

NOTTINGHAMSHIRE COUNTY COUNCIL
ANNUAL GOVERNANCE STATEMENT 2018/19

1. SCOPE OF RESPONSIBILITY

- 1.1. Nottinghamshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. Public money must be safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Localism Act 2011 has, among other things, established a general power of competence for local authorities.
- 1.2. In discharging this overall responsibility, the County Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including the arrangements for the management of risk.
- 1.3. This statement meets the requirements of regulation 4 of the Accounts and Audit Regulations (England) 2011 in relation to the publication of an annual governance statement.

2. THE LOCAL CODE OF CORPORATE GOVERNANCE

- 2.1. Nottinghamshire County Council has adopted a local Code of Corporate Governance. This Code is subject to annual review and approval by the Governance and Ethics Committee, and it is published on the Council's website.
- 2.2. The Code is based on the seven core principles of good governance, as recommended in the CIPFA/SOLACE Framework for 'Delivering good governance in Local Government' (2016 Edition).

3. REVIEW OF EFFECTIVENESS

- 3.1. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. This Statement sets out the outcome of the latest review for the financial year 2018/19. The outcomes are set out in terms of the extent to which the Council has applied in practice the seven core principles of good governance.
- 3.2. The evidence to assess effectiveness is drawn from a range of sources, notably the following:

- Quarterly governance update meetings with senior management, at which the Council's overall governance arrangements are kept under review. At the start of the year, these updates were conducted at meetings of the Council's three statutory officers (Head of Paid Service, Monitoring Officer and Chief Financial Officer), who have responsibility for the development and maintenance of the governance environment. During the year, the decision was taken to widen the breadth of input to the quarterly discussions by directing the update reports to the Corporate Leadership Team, which comprises the Council's Corporate Directors in addition to the three statutory officers. By the end of the year, and going forward, the breadth of input has been expanded further by holding the quarterly governance discussions at meetings of the Extended Corporate Leadership Team, which also includes the Council's Service Directors.
- the Group Manager (Assurance)'s annual internal audit report
- reports of the External Auditor and other review agencies and inspectorates
- assurance statements from Corporate Directors concerning the application of key governance issues in their areas of service
- review of core governance issues dealt with by the Council and its committee structure.

3.3. Where any issues of concern are highlighted by the review, these issues are noted below in section 4 of the Statement, along with the key actions planned to address them.

| Core Principle | Review of compliance with the Code of Corporate Governance in 2018/19 |
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| <p>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p> | <p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <p>The key policies, procedures and practices set out in the Local Code of Corporate Governance remained in force during 2018/19.</p> <p>Corporate Directors report, overall, a substantial level of compliance with the Council's procedures.</p> <p>Progress against the 2017/18 Statement's 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 – an audit of EIAs has been completed and considered by the Corporate Equality Group. Update for outcome. (see Action Plan 1). - Actions to raise awareness of the procedure for declaring interests: <ul style="list-style-type: none"> ➢ 'Team Talk' article to remind all staff of the procedure for declaring interests that need to be declared. Departmental records of interests were found to be in variable states of readiness. The Council's Legal Services Team will now conduct a review and propose a refresh of the corporate requirements (see Action Plan 2). ➢ Further work to ensure the Children's & Families (C&F) Department's register of interests is updated and that it is fully understood what constitutes a declarable interest. The C&F record has been reviewed and will be used to inform the review by Legal Services. <p>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 still being finalised at the close of the year (see Action Plan 3).</p> <p>No new additional actions are identified to address any new concerns arising in 2018/19. However, the Governance & Ethics Committee will receive a report early in 2019/20 on any implications for the Council arising from a review by the Committee on Standards in Public Life into 'Local Government Ethical Standards'.</p> |
| <p>B. Ensuring openness and comprehensive stakeholder engagement</p> | <p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <p>The Council's 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 2018/19.</p> <p>Regular reports on Council performance were submitted to the Improvement & Change Sub-Committee during the year. The Council's Business Reporting and Management Information (BRMI) project continued to drive improvements in the timeliness and quality of performance reporting.</p> |

