

NOTTINGHAMSHIRE COUNTY COUNCIL

DRAFT

ANNUAL GOVERNANCE STATEMENT 2014/15

1. SCOPE OF RESPONSIBILITY

Nottinghamshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. Public money must be safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Localism Act 2011 has, among other things, established a general power of competence for local authorities.

In discharging this overall responsibility, the County Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including the arrangements for the management of risk.

This statement meets the requirements of regulation 4 of the Accounts and Audit Regulations (England) 2011 in relation to the publication of an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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.

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.

The governance framework has been in place at the County Council for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

The Authority's governance framework comprises many systems and processes including the arrangements for:-

a) Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and services users.

The Council has agreed a new Strategic Plan for the period from 2014 to 2018. The Plan:-

- Provides 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 our partners and residents.
- Enables agreed political objectives and statutory requirements to drive the Authority's activities.
- Enables the communication of the Authority's priorities to the community of Nottinghamshire, partner organisations and staff.
- Provides a broad framework of objectives and performance indicators, to ensure effective performance management.

The performance indicators used to monitor its delivery and the key actions undertaken to deliver the priorities are reviewed and refreshed each year to ensure they remain achievable and appropriate.

Each year the Authority approves the annual budget and capital programme which includes an update of the Medium Term Financial Strategy. The Medium Term Financial Strategy is the financial plan which underpins the Strategic Plan.

b) Reviewing the Authority's vision and its implications for the Authority's governance arrangements

The Strategic Plan provides the basis for future corporate and service planning over the period 2014 to 2018. Progress on the Authority's achievements is assessed by the monitoring of agreed key actions and meeting performance indicator targets. Progress across the whole plan is reported quarterly to the Corporate Leadership Team to enable performance to be managed. The Corporate Leadership Team also review performance risks on a monthly basis. The Authority has developed a strategic management framework which sets out in detail the individual factors that are required to manage performance and how they work together in the Authority. The framework has been developed and approved by the Corporate Leadership Team and

reported to Policy Committee and a supporting Annual Delivery Plan was approved on 2nd April 2014.

c) Measuring the quality of services for users, ensuring that they are delivered in accordance with the Authority's objectives and ensuring that they represent the best use of resources.

The Authority carried out extensive budget consultations in preparing the 2014/15 and 2015/16 budgets. A Citizens Panel, 'Nottinghamshire Listens', made up of approximately 6,000 people is in place and has been used to engage with citizens throughout the County on a wide range of issues. Progress towards delivering the Strategic Plan's priorities and objectives is monitored quarterly and reported to Policy Committee.

d) Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.

The Head of Paid Service is responsible 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.

The Monitoring Officer is responsible for maintaining the Constitution, ensuring it is available for inspection and making minor changes as a result of any restructuring. The Monitoring Officer is also responsible for ensuring the lawfulness and fairness of decision making; this includes responsibility, after consulting with the Head of Paid Service and Chief Finance Officer, to report to Full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration. The Monitoring Officer is responsible for contributing to the promotion and maintenance of high standards of conduct.

The Constitution sets out how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. There was a significant change in the Authority's constitution in 2012, with a move to a committee system of decision making. The Authority established service committees for each of the key areas of service, in addition to an overarching Policy Committee and Full Council. The Constitution is under continuous review and a number of changes have been made during 2014/15 to keep it relevant; the most recent changes became effective in March 2015.

e) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff.

Codes of Conduct, for both Members and staff, are contained within the Constitution together with the Code on Member and Officer Relationships. The Constitution is posted on the Council's website. In

January 2014, a new Conduct Committee was approved by Full Council with terms of reference and a Procedure for Dealing with Conduct Allegations agreed in February 2014. The Procedure commits the Council to promoting and maintaining high standards of conduct by all Councillors and Co-opted Members.

f) Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.

