

10 March 2022

Agenda Item: 5

**REPORT OF SERVICE DIRECTOR FINANCE, INFRASTRUCTURE &
IMPROVEMENT**

GOVERNANCE UPDATE

Purpose of the Report

1. To inform Committee of the progress being made with the Governance Action Plan for 2021/22, and to request Members' feedback regarding the most significant governance issues currently facing the Council and whether revised actions are needed to address emerging risks.

Information

2. The Accounts and Audit (England) Regulations 2015 require the Authority to publish an Annual Governance Statement (AGS) along with its Statement of Accounts. The focus of the AGS is to assess the extent to which the Council's Local Code of Corporate Governance has been complied with over the course of a financial year, along with an assessment of the most significant governance issues the Council is dealing with. This gives rise to an annual Governance Action Plan.
3. The Council continues to review progress against the action plan on a regular basis throughout the year. This ensures the AGS is used as a live document, contributing towards maintaining an appropriate, strategic focus on the Council's ongoing governance arrangements.
4. The latest quarterly update identifies the most significant governance issues for the Council. The impact of Covid19 pervades all aspects of the Council's activities, including how it is currently applying its Local Code of Corporate Governance. Rather than include the pandemic as its own entry on the list of significant governance issues, it is referenced throughout this update wherever its influence is especially pertinent. The following sets out the updated list of significant issues.

Issue	Comment
Cabinet/Scrutiny model of corporate governance	Following Full Council approval in September 2021, proposals for the implementation of an executive system (Leader and Cabinet model) of governance are being progressed by an officer project team, working alongside a member working group. Proposed arrangements for legal compliance will be considered by Full Council in March 2022, with a view to the new system coming into effect in May 2022.
Climate change	At its Annual General Meeting on 27/5/2021, the Council declared a Climate Emergency and tasked its new Transport and Environment Committee to drive measures to achieve the Council's commitment to achieving carbon neutrality by 2030. The Committee has considered two reports to date, setting out progress against the Council's Corporate Environment Strategy and its alignment with the emergency declaration. Additional staffing resources are now being established to progress the strategy and to continue with regular progress reporting to Members, with recruitment to a new Carbon Reduction team due to complete by early summer. In addition, consideration is being given to further investment in the Council's Green Investment Fund across the course of the Medium Term Financial Strategy.
The transformation agenda	<p>The Council's revised approach to transformation and change is progressing four cross-cutting transformation programmes, with two underpinning strands of work. A new staffing structure for corporate transformation and change is now in place, including the establishment of the Strategic Insight Unit, along with revised business processes, governance arrangements and co-ordination with departmental service improvement activity. In addition, successful external recruitment to both the Group Manager, Transformation and Change, and the Service Director, Transformation and Change, posts has taken place.</p> <p>The importance 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 resilience, recovery and renewal objectives.</p>
Financial resilience and sustainability	<p>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 heightened and remains a key area of focus. The regular review of the financial impacts and the regular Government returns are now established as business as usual, and the Medium Term Financial Strategy (MTFS) continues to be updated and reported regularly. Maintaining the flow of transparent, financial data for Councillors remains a key priority.</p> <p>The Council still has a funding gap of £29m over the four-year MTFS and, as savings become increasingly difficult to generate, the four cross-departmental Transformation Programmes are essential to delivering reduced, existing cost pressures and cost avoidance going forward.</p>
Pace of implementing agreed audit recommendations	Six-monthly updates to the Governance & Ethics Committee continue to chart a decline in the pace of implementation for agreed actions following internal audit reviews. Whilst the impact of the Council's required prioritisation of the pandemic response is acknowledged as a key factor, the Committee is now focused on driving through agreed improvements to the Council's control framework as expeditiously as possible.