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| | <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.</p> <p>The Council continued to operate its Citizen's Panel to consult regularly with panel members about County Council services.</p> |
| <p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</p> | <p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <p>The key Council policies, strategies and reporting regimes identified in the Local Code of Corporate Governance remained in place during the year, and were further developed in some areas.</p> <p>The Council's Planning and Performance Management Framework was reviewed during the year, with changes proposed to make improvements to the clarity of progress reporting against the Council Plan. Other amendments were relatively minor in nature and were focused on bolstering congruence between plans at each level in the planning hierarchy. The revised Framework was due to be considered by the Policy Committee at its meeting in April 2019.</p> <p>A revised approach to budget forecasting was implemented during the year to ensure a tighter focus on the most volatile areas of the Council's budget.</p> |
| <p>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</p> | <p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <p>The Council strategy, 'Your Nottinghamshire, Your Future', is supported by the departmental strategies. These strategies were undergoing an annual refresh at the close of the year.</p> <p>The Planning & Performance Management Framework was implemented in 2017/18 and, having been operational for a full year's cycle, the opportunity was taken to review its effectiveness, as outlined above at Section C. A key element of the proposed changes is to improve the clarity of performance reporting at two key levels (see Action Plan 5) :</p> <ul style="list-style-type: none"> - When reporting overall progress against the Council Plan to the Improvement & Change Sub-Committee - When reporting monthly to the Extended Corporate Leadership Team on updates relating to: performance measures; the Council's financial position; and progress against the organisation's transformation and change programmes. |

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| | <p>The action plan also incorporates actions identified from the assurance mapping process carried out in 2018/19. These concern: a simplified approach to service planning for 2019/20 (Action Plan 6); greater consistency across departments in reporting and monitoring performance (Action Plan 7); a review of the use of benchmarking tools as part of the performance framework (Action Plan 8); and the delivery of an internal audit of service planning and performance management in 2019/20 (Action Plan 9).</p> <p>The Council's model for transformation was under review in the latter half of the year and was scheduled for completion in 2019/20. This will incorporate an assurance framework for high governance projects (see Action Plan 10).</p> <p>Corporate Directors report, overall, substantial assurance that change proposals are informed by the input of stakeholders.</p> |
| <p>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</p> | <p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <p>A refreshed Workforce Strategy for the Council was in progress at the close of the year (see Action Plan 17).</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>With regard to Members of the Council, a pre-determined induction programme is in place for the first six months of each new administration. Training is compulsory for all Members in relation to the code of conduct and standards. Training is also compulsory for certain Members on committees dealing with pensions and planning & licensing. A wide range of training for Members was carried out in 2018/19, including ongoing briefings in respect of current issues.</p> |
| <p>F. Managing risks and performance through robust internal control and strong public financial management</p> | <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 2018/19.</p> <p>Progress against the 2017/18 Statement's action plan for this aspect of governance is summarised as follows:</p> <ul style="list-style-type: none"> - Close monitoring of the Information Governance Improvement Programme's progress - regular reports were taken to the Governance & Ethics Committee to outline progress against the |

Core Principle

Review of compliance with the Code of Corporate Governance in 2018/19

two complementary and sequential phases of the programme. An Internal Audit follow-up review reported that substantial progress is being made in this area. Significant developments during 2018/19 have been: the appointment of an Information Governance Team in August 2018 to provide the Council with additional expertise and capacity in this specialist area; strengthened governance arrangements for the programme; and progress with phase two of the programme, to focus on a Council-wide approach to document:

Corporate Directors report a mixed level of assurance that effective arrangements are in place for keeping sensitive and personal information secure.

- Update the Council's Counter-Fraud and Counter-Corruption Policy & Strategy, along with the Fraud Response Plan – the updates were completed and approved.
- Implement the agreed action plan arising from the external quality assessment of the internal audit service - all actions have either been implemented or are continuing to progress. Notable actions include the conversion from an annual internal audit plan to termly, 4-monthly plans in order to tighten reporting and formalise flexibility. The Internal Audit Team has also made strides in its approach to, and use of, data analytics in its day-to-day operations.
- Continue to monitor implementation of the agreed actions from the internal audit review of the Council's response to social care fraud – an update report on direct payments and deprivation of assets was taken to Governance & Ethics Committee in September 2018. An Internal Audit follow-up of agreed actions was carried out in January 2019 and identified that some actions remained in progress (**see Action Plan 11**).
- Implement the action plan for addressing the threat posed by serious and organised crime – an Internal Audit follow-up of agreed actions was carried out in January 2019 and identified some actions remained in progress. A data-washing exercise with Nottinghamshire Police was continuing to progress at the close of the year.

The Governance & Ethics Committee continued to play an active role in overseeing the implementation of agreed actions arising from the recommendations of Internal Audit. Where implementation fell behind target, senior managers attended Committee to update the Committee about the progress being made and to commit to further updates at agreed intervals.

