official business and when using social media?

- ☒ To a great extent
- ☐ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q1a. If you would like to elaborate on your answer, please do so here:

It is noted that this is a proposal and requires amendment to legislation. The public should be able to expect the highest standards of behaviour from their elected representatives and there should be clarity as to when the behaviours apply.

This wording gives more clarity on when the Code applies when using Social media with a positive presumption, but each case will still need to be considered on its facts and there is a question about how those elected to public office are ever able to have a private life in the context of social media platforms in light of such a presumption.

There may also be some difficulties in ascertaining what constitutes 'giving the impression that they are acting as a councillor'. If members have indicated that they are acting or have referenced their role as a Councillor explicitly then this gives some clarity, but there remains room for significant subjectivity regarding when someone might give the impression that they are acting in their official role. The question arises as to in whose

judgement that impression is created? Is it the complainant, the Monitoring Officer or the subject member? Our response is that this should be more carefully defined and limited to where there has been explicit reference rather than subjective judgements where there is great scope for divergent views.

Q2. Is it sufficiently clear which parts of the Model Code are legal requirements, which are obligations, and which are guidance?

☐ Yes

☒ No

The wording could be made clearer that the specific obligations must be complied with whereas the rest of the Code is for guidance only. It is clear that compliance with the twelve obligations is required as it states that that section sets out the minimum standards. However, there is reference to the Nolan Principles which are then set out in an Appendix, but it seems that compliance with these isn't required. It is therefore a little unclear as to what constitutes the Code and what is background. To a complainant, the bullet points on page 3 are likely to give the impression that each one is an absolute requirement where contravention could amount to a breach. It should be made clearer what is the status of the principles and bullet points on page 3 to avoid confusion and the potential for misplaced expectations.

The Introduction section on Page 2 also raises the issue around the voluntary nature of the Code and the fact that it may or may not be adopted by Councils, in whole or in part and they may adapt it locally. The CoPSL's reason for recommending a standardised code was to get away from the widespread divergence in local codes and to bring some level of consistency. Our position is that a national code should be a mandatory minimum with local adjustments which may add to, but not take away from, these minimum standards.

There needs to be much greater clarity of when the Code is engaged so that Monitoring Officers can readily rule out matters which do not engage the Code. The section on application on page 3 suggested that members should uphold high standards "at all times" which indicates those standards must be maintained even when out with friends or on a golf course or some other wholly private capacity. This Council's view is that these standards should only be engaged where members are clearly acting in an official capacity or the member has explicitly referred to their role.

In this respect it would also be helpful to have some text included to deal with Councillors' wearing multiple hats and that a complainant should not be able to seek redress against the same councillor conduct at each of Parish, District and County levels via their different codes of conduct. This can be particularly problematic when dealing with a "bringing the Council into disrepute" claim which could apply equally to all 3 different councils and would be difficult to rule did not apply to one Council if the provisions for "giving the impression" are left in the Code. In such circumstances it should be possible for the Monitoring Officer of each body to discuss with one another and agree which of them will deal with the allegation depending on the facts of the case.

Q3. Do you prefer the use of the personal tense, as used in the Code, or would you prefer the passive tense?

- ☒ Personal tense (“I will”) – This reinforces the personal responsibilities that Councillors have in respect of compliance with the Code.
- ☒ Passive tense (“Councillors should”) – This would make more sense to complainants and Monitoring Officers using the code so there are arguments either way. A compromise would be for the Code to be written in the passive tense with an appendix setting out a Councillor’s commitment which clearly states all of the key obligations and that could be written in the personal tense for members to then sign when they take office.
- ☐ No preference

Specific Obligations

The Code lists 12 specific obligations – these set out a minimum standard councillors are asked to adhere to.

Each obligation or group of obligations is put into a wider context to explain why that particular obligation is important.

Q4. To what extent to you support the 12 specific obligations?

