

30 November 2022

Agenda Item: 9

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 2022/23.

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. This latest update identifies the following as the most significant governance issues for the Council.

Issue	Comment
Cabinet/Scrutiny model of corporate governance	Full Council at its meeting on the 31 st March 2022 approved a revised model of governance which was implemented following the Annual General Meeting on 12 th May 2022. It was agreed that the member working group would remain in place to deal with any issues arising and undertake a review of the operation of the new model after 12 months.
Devolution for Nottingham and Nottinghamshire	On 30 August 2022, Derbyshire County Council, Nottinghamshire County Council, Derby City Council and Nottingham City Council signed a £1.14 billion devolution deal with the Government. The signing of the deal, will, subject to relevant approvals, consultation

Issue	Comment
	<p>and primary and secondary legislation passing through Parliament, establish the first ever Mayoral Combined County Authority in the country. This would mark a significant step forward for the region, addressing years of historical low investment in the area whilst providing a platform for accelerated growth.</p> <p>To progress the area's devolution deal, a consultation is required on the draft East Midlands Combined County Authority (EMCCA) Proposal. Following consultation, the four upper tier councils will need to submit their final proposal to Government, which will take account of the outcome of the consultation, and which, if appropriate, formally proposes the creation of the EMCCA. Full Council agreed on 4 November 2022 to formally consult on the draft proposal with the residents and other stakeholders of Nottinghamshire and the wider EMCCA area, in partnership with Derby City Council, Derbyshire County Council and Nottingham City Council.</p> <p>The consultation launched on 14 November 2022, and will run for eight weeks, closing on 9 January 2023. It is anticipated that a further meeting of Council in or around March 2023 will consider the results of the consultation and agree whether to formally submit the final Proposal to Government. The intention would then be that the first election for a mayor for Derby, Derbyshire, Nottingham and Nottinghamshire, would take place in May 2024.</p> <p>A monitoring officer working group is working thoroughly through the governance and constitutional matters in respect of the combined county authority.</p>
Climate change	<p>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 in all its activities by 2030. The Committee has considered three formal reports to date, setting out progress against the Council's Corporate Environment Strategy and its alignment with the emergency declaration, and establishing a new Climate Change group to drive forward this work. More reports are scheduled to the Cabinet Member for Transport and Environment following the move to the new Leader and Cabinet system including a review of the Corporate Environmental Policy to reflect the carbon neutrality 2030 target. The additional staffing resources noted above are partly in place, with further recruitment to the Climate Change group due to complete by early autumn, alongside an ongoing commitment of funding for the Green Investment Fund.</p> <p>Furthermore work continues with the development of a carbon reduction plan due to be published in Autumn 2022, input into the Corporate Property Strategy review and design standards and supporting Highways & Transport colleagues to green the internal fleet. Departmental working groups are being established and the Employee Green Initiatives Group has been relaunched and supported since November 2021. A climate change training package</p>

Issue	Comment
	is being developed to reach and engage with all employees, including accredited Carbon Literacy training for Leadership and Management.
The transformation agenda	<p>The Group Manager has been in post since Jan 2022 and the Service Director has been in post since March 2022. The Transformation and Change Group continues to work with operational leads and subject matter experts to develop Cases for Change/Full Business Cases for projects within our four cross-cutting programmes. We have reviewed the scope of our programmes and continue to work to identify opportunities for change to support the Council's ambitions, as outlined in the Nottinghamshire Plan, and in response to policy and legislative changes. We continue to review the transformation operating model to ensure that we have a strong foundation for delivery of our transformation portfolio.</p> <p>We are creating a greater alignment between our transformation portfolio and strategic priorities around financial resilience and sustainability. A series of budget 'impact sprints' over August/September 2022 will identify opportunities to deliver financial benefits to the Medium Term Financial Strategy and will inform the future scope and objectives of our four programmes.</p>
Financial resilience and sustainability	<p>The recent significant increases in inflation and specific increases in external costs for essential services is likely to impact on the Council through additional budget pressure bids. The importance of effective management of the most volatile elements of the annual budget is heightened and remains a key area of focus. 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 had a funding gap of £29m over the four-year MTFS as at February 2022 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> <p>The Period 6 monitoring report identifies a forecast in-year overspend of £2.9m as the Council, post a number of management actions, begins to show the impacts of inflation upon our services. As fuel and energy costs rise, wage inflation upon our suppliers, as well as our own employees starts to reflect upon the cost of delivering our services. This is a changing picture and the impact into next year and upon our MTFS are being constantly assessed.</p> <p>The Budget Update Report to Cabinet on 17 November 2022 highlights an updated 3-year MTFS funding gap of £74m, with a shortfall of £35m in 2023/24, following a review of pressures over the summer. The report signals the start of the consultation process looking at actions to address this shortfall.</p>
People Strategy and the Nottinghamshire Way	A Workforce Review has been commissioned to identify key risks and issues across the Council in relation to workforce and actions to address these. This work is being progressed through the Member