The Governance & Ethics Committee considered national guidance publications for effective governance in local government. Its approach was to self-assess the arrangements at the Council against each piece of guidance, to identify opportunities for improvement. Actions were agreed in relation to the following and will be the subject of further progress updates in 2019/20 (**see Action Plan 12**):

- effectiveness of the audit committee role in local government.
- Cyber security and information risk guidance

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| | <p>At the close of the year, the Committee was due to consider further guidance published in 2018/19, notably: National Audit Office review of governance in local authorities and the Chartered Institute of Public Finance & Accountancy (CIPFA) statement on the role of the Head of Internal Audit (see Action Plan 4).</p> <p>The assurance mapping process in 2018/19 identified the lack of a procedure to determine the Council's risk appetite in relation to key areas of its activities and risk management arrangements (see Action Plan 13). It also highlighted that the Governance & Ethics Committee will continue to monitor the implementation of actions agreed to address risks identified by an internal audit of vacant property management (see Action Plan 18). With regard to performance data, greater priority is to be given to addressing data quality issues on the Adults Social Care system (see Action Plan 19).</p> |
| <p>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p> | <p>Assessed assurance level for compliance with the Code of Corporate Governance: Substantial</p> <p>The evidence collected from the sources of assurance set out above at 3.2 confirmed that the key policies, procedures and practices identified in the Local Code of Corporate Governance remained in force during 2018/19.</p> <p>Evidence from Internal Audit's follow-up procedures has continued to provide good evidence that strong action is taken across the Council to implement agreed actions.</p> <p>A report on complaints in 2017/18 was taken to the Governance & Ethics Committee, and each meeting of the Committee included the latest decisions of the Local Government and Social Care Ombudsman.</p> <p>The Governance & Ethics Committee determined to introduce an annual report to Full Council of its activities and achievements. The first edition of this report will be in respect of the Committee's work in 2018/19 and is due to be considered by the Committee at its meeting in May 2019.</p> |

4. SIGNIFICANT GOVERNANCE ISSUES

- 4.1. **The transformation agenda:** the Council Plan and departmental strategies are driving the Council's response to the challenging financial and policy environment. The Planning & Performance Management Framework was refreshed during 2018/19, and a revised model for transformation is being devised for implementation in 2019/20. The Council will also consider CIPFA's Financial Management Code and assess the Council's processes and governance arrangements against it (*see Action Plan 4*).
- 4.2. **Budget forecasting:** Effective management of the most volatile elements of the annual budget remains a key area of focus. Concern lies around processes for budget setting, forecasting and the effective use of data.
- 4.3. **Retention of local business rates:** Preparatory work for this change in the local taxation framework continues to progress.
- 4.4. **Pressure on core systems of internal control:** The findings of Internal Audit continue to identify some areas in which only limited assurance can be provided over the effectiveness of internal controls. Areas of concern during 2018/19 were reported through to the Governance & Ethics Committee as part of the Group Manager – Assurance's progress updates. However, the follow-up procedure for Internal Audit recommendations is providing strong evidence that agreed actions are being taken across the Council. The Governance & Ethics Committee plays an active role where progress with implementation slips against target timescales.
- 4.5. **Vulnerability to fraud:** The Annual Fraud Report 2017/18 was presented to the Governance and Ethics Committee in June 2018, and a counter-fraud progress report was considered by the Committee in December 2018. The incidence of internal attacks are low, but the Council remains vulnerable to attacks from external sources. Focused efforts in high risk areas of service continue, especially in relation to social care provision. The Governance & Ethics Committee is actively monitoring the Council's response to these risks (*see Action Plan 11*).
- 4.6. **Risk of exposure to serious and organised crime:** National evidence identifies local government as a prime target for fraudulent activity to fund serious and organised crime. Internal Audit completed a detailed review against the DCLG/Home Office recommended audit programme and the agreed actions to address areas of vulnerability are being followed through under the auspices of the Governance & Ethics Committee. Regular liaison arrangements with Nottinghamshire Police have continued. Data-sharing opportunities are progressing but need to be prioritised to bring outcomes to fruition (*see Action Plan 14*).
- 4.7. **Independent Inquiry into Child Sexual Abuse (IICSA):** The strong governance framework put in place by the Council ensured the Inquiry was effectively supported in carrying out its work. The Inquiry conducted its

hearings in relation to Nottinghamshire councils in October 2018, and a report is expected to be released in the summer of 2019 (**see Action Plan 15**).

