

NOTTINGHAMSHIRE COUNTY COUNCIL

ANNUAL GOVERNANCE STATEMENT 2015/16

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 PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1. 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.
- 2.2. 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.

3. THE GOVERNANCE FRAMEWORK

- 3.1. The governance framework, as described below, has been in place at the County Council during the financial year 2015/16.

Planning & Performance Management

- 3.2. The Council's Strategic Plan covers the period 2014 to 2018 and is publicised widely in the county. It is a key document in terms of identifying and communicating the Authority's vision and intended outcomes for citizens and service users. Specifically, it provides for the following:
- 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.
- 3.3. The Authority continues to implement 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. A dashboard of key measures was developed during the year to monitor delivery of the strategic plan.
- 3.4. Performance against the key performance indicators is monitored regularly and progress reports are submitted periodically to the Corporate Leadership Team and to the Policy Committee.
- 3.5. 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.

Risk Management

- 3.6. The process of risk management in the Authority is overseen by the Risk, Safety and Emergency Management Board, which 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.
- 3.7. Supporting the Board are 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.

Organisational Roles & Decision-Making

- 3.8. 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.
- 3.9. 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 Constitution is posted on the Council's website. 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, for reporting 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.
- 3.10. The Constitution sets out how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. The Authority has a service committee for each of the key areas of service, in addition to an overarching Policy Committee and Full Council. The Monitoring Officer is responsible for keeping the Constitution under review and reporting any proposed amendments to Council. A number of minor amendments were approved during 2015/16, with the most recent changes coming into force in February 2016.
- 3.11. The Constitution incorporates a formal scheme of delegation, setting out the delegated powers of the Authority's most senior officers.
- 3.12. The Authority's Financial Regulations are currently subject to review to ensure they remain current and relevant for the changing financial environment in which the Council operates.

Standards of Conduct and Counter-Fraud Arrangements

- 3.13. Codes of Conduct, for both Members and staff, are contained within the Constitution together with the Code on Member and Officer Relationships.
- 3.14. The Authority's Conduct Committee is responsible for considering complaints relating to breaches of the Code of Conduct for Councillors and Co-opted Members. No issues arose in 2015/16 which required the committee to convene a meeting.
- 3.15. During 2015/16, the member development programme continued to respond to changing national and local policy. Training and briefing sessions were delivered on a range of topics, including: child sexual exploitation and children's safeguarding issues, adults' safeguarding, Goddard enquiry and sexual orientation based hate crimes. Aside from the development programme, senior managers continued to update members on all relevant issues as they arose during the year.

- 3.16. 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 incorporate a detailed Competency Framework which sets out the observable skill levels and behaviours required of every employee at each tier of the organisation. The Performance and Development framework has recently been reviewed, and improved forms and guidance are available for use from 2016/17.
- 3.17. The Authority has adopted a refreshed policy and strategy for countering fraud and corruption. The strategy aims to embed a strong counter-fraud culture in the Authority, based on a zero tolerance stance against fraud. The strategy is built around effective procedures for preventing and detecting fraud, allied with a robust response to any cases identified. The strategy and policy documents are available on the Council's public website.

Financial Management

- 3.18. 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, as follows:
- 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.
- 3.19. The Chief Financial Officer for the Authority is the Service Director – Finance, Procurement and Improvement. This post reports to the Corporate Director for 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 has 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.
- 3.20. A regular report on the Council's financial position is made to the Finance and Property Committee. Separate progress reports are submitted to the Policy Committee regarding delivery of the options for change to achieve the required cost savings the Authority needs to make to achieve a balanced budget.

Change Management

- 3.21. The Authority has developed, and continues to implement, an extensive programme of change in response to the conflicting pressures it faces of reducing financial resources at a time of increasing demand for services. The 'Redefining Your Council' programme seeks to ensure that the Council can deliver the services that the people of Nottinghamshire value in a sustainable way. The effectiveness of the programme was reviewed during 2015/16 and proposed changes were approved by the Policy Committee in July 2015. These were concerned with the addition of new programmes, and revised arrangements for governance and performance management. Quarterly progress reports against the programme are submitted to the Policy Committee.

Compliance & Scrutiny

- 3.22. The Authority's Audit Committee 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. 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.
- 3.23. The Authority's Internal Audit service is delivered in accordance with the requirements of the Public Sector Internal Audit Standards. Compliance with the standards is self-assessed on an annual basis, the most recent having been completed and reported to the Audit Committee in June 2015. Progress against the action plan was highlighted.
- 3.24. 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, Procurement and Improvement also has a responsibility to highlight any proposal, decision or course of action which will involve any unlawful expenditure. Compliance with legislative requirements is also a feature of the External Auditors' review of the Council's accounts.
- 3.25. The Authority's Whistleblowing Policy was reviewed by Policy Committee in December 2013 and revised to reflect changes in legislation. It is proposed that an annual report on whistleblowing will be presented to the Policy Committee. The Authority's complaints procedure is well established and is also monitored by the Policy Committee; regular reports are presented both to the Policy Committee and to the Corporate Leadership Team.