The Monitoring Officer is responsible for keeping the Constitution under review and reporting any proposed amendments to Council. The most recent review was in March 2015. The Authority's Risk Register is reviewed at each of the five meetings a year of the Risk, Safety and Emergency Management Board to determine whether additional steps are required to mitigate key risks.

g) Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of The Chief Financial Officer in Local Government

The Statement sets out the five principles that need to be met, to ensure that the Chief Financial Officer can carry out the role effectively. The principles are that the Chief Financial Officer:-

- Is a key member of the Leadership Team
- Must be actively involved in all material business decisions
- Must lead the promotion and delivery of good financial management
- Must lead and direct a finance function that is resourced to be fit for purpose
- Must be professionally qualified and suitably experienced.

The Chief Financial Officer for the Authority is the Service Director – Finance and Procurement. This post reports to the Corporate Director for Environment and Resources who is a member of the Leadership Team. The Chief Financial Officer is also a member of the Leadership Team, ensuring involvement in material business decisions. The Authority have set up the Business Support Centre which manages financial transactions on behalf of the Authority, including payroll, pensions and income transactions. As the Business Support Centre does not report to the Chief Financial Officer, controls have been established to ensure that the Chief Financial Officer can secure the promotion and delivery of good financial management in these areas. The Chief Financial Officer is professionally qualified. A regular report on the Council's financial position is made to the Finance and Property Committee.

h) Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.

A self-assessment of compliance with the new Public Sector Internal Audit Standards was completed during 2013/14 and the results reported to the Audit Committee. A Quality Assurance and Improvement Programme has been agreed to address the identified issues. The core functions relate to the review of Internal and External Audit work, the effectiveness of the Authority's control environment, the review of the annual assurance statement and the review of the financial statements. These functions are covered by the Audit Committee.

i) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Monitoring Officer is responsible, after consultation, for reporting to the relevant committee or Council if it is considered that any proposal, decision or omission would give rise to unlawfulness. In addition, Constitutional Comments are contained in reports to Council and Committees to advise on compliance with the policy framework and the Constitution. The Service Director - Finance and Procurement also has a responsibility to highlight any proposal, decision or course of action which will involve any unlawful expenditure. The External Auditors also carry out an external audit of the Council's accounts.

j) Whistle-blowing and receiving and investigating complaints from the public.

The Authority's Whistleblowing Policy was reviewed by Policy Committee in December 2013 and revised to reflect changes in legislation. The Authority's complaints procedure is well established and is monitored by the Policy Committee. The Policy Committee receives an annual report on the discharge of the Authority's duties under the Whistleblowing Policy.

k) Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

During 2014/15 the member development programme continued to respond to changing national and local policy. Elections were held in May 2013 resulting in a number of new Members being elected. A comprehensive induction programme was completed to provide information and briefings on a range of issues to new and returning Members. All officers, including senior officers, are subject to annual Performance and Development Reviews. These reviews specifically identify and monitor development and training needs in relation to the individual employee's role. The Performance and Development

Reviews also sets out a detailed Competency Framework which sets out the observable skill levels and behaviours required of every employee at each tier of the organisation.

l) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

There is a steady move towards more digital communications which is more cost effective and targeted than other traditional print models. While this trend is expected to continue over the coming years, it is important to not exclude anyone so there is likely to remain a mixed approach for the foreseeable future. An ambitious and wide-ranging digital transformation project, called Digital First, is currently under way and is due to deliver a customer focussed, transactional website in September 2015 along with a new approach to social media and more effective employee engagement tools. Where possible, better value for money products have been developed such as the Life magazines that target all residents, families and the retired community. These sit alongside and are complemented by the electronic channels such as the authority's email subscription service, Emailme, which now has more than 100,000 subscriptions. All of these improvements have helped to deliver some of the biggest budget consultations in the Authority's history. Last year there were more than 17,000 responses to the budget consultation.

m) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements.

The Authority works in partnership with a number of bodies. Formal, joint governance arrangements are in full compliance with public administration rules.

4. REVIEW OF EFFECTIVENESS

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority (Head of Paid Service, Monitoring Officer and Chief Financial Officer) who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the External Auditor and other review agencies and inspectorates.