- The thoughts and insight of Corporate Leadership Team colleagues are sought on a regular basis to assess whether the above list continues to represent the most significant governance issues on which the Council needs to focus. To assist with this, CLT colleagues are asked to consider the following:

- Colleagues' awareness of significant governance issues being dealt with by senior managers in their departments – to identify whether some issues should be added to, or removed from, the list. Alternatively, colleagues may be aware of a more specific or emerging development within one of the areas listed, which should require a refocus of the Council's response.
 - Reference to the Council's [Local Code of Corporate Governance](#), as an aid to considering whether colleagues are aware of any emerging issues within the areas the Code covers.
6. For this latest update, changes to the list of significant governance issues are proposed, as indicated below:
- a) EU exit – discussion with officers confirmed the view that the former entry on the list concerning post-EU transition implications for the Council should be removed. There are supply chain and employment pressures being felt currently, but it is mostly impossible to say whether their root cause is Brexit, the pandemic, or something else. These ongoing pressures are being recognised as corporate, operational risks and are being treated as such under the Council's risk management arrangements.
 - b) In the same vein, a number of former entries on the list have been re-assessed as issues for risk management rather than for recognition as significant governance issues. These are considered to be the following, all of which are current risk issues but for which there is no clear requirement to improve or change the governance structure to deal with them:
 - Current operational risks being captured on risk registers
 - Vulnerability to fraud
 - UK General Data Protection Regulation (GDPR) / Data Protection Act 2018
 - Move to the Cloud and ICT resilience
 - Ofsted inspection of Children's Services
 - Corporate, strategic risks, to be captured on the Council's strategic risk register
 - Fair Funding & Business Rates Retention
7. In place of the above, however, it is proposed that there is a case for new entries on the list for the following:
- Devolution – to focus on the governance implications that will need to be worked through in progressing the Nottingham and Nottinghamshire Joint Working and Devolution Programme
 - People Strategy and the 'Nottinghamshire Way' – to reflect the significant strand of work now needed to implement the new Strategy, alongside the initiatives to develop and embed a shared Council culture
 - Health and Social Care reforms – to recognise the governance impact the reforms will have for the Council and its health partners
 - Risk management – to keep under review progress with implementing the governance improvements in corporate risk management following the recent, external healthcheck.

If approved, these would be incorporated into the AGS for 2021/22, which is due to be presented to the Committee at its meeting in April 2022.

8. An important part of the AGS is its Action Plan, and this should also be refreshed following each update. The Action Plan for 2021/22 is set out in **Appendix 1**, showing the progress that has been identified through consultation with relevant managers.
9. This update has picked up scope to sharpen the entries in the action plan, to ensure all are targeted at making improvements to the governance framework. A number of entries included in the previous update in November 2021, and listed below, were commenting on the significant issues themselves and referencing ongoing monitoring and reporting into other Committees and internal boards; they were not describing an improvement to governance that needs to be made. It is proposed, therefore, that these entries are removed:

Previous action plan ref.	Action description and rationale for removal
8	<i>Ofsted inspection of children’s services</i> – referenced ongoing and regular progress reporting to the Children’s & Young People’s Committee
9	<i>Social care fraud risk (actions from an internal audit review)</i> – the Governance & Ethics Committee continues to monitor implementation of these, and all other agreed actions from internal audit reports, as part of six-monthly update reporting
10	<i>Information Governance risks</i> - referenced the ongoing and regular risk management process applied by the Information Governance & Cyber Security Board
11	<i>ICT resilience</i> - referenced ongoing and regular performance reporting to the Finance Committee
16	<i>Vacant property management (actions from an internal audit review)</i> - the Governance & Ethics continues to monitor implementation of these, and all other agreed actions from internal audit reports, as part of six-monthly update reporting

Other Options Considered

10. None – the Council has a single governance action plan and has determined to receive regular updates on progress against it.

Reason/s for Recommendation/s

11. To enable Members of the Committee to contribute to the development and review of the Council’s governance framework.

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.

13. Whilst there are no specific implications arising from the content of this report, the Council's governance framework spans all of these areas and the action plan is targeted at strengthening governance in specific areas where the opportunity for improvement has been identified.

RECOMMENDATION/S

- 1) That Members determine whether they wish to see additional actions taken, or to receive further reports relating to the governance issues raised in this report.

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For any enquiries about this report please contact:

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Constitutional Comments (EKH 01/02/2022)

14. This report is appropriate to be considered by Governance and Ethics Committee and they have the power to make any resolution resultant upon the recommendation.

Financial Comments (RWK 31/01/2022)

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