Communications and consultation

- 3.26. There is a steady move towards offering alternative channels of communication which are more cost-effective and targeted than other

traditional print models. An ambitious and wide-ranging digital transformation project, called Digital First, is addressing a number of work streams to update the way the Council communicates with, and offers services to, the public. A project update presented to the Policy Committee in October 2015 highlighted the implementation of a more user-responsive website from September 2015, progress towards an updated intranet for the benefit of Council employees, plus some other developments relating to the project.

- 3.27. Where possible, better value for money products have been developed such as the Life magazines that target all residents and families. These sit alongside and are complemented by the electronic channels such as the authority's email subscription service, Emailme, which now has more than 144,000 subscriptions.
- 3.28. The Council updated its Social Media Policy during the year, and a further report on progress with implementation will be submitted to the Policy Committee during 2016/17.
- 3.29. A Citizens Panel, 'Nottinghamshire Listens', made up of approximately 5,000 people is in place and has been used to engage with citizens throughout the County on a wide range of issues.
- 3.30. The Authority carried out extensive budget consultations in preparing the 2015/16 and 2016/17 budgets. Over 2,000 responses were received on the consultation for 2016/17 budget.
- 3.31. The Council's Equality Policy sets out how the Authority aims to achieve its equality objectives, both in terms of the delivery of services and in terms of its employment practices. Established processes are in place for carrying out equality impact assessments for change proposals, including consultation with the relevant staff networks.

Partnership Working

- 3.32. The Authority works in partnership with a number of bodies. Partnership working has focused in recent years on developing joint working with Health, District Councils and the local business community, among others. Several formal committees have been established, on which the Council is an active member:
 - With Nottingham City Council on the Greater Nottingham Light Rapid Transit Advisory Committee, the Joint Committee on Strategic Planning and Transport:, and the Joint City/County Health Scrutiny Committee,
 - With all Nottinghamshire councils on the City of Nottingham and Nottinghamshire Economic Prosperity Committee
 - Nottinghamshire Local Pensions Board
 - Nottinghamshire Police and Crime Panel
 - Bus Lane and Parking Adjudication Service Joint Committees
- 3.33. A number of County Council committees also include external representatives:

- Health and Wellbeing Board
- Children & Young People's Committee
- Health Scrutiny Committee
- Pensions Investment Sub-Committee and Pensions Sub-Committee
Economic Development Committee

3.34. The County Council is also represented on the Nottinghamshire and City of Nottingham Fire Authority.

4. REVIEW OF EFFECTIVENESS

4.1. 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.

4.2. Commencing in 2016/17, quarterly, formal meetings of the Council's three statutory officers (Head of Paid Service, Monitoring Officer and Chief Financial Officer) will be held. These meetings will incorporate a standing item to keep the effectiveness of the governance framework under continual review. The Head of Internal Audit will join the meeting for discussion of this agenda item.

4.3. Throughout 2015/16, 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:-

- Management accounts and the Council's Statement of Accounts 2014/15
- County boundary review
- Ofsted inspection of children's services
- Treasury Management
- Joint Health scrutiny arrangements
- Budget Report 2016/17 and Medium Term Financial Strategy 2016/17 to 2019/20
- Pay Policy statement
- 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:-

- Strategies and policies – including those relating to aspects of adults' and children's care, counter-fraud, procurement, and social media, plus spending proposals for 16/17 to 18/19.

- Transformation agenda – ‘Redefining Your Council’ review, senior management structure, ‘Digital First’ programme progress, Social Care and Health integration, Smarter Working programme, joint venture proposals, devolution developments.
 - Performance and compliance– strategic plan and ‘Redefining Your Council’ progress, use of urgency procedures, use of RIPA powers.
 - Consultation and engagement – ‘County Life’ consultation feedback, budget consultation, residents’ satisfaction survey.
 - External assessments – Local Government Ombudsman annual letter, Information Commissioner’s Office report and action plan
- c) The Audit Committee has considered a wide variety of issues including:-
- Internal Audit - Annual Report 2014/15, Annual Plan 2015/16 and mid-year progress
 - Statement on conformance with Public Sector Internal Audit Standards
 - Annual Governance Statement
 - Revised Counter-Fraud and Counter-Corruption Policy
 - Statement of Accounts 2014/15 and associated accounting policies
 - KPMG External Audit Plan 2015/16, annual governance report and Audit Letter
 - Financial regulation waivers
 - Briefings on the role of the Audit Committee and progress with the Council’s procurement function.
- 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. Based on the audits completed in 2015/16, Internal Audit’s overall opinion is that the Authority had a good system of internal control in operation.
- e) External Audit’s report to those charged with governance (Audit Committee) for 2014/15 stated that the Auditor issued an unqualified audit opinion on the County Council’s 2014/15 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. 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