	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
1. Treating other councillors and members of the public with civility.		X			
2. Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.		X			
3. Not bullying or harassing any person.	X				

	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
4. Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the council.	X				
5. Not disclosing information given to me in confidence or disclosing information acquired by me which I believe is of a confidential nature, unless I have received the consent of a person authorised to give it or I am required by law to do so.	X				
6. Not preventing anyone getting information that they are entitled to by law.	X				
7. Not bringing my role or council into disrepute.		X			
8. Not using, or attempting to use, my position improperly to the advantage or disadvantage of myself or anyone else.	X				
9. Not misusing council resources.	X				
10. Registering and declaring my interests.		X			
11. Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage.	X				

	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
12. Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.	X				

Q5. If you would like to propose additional or alternative obligations, or would like to provide more comment on a specific obligation, please do so here:

Additions that maybe useful and are currently in our Code of Conduct are:

- (a) you must not place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties;
- (b) when carrying out your public duties you must make all choices, such as making public appointments, awarding contracts or recommending individuals for rewards or benefits on merit; and
- (c) you are accountable for your decisions to the public and you must cooperative fully with whatever scrutiny is appropriate to your office.

These may well be covered under more general provisions, for example, the first one maybe covered by the gifts and hospitality provisions, but the specific obligations reinforce the position and are wider than just the provision of gifts and/or hospitality.

The principle of "Civility" is discussed further below, the moderate support for this concept is around how it is defined and the scope for confusion rather than the concept itself. It is suggested that civility is quite subjective and if this concept is to be used would benefit from a minimum threshold to avoid spending valuable time and resources investigating minor or non-material incivilities (e.g. failure to respond to a letter as opposed to a persistent failure to respond to multiple reminders). It may be advisable to have a way of addressing persistent cumulative low level incivilities however.

Q6. Would you prefer to see the obligations as a long list followed by the guidance, or as it is set out in the current draft, with the guidance after each obligation?

- ☐ As a list
- ☒ Each specific obligation followed by its relevant guidance – This makes for greater clarity.
- ☐ No preference

Q7. To what extent to you think the concept of 'acting with civility' is sufficiently clear?

- ☐ To a great extent
- ☒ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q7a. If you would like to suggest an alternative phrase that captures the same meaning, or would like to provide a comment on this concept, please do so here:

It is defined, so it is clear what is meant, but it is not a word used in common parlance. The definition includes courtesy and that would be a better word to use as it is more commonly used and understood. In addition, there is no threshold set out in relation to how this will be judged so on the face of it, minor and inconsequential things will be covered. Some sort of threshold therefore needs to be set out to cover this and perhaps other provisions. It may be viewed as a lower level (and therefore greater likelihood of breach) than the current concept of respect – consideration may need to be given to whether this will be too low a level.

Q8. To what extent do you think the concept of 'bringing the council into disrepute' is sufficiently clear?

- ☐ To a great extent
- ☒ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q8a. If you would like to suggest an alternative phrase that captures the same meaning, or would like to provide a comment on this concept, please do so here:

It is a phrase that has been used in the past so there is a certain level of understanding of it. However, it could do with further explanation in the Code as it covers more than dishonest and/or deceitful behaviour. It covers not being respected or trusted and goes to the core of the Council's reputation. This needs to be spelled out as it is a common allegation made in complaints and there needs to be clarity in its scope and application. It is not clear why it is limited to dishonesty and/or deceitful behaviour and often

disrespectful and/or uncivil behaviour or bullying/harassment may be seen as bringing the Council into disrepute. Some sort of threshold or clarifying wording in the supporting text might assist e.g. Likely to have a material impact on the way in which the role of Councillors or the Council is viewed by the public at large.

Q9. To what extent do you support the definition of bullying and harassment used in the code in a local government context?

- ☐ To a great extent
- ☒ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q9a. If there are other definitions you would like to recommend, please provide them here.

Additional guidance could be given with worked examples to reinforce the definitions. Also, consideration should be given to including within this section an obligation not to discriminate against any person and have corresponding commentary on this. The current reference to protected characteristics in the context of bullying and harassment is different to an absolute requirement not to discriminate (regardless of whether bullying or harassment may be taking place).

Q10. Is there sufficient reference to the use of social media?

- ☐ Yes
- ☒ No
- ☐ Don't know/prefer not to say

Q10a. Should social media be covered in a separate code or integrated into the overall code of conduct?