- 4.8. **Controversial/sensitive decisions:** The risk of challenge and demonstrations at Council meetings, at which potentially controversial and sensitive decisions are to be taken, is recognised and remains under active management.
- 4.9. **General Data Protection Regulations (GDPR):** The Information Governance Improvement Programme continues to help the Council manage the significant reputational and financial risks of breaches in data protection. The Programme is a two-phase approach, focusing on: compliance with the new data protection law; and a Council-wide approach to document management. Close monitoring of progress against the improvement plan is continuing to mitigate these risks.
- 4.10. **Move to the Cloud:** The County Council currently stores its software and data within the ICT Data Centre on the County Hall campus. Work is underway 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 Council has been working with Microsoft to review the existing ICT estate to identify which services can be moved, and this requires very careful preparation. From April 2018, a team from Microsoft has been on site working with the ICT Cloud Programme.
- 4.11. **Brexit implications for the Council:** The Council has identified this as a potential matter of significance and has carried out an assessment of the organisation's exposure to the potential areas of risk. The Council is co-ordinating its preparations through the Local Resilience Forum in Nottinghamshire.
- 4.12. **Local Government Association Peer Challenge:** The Council has determined to request a peer challenge and this will be carried out in June 2019. The scope of the review will be based around the LGA's standard offer, to embrace: setting priorities; leadership of place; organisational leadership and governance; financial planning and viability; and capacity to deliver. It will be a priority for the Council in the coming year to formulate an action plan to ensure opportunities for improvement identified by the Peer Challenge are implemented promptly (**see Action Plan 16**).

5. Action Plan 2019/20

| Planned action | Officer responsible | Target date for completion |
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| 1. Equality Impact Assessments (EIA) – identify and share key learning from the initial review of EIAs and review progress in 12 months' time. | Monitoring Officer | Share outcomes from initial review by July 2019 |
| 2. Register of Interests – Legal Services Team to conduct a review of the Council's arrangements. | Group Manager – Legal, Democratic & Complaints | September 2019 |
| 3. Objection to 2015/16 financial accounts - Respond to any recommended actions arising from the review of the objection. | Service Director – Finance, Infrastructure & Improvement | To be determined on receipt of the external auditor's report |
| 4. Best practice guidance for governance – Governance & Ethics Committee to consider self-assessments against: <ul style="list-style-type: none"> ➤ CIPFA Financial Management Code ➤ National Audit Office review of governance in local authorities ➤ CIPFA statement on the role of the Head of Internal Audit | Group Manager – Finance Strategy & Compliance Group Manager – Assurance Group Manager - Assurance | To be agreed post-consultation June 2019 June 2019 |
| 5. Planning & Performance Management Framework a) implement the hierarchy approach to performance measures b) implement co-ordinated reporting of finance, performance and transformation to the Extended Corporate Leadership Team | Group Manager - Assurance | For all performance reporting in 2019/20 |
| 6. Service Planning – implement simplified approach to service planning | Group Manager - Assurance | May 2019 |
| 7. Performance reporting in specific departments – a) Revised arrangements for monthly performance board reporting in the Place and Chief Executive's Departments b) Revised arrangements for six-monthly reporting of progress against the Chief Executive's Department strategy | Group Manager – Assurance | June 2019 |
| 8. 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 | September 2019 |

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| 9. Performance management – carry out an internal audit review of service planning and performance management | Group Manager – Assurance | March 2020 |
| 10. Transformation Operating Model – agree and implement a revised operating model for transformation in the Council | Group Manager – Transformation and Change | Report to Committee by June 2019 |
| 11. 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 |
| 12. Governance & Ethics Committee self-assessments – implement agreed action plans arising from the review of best practice guidance | Group Manager – Assurance, in close liaison with the Chairman of the Governance & Ethics Committee | In accordance with the timelines agreed with the Committee |
| 13. Risk appetite - Development of an approach to establishing the Council's risk appetite | Group Manager, Emergency Planning Management and Registration | Next risk management update to Governance & Ethics Committee |
| 14. Serious & Organised Crime - Implement the action plan for addressing the threat posed by serious and organised crime. | Group Manager - Assurance and key Service Directors in affected areas of service | Through timelines agreed with the Governance & Ethics Committee |
| 15. Independent Inquiry into Child Sexual Abuse (IICSA) - Respond to any recommended actions arising from the report into Nottinghamshire councils | Corporate Director - Corporate Director Children, Families and Cultural Services | To be determined on release of the Inquiry's report |
| 16. LGA Peer Challenge – devise and approve an action plan to implement agreed recommendations from the Peer Challenge. | Group Manager - Assurance | On receipt of the Peer Team's report in the summer of 2019 |
| 17. Workforce Strategy – implement the refreshed strategy | Service Director – Customers, Governance and Employees | Strategy due to be approved by Personnel Committee in July 2019 |
| 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 | Update report to Governance & Ethics Committee in July 2019 |
| 19. Data quality in Mosaic – greater priority given to addressing issues | Corporate Director – Adults Social Care and | To commence in the first quarter |

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| highlighted by routine reporting | Health | of 2019/20 |
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APPROVAL OF THE LEADER OF THE COUNCIL AND THE CHIEF EXECUTIVE

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

The Governance and Ethics Committee reviewed the local code of corporate governance and this statement at their meeting on 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