Responding to the financial and policy environment

- 5.1. 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. National policy to place local government on a footing of greater self-sufficiency may leave the Council with new burdens and/or a financial shortfall. In particular, the implications of policy changes for care needs assessments, such as those relating to the Care Act, must be understood and evaluated.

- 5.2. The transformation framework, ***Redefining Your Council***, continues to drive the Council's response to the financial and policy environment. 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.
- 5.3. An evaluation of the first phase of Redefining Your Council was undertaken during the year. As a result of this, the scope of the programme was extended and revised arrangements were approved for programme governance and performance management. A second review of the programme will be undertaken during 2016/17.
- 5.4. The Council's Medium Term Financial Strategy shows that the Council can deliver a balanced budget in 2016/17, however further savings of £50.2 million will be required from 2016/17 to 2019/20.
- 5.5. From 2018/19, it is proposed that local councils will retain all locally raised business rates and that the distribution of core grant funding from central government will end. Preparatory work at the Council for this change will be commencing in 2016/17.

Other key governance issues

- 5.6. The Council will continue its transformation into a smaller organisation using a greater diversity of delivery arrangements with the potential for greater risk. Alternative Service Delivery Models will become live in 2016/17 in a number of areas, including Libraries, Highways and Property Services. Added to the range of alternative models already in place, the importance for the Council to ensure the effectiveness of its contract management capabilities is a key priority.
- 5.7. Following the County Council elections in 2013 the Authority had a Labour majority. Over the last three years there have been several changes in the membership of the County Council Labour Group which have resulted in the Authority being in no overall control. The places allocated on committees to groups and to the elected members who are not in a group has been reassessed on a number of occasions to ensure it complies with the requirements of political proportionality.
- 5.8. Social care provision is increasingly being integrated with health care provision, and work is underway to manage this effectively through the Nottinghamshire Sustainability and Transformation Plan. This is a local blueprint for accelerating the implementation of a five year plan for closer integration. Through the Better Care Fund, the Council is working with the six

local Clinical Commissioning Groups (CCGs) covering Nottinghamshire to ensure that health and social care services are efficient, integrated and working together wherever possible to improve the way we care for older people across the County. In 2015/16, the Better Care Fund enabled the partners to pool £59M of their money together to support integrated health and social care services.

- 5.9. The scale and speed of the transformation programme the Council has been implementing over recent years has inevitably placed pressure on the ability of staff to apply core systems of control consistently. The Internal Audit programme for 2016/17 seeks to deliver assurance over the effectiveness of key control systems, and the service plans to introduce a periodic, internal publication to provide updates and pro-active guidance on significant control issues.
- 5.10. The Council has established a project team and project Board to co-ordinate the Authority's response to the Independent Inquiry into Child Sexual Abuse (IICSA), as it investigates whether public bodies and other non-state institutions have taken seriously their duty of care to protect children from sexual abuse in England and Wales. The investigation of children in the care of Nottinghamshire Councils (Nottingham City and Nottinghamshire County Council) is focussed on children living in care in residential homes and foster families. The investigation will critically consider how both Councils responded to allegations that children were being sexually abused and will seek to identify any common themes and failings. The Council has made two submissions to the IICSA already, ensuring core principles are in place to allow the enquiry to carry out its work effectively.
- 5.11. During 2015/16, the 19 councils across Nottinghamshire and Derbyshire have considered the potential for a devolution deal with Government. Although no deal has been agreed at this stage, there may be further developments, either locally or at a national level, in respect of devolution in 2016/17.
- 5.12. The Local Government Boundary Commission has completed its review of Nottinghamshire. The results of that review were reported to Council in November 2015 and have now been confirmed by Parliament. During 2016 work will be undertaken to ensure that all the required changes are implemented as required for the County Council elections in 2017.
- 5.13. The Council is currently handling planning applications in respect of shale gas developments in the county. The Council recognises that such applications are likely to attract wide public interest, therefore a working group with appropriate local partner organisations has been set up to manage the risks involved.

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 8 June 2016. 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 2016/17 and beyond.

Signed:.....

LEADER

Signed:.....

CHIEF EXECUTIVE