- ☐ Separate code
- ☐ Integrated into the code
- ☒ Don't know/prefer not to say

Q10b. If you would like to make any comments or suggestions in relation to how the use of social media is covered in the code please do so here:

There are arguments both ways. If it is part of the Code then it is easily accessible and can be seen as an integral part of the Code. However, if it is lengthy then this may detract from other provisions in the Code. A compromise maybe to have a stronger reference to it and the need for a specific policy in the Code but then for the detail (including a suggested standard policy wording which is currently in development by Lawyers for Local Government) to be included in an appendix.

In terms of the presumption that members are acting in their official capacity whenever they are on social media, a reference to proportionality or some sort of threshold would assist if the presumption is to remain. Also, the issue of goading members on social media platforms may warrant further consideration. Having to maintain such high standards “at all times” and in the face of provocation seems a very high bar to meet. See also answer to Q1a.

Registration and declarations of interests

The law at present requires, as a minimum, registration and declaration of ‘Disclosable Pecuniary Interests’ - that is, matters which directly relate to the councillor and their partner if applicable.

The LGA is proposing that all councillors are required to declare interests where matters also relate to or affect **other family members or associates**. The LGA has broadened the requirement to declare interests beyond this current statutory minimum in line with a recommendation from the Committee on Standards in Public Life. These specific provisions are set out in **Appendix B** of the Code.

Q11. To what extent to you support the code going beyond the current requirement to declare interests of the councillor and their partner?

- ☒ To a great extent
- ☐ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q11a. If you would like to elaborate on your answer, please do so here:

This assists in transparency as an interest of a partner may well have a bearing on a Councillor’s view on an issue or maybe judged to be so by a member of the public. However, further clarity on what would constitute a family member (e.g. how far removed from the member would count?) or close associate, otherwise a great deal is left to the subjective views of individual Councils. I.e. should there be a “would you have dinner

with them” test? There is also the question of the extent to which family members know one another’s business or financial activities.

Q12. Should the requirement to declare interests be in the main body of the code or in the appendix where the draft model code currently references it?

- ☒ In the main body of the code
- ☐ In the appendix
- ☐ Other (please specify below)
- ☐ Don't know/prefer not to say

Q12a. If you would like to make any comments or suggestions in relation to how the requirement to declare interests is covered in the code, please do so here:

This is a fundamental obligation on Councillors and should be in the main body of the Code. This has been the practice for many authorities in the past and if it were to be relegated to an appendix then it dilutes its significance.

The reference to breach being a criminal offence should be clear and bold in the first part of the main code obligations and the table of interests should be included in the code or the appendix specifically referenced in the first part not at the end. This, together with other obligations should be seen as the minimum requirements to be complied with. Councils should be permitted to add to it to adapt it to their requirements, but they should not be able to dilute it or take away from the minimum obligations.

The Code also proposes that more outside interests should be registered than is the current statutory minimum. These are set out in Table 2 of the Appendix and are designed to demonstrate to the community transparency about other bodies with which the Councillor is engaged. Further comments on this are in the response to Q13.

Q13. To what extent do you support the inclusion of these additional categories for registration?

	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
Any organisation, association, society or party of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council		X			

Any organisation, association, society or party that exercises functions of a public nature of which you are a member or in a position of general control or management		X			
Any organisation, association, society or party directed to charitable purposes		X			
Any organisation, association, society or party of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)		X			

Q13a. If you would like to propose additional or alternative categories for registration, please provide them here:

Some authorities included those obligations previously and it makes for a more comprehensive suite of categories. However, Table 2 on page 12 creates some confusion – does the bold coloured heading section at the top mean that all of the categories below only apply if the member has been appointed to those bodies by their Council? Or is that a separate category in the section below which would be quite different if they apply to membership in a personal capacity, not as a Council appointee.

If these categories are to be included, then they should not be classed as personal interests as members are appointed to these roles by the Council and the vast majority are not remunerated (save for minor expenses). Only remunerated roles which provide a direct financial benefit to the members should be DPIs and these other categories should be designated as “Council related interests”.

Greater clarity should be included in the Code of what type of interest to declare and when and whether members need to withdraw and not vote. There should be DPIs (withdraw and not vote) (Council related interests – declare, remain and vote unless a remunerated position) and Private Interests for other non DPI interests (declare but remain and vote unless risk of predetermination or bias). Further reference to the need for members to consider whether they are approaching a matter with an open mind or are likely to be pre-determined or biased, should also feature as a paragraph under declaring interests.