Throughout 2014/15, the Authority has maintained and reviewed the effectiveness of the governance framework. In particular:-

- a) The County Council has received and considered a number of reports, including:-
- Statement of Accounts 2013/14
 - Treasury Management
 - Strategic Plan for 2014/2018
 - Conduct Issues
 - Budget Report 2015/16 and Medium Term Financial Strategy 2015/16 to 2018/19
 - Pay Policy Statement for 2014/15
 - Amendments to the Constitution
- b) Policy Committee has considered and approved a number of reports in its role as the committee responsible for policy development and approval, including:-
- Annual Delivery Plan 2014/15
 - Redefining your Council – A framework for transformation
 - Redefining your Council – Consultation outcome
 - Local Government transparency code
 - Annual Delivery Plan 2014/15 quarterly progress reports
 - Transformation Programme progress update
 - Budget Consultation 2015/16
 - Redefining your Council – Transformation and spending proposals 2015/16 to 2017/18
 - Findings from the Nottinghamshire Annual Residents Satisfaction Survey 2014
 - Digital Transformation progress update
 - Outcomes from the complaints process – April 2014 to December 2014
- c) The Audit Committee have considered a wide variety of issues including:-
- Internal Audit Annual Plan 2014/15
 - Statement of Accounts 2013/14
 - Annual Governance Statement
 - Statement on conformance with Public Sector Internal Audit Standards
 - Revised Counter-Fraud and Counter-Corruption Policy
 - Internal Audit Annual Report
 - Statement of Accounts 2014/15 – Accounting Policies
 - KPMG External Audit Plan 2014/15
- d) Internal Audit has undertaken planned reviews of internal control procedures across all departments and across a range of functions in the Authority. Each review contains an opinion on the internal controls

in place and Internal Audit's overall opinion of the Authority's system of internal control, based on the audits completed in 2014/15, is that it is good.

- e) External Audit's report to those charged with governance (Audit Committee) for 2013/14 stated that the Auditor issued an unqualified audit opinion on the County Council's 2013/14 accounts. No material audit adjustments within the financial statements were identified. The Authority's organisational control environment was deemed effective overall, and they did not identify any significant weaknesses in controls over key financial systems. They undertook a review of the work of internal audit. Their review did not identify any significant issues and they were able to rely on internal audit work where this was relevant to their work. The Auditor also concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

5. SIGNIFICANT GOVERNANCE ISSUES

The Authority continues to face significant financial challenges. Local authorities are struggling with falling Government grants while facing increased demand for services as well as other cost pressures from inflation and new legislation.

In response to the financial outlook, a new transformation framework, ***Redefining Your Council***, was established in July 2014. The framework seeks different ways of delivering services by looking first at innovative and creative solutions. A comprehensive review has been carried out into every aspect of Council activity with a particular focus on high-cost services.

An evaluation of the first phase of Redefining Your Council will be undertaken to assess progress and initiate plans for the next phase of transformation and develop further proposals. The Council's Medium Term Financial Strategy shows that the Council can deliver a balanced budget in 2015/16, however further savings of £25.7 million will be required from 2016/17 to 2018/19.

Against this backdrop, there are a number of other key governance issues that need to be addressed:-

- a) The Council will continue its transformation into a smaller organisation with a greater diversity of delivery arrangements with the potential for greater risk. Alternative Service Delivery Models are under consideration in a number of areas, including Highways, Libraries and Support Services.
- b) Changes to national policy such as the Care Bill, which comes into effect in 2015/16

- c) Following the County Council elections in 2013 the Authority had a Labour majority. Over the last two years there have been several changes in the membership of the County Council Labour Group which have resulted in the Authority having no overall control. The places allocated on committees to groups and to the 4 elected members who are not in a group has been reassessed on three occasions to ensure it complies with the requirements of political proportionality.
- d) The Council is currently undergoing a Boundary review by the Local Government Boundary Commission. Throughout the review a cross party member reference group has worked with officers on the Council's submission and make recommendations to Full Council and Policy Committee on those submissions.
- e) Social care provision is increasingly being integrated with health care provision. Work is underway to manage this effectively.

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

The Audit Committee reviewed the governance framework detailed in this statement at their meeting on 10 June 2015. 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 2015/16 and beyond.

Signed:.....

LEADER

Signed:.....

CHIEF EXECUTIVE