Q14. To what extent do you support the proposed requirement that councillors do not accept significant gifts as set out in Obligation 11?

- ☒ To a great extent
- ☐ To a moderate extent

- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q14a. If you would like to elaborate on your answer please do so here:

Councillors should not put themselves under an obligation to others or for it to appear that they have. This is consistent with this principle. However, the use of the word “significant” leads to further subjective judgements. It would be better to have a set value or limit and then members and the public will have greater clarity. Alternatively, some further definition by reference to some objective criteria would assist. The role of Civic heads and Leaders of Councils should perhaps be distinguished by an exception to ensure that gifts and hospitality offered as part of those roles should be declared but may still be accepted, even if over the set threshold for significance (which we would suggest is set at £50).

Q15. The draft code proposes £25 as the threshold for registering gifts and hospitality. Is this an appropriate threshold?

- ☒ Yes – but the amount should be reviewed annually with the Code’s review.

Currently, our Council requires all gifts of whatever value, whether accepted or not to be registered. This is consistent with the principle of transparency. However, for simplicity’s sake it may be better to have one threshold for accepting and registering gifts/hospitality subject to any exception about acceptance for Civic heads/Leaders.

If the word is to remain then what is ‘significant’ should be defined. It should be made clear that money should never be accepted by members.

Also, the position with regard to such people as the Chairman and VC and the Leader/Deputy Leader of the council should be clarified as they will be invited to many events because of the position that they hold. Do they need to register everything over that threshold?

Finally, a distinction should be drawn between a personal gift and a gift to the council.

- ☐ No, it should be lower (please specify amount) _____
- ☐ No, it should be higher (please specify amount) _____
- ☐ Don't know/prefer not to say

Q16. The LGA will be producing accompanying guidance to the code. Which of the following types of guidance would you find most useful? Please rank 1-5, with 1 being the most useful.

5 ___ Regularly updated examples of case law

1 ___ Explanatory guidance on the code

2 ___ Case studies and examples of good practice

3 ___ Supplementary guidance that focuses on specific areas, e.g., social media

4 ___ Improvement support materials, such as training and e-learning packages

Q16a. If you would like to suggest any other accompanying guidance please do so here:

It may be useful to have regular webinars and sharing of experiences between authorities.

Q17. If you would like to make any further comments about the Code, please do so here:

With regard to Obligation 4 about not compromising or attempting to compromise the impartiality of anyone who works for or on behalf of the council, the obligation should be extended to include both impartiality and 'professional integrity'.

Obligation 6 should make it clear as to what information it applies to. It should be information that relates to members' role as a Councillor, or otherwise held on behalf of the Council.

Obligation 8 should be linked to the declaration of interests and then to the Appendix.

The role of the IP should be clarified. It was recommended by the CoSPL that the role would be enhanced.

Obligation 9 could be expanded to allow for Councils to develop local protocols on the use of resources like Nottinghamshire has. The supporting text could also benefit from referencing the Code on Local Authority publicity prohibitions on using Council resources for party political purposes.

It is noted on the 'sanctions' section that there is no bar on attending full council – probably because of the democratic role of councillors. It is not clear why there is only a bar on chairing advisory and special committees and not other committees. Also, what would be the position in relation to Vice Chairmen of these committees?

The bar on contact with an individual employee needs to be time limited. Also, how could a committee be operated if this related to the Chair of a committee and the Monitoring Officer or other lead officer? It may be that such situations would be better dealt with by training and a public or private apology depending upon what was appropriate in the circumstances. Peer support needs to be clarified.

In order to deal with more straight forward matters perhaps some standard sanctions could be available once a prima facie case has been established e.g. minor rudeness

requires a personal verbal or written apology.

Table 2 needs to clarify what sort of interest is created so that members know what they are permitted to do. It may be that in the case of these interests, the member only needs to declare it at the meeting but can remain in the meeting and vote.

In terms of the Internal Review Procedure, this and the role of the Independent Persons could do with greater clarity. The IRP is to allow for appeals against allegations and decisions. This lacks clarity. Are subject members to be entitled to appeal allegations? How would this work? Can complainants and subject members appeal decisions or just subject members? It is currently helpful to be able to rule that the Monitoring Officer's decision is final so that relatively less substantial complaints can be quickly and efficiently addressed. It would be disproportionate to have appeals for this type of matter. Was the intention to link a right of appeal for subject members to more significant sanctions only – i.e. where a bar on chairing or attending Committee was proposed? That appears to have been the intention of the CoSPL report. If so, this should be clarified in the Code to avoid misunderstanding and to properly manage expectations.

In terms of sanctions it is suggested that there should be scope for censure – and for an explanation of what that means and for either a verbal or written apology which could be either personal or public depending on the circumstances.

On the whole and subject to the comments above, the Code marks an improvement, but it is formatted in an unfamiliar way. The two column format is unhelpful when reading the document online which most people will need to do in future. Hopefully the consultation will address this and will also assist in ensuring that all major points are covered in one document so that it is as comprehensive as possible.

21 July 2020**Agenda Item: 13****REPORT OF THE SERVICE DIRECTOR, CUSTOMERS, GOVERNANCE AND
EMPLOYEES****WORK PROGRAMME****Purpose of the Report**

1. To review the Committee's work programme for 2020-21.

Information and Advice

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the Committee's agenda, the scheduling of the Committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and Committee meeting. Any member of the Committee is able to suggest items for possible inclusion.
3. The attached work programme includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified. The meeting dates and agenda items are subject to review in light of the ongoing COVID-19 period.

Other Options Considered

4. None.

Reason/s for Recommendation/s

5. To assist the Committee in preparing and managing its work programme.

Statutory and Policy Implications

6. 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.

RECOMMENDATION

- 1) That Committee considers whether any changes are required to the work programme.

Marjorie Toward

Service Director, Customers, Governance and Employees

For any enquiries about this report please contact:

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Constitutional Comments (EH)

The Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

Financial Comments (NS)

There are no financial implications arising directly from this report.

Background Papers

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

GOVERNANCE & ETHICS COMMITTEE - WORK PROGRAMME (AS AT 13 JULY 2020)

<u>Report Title</u>	<u>Brief summary of agenda item</u>	<u>Lead Officer</u>	<u>Report Author</u>
7 September 2020			
Governance & Ethics Committee Annual Report	To agree the Committee's annual report for 2019.	Nigel Stevenson	Rob Disney
Assurance Mapping Annual Report 2019-20	To consider the latest Assurance Mapping Annual Report	Rob Disney	Rob Disney
Approval of the 2019/20 Statement of Accounts	To seek approval for the 2019/20 Statement of Accounts.	Nigel Stevenson	Glen Bicknell
2020/21 Term 2 Internal Audit Plan	To consider progress with the Internal Audit Plan.	Rob Disney	Simon Lacey
Follow-up on Internal Audit Recommendations	To consider progress against previously agreed internal audit recommendations.	Rob Disney	Simon Lacey
Annual Fraud Report 2019-20	To consider the latest Annual Fraud Report.	Rob Disney	Rob Disney
Update on Use of the Councillors' Divisional Fund	To consider the six monthly update.	Marjorie Toward	Keith Ford
Member Communication and Engagement Programme	To consider an update report on progress with this Programme.	Marjorie Toward	Heather Dickinson
Update on Use of Resources by Councillors	To consider the six monthly update.	Marjorie Toward	Keith Ford
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council (item to be confirmed).	Marie Rowney	Jo Kirkby
Annual Audit Letter and Updated Audit Findings	Grant Thornton summarises the findings from the work carried out by the external auditors over the last financial year (2019/20)	Nigel Stevenson	Glen Bicknell
12 October 2020			
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council (item to be confirmed).	Marie Rowney	Jo Kirkby

25 November 2020			
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council (item to be confirmed).	Marie Rowney	Jo Kirkby
Fraud Update	To consider an update on actions taken to address potential fraud.	Nigel Stevenson	Rob Disney
6 January 2021			
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council (item to be confirmed).	Marie Rowney	Jo Kirkby
Follow-up on Internal Audit Recommendations	To consider progress against previously agreed internal audit recommendations.	Rob Disney	Simon Lacey