Issue	Comment
	Budget Panel looking at Workforce. The outcomes will be used to support service redesign and develop a new operating model for the Council. This will be enabled by the development of a new Workforce Strategy to ensure that we have cost effective, sustainable resourcing strategies and are able to recruit and retain staff and develop the skills we need. The next phases of the Nottinghamshire Way programme will support development of the culture and ways of working we require and engage staff and managers to ensure sustainable service delivery and delivery of the priorities set out in the Nottinghamshire Plan.
Adult Social Care and Health reforms	The Government's white paper, 'People at the Heart of Care', was published in December 2021, setting out a 10-year vision to transform support and care in England. In total there are eight pieces of reform that Adult Social Care services are required to implement during 2022 and 2023. These reforms are welcomed but the timetable for implementation, the resource requirements and the estimated cost of the reforms present significant risks for the Council. Charging reform and the Fair Cost of Care reform present very challenging financial risks and these have been set out in detail in a <u>report to Cabinet on 14th July</u> . Compounded by pressures and lack of capacity in the care workforce, the Council is at risk of not being able to meet its statutory duties under the Care Act whilst at the same time dealing with a new Care Quality Commission-led assurance and inspection regime. The department is putting mitigations in place to meet identified risks where possible and is also making representations to the Government about the risks and issues.
Demand for care and support (new risk)	Lack of availability of care and support provision means people are not always receiving the right service at the right time. This is particularly evident in the number of people who are waiting for home care, either in the community or who are waiting to be discharged from hospital. Alongside the reduction in care staff, there is an increase in demand on services which means the Council has a significant waiting-list for care and support. This presents a risk to the individuals concerned and also impacts on wider Council services such as an increase in enquiries and complaints. <u>A report on Adult Social Care Market pressures</u> was also presented to the Cabinet on 14 th July 2022, and all the risks identified are set out in a comprehensive departmental risk register.
Risk management	An action plan has been developed to address the scope for improvement in the Council's risk management arrangements, following the external 'health check' review in 2021. A clearer distinction is being drawn between the management of operational and strategic risks, presenting the opportunity to link risk management through to strategic planning and reporting in a more impactful way. Due to operational issues the work on the update was delayed for a short period, however it has now restarted, and the changes will culminate in a revised policy and strategy for risk management, and any implications for the risk management framework will be assessed.

Issue	Comment
<p>Pace of implementing agreed audit recommendations</p>	<p>Six-monthly updates to the Governance & Ethics Committee continue to identify concerns with the pace of implementation for agreed actions. Whilst focused action by the Internal Audit Team has driven improvements to halt the decline of the implementation rate only one target for the implementation of Priority One actions has been achieved. The Committee and the Internal Audit Team continue to focus on driving through agreed improvements to the Council's control framework as quickly as possible.</p>

5. Corporate Leadership Team colleagues have been consulted with in compiling the above list of issues which continue to represent the most significant governance issues on which the Council needs to focus. CLT colleagues have provided insight to these governance issues by considering 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. An important part of the AGS is its Action Plan, and this should also be refreshed following each update. The Action Plan for 2022/23 is set out in **Appendix 1**, showing the progress that has been identified through consultation with relevant managers.

Other Options Considered

7. 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

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

Statutory and Policy Implications

9. 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.

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

- 1) That Members note the actions taken to update the governance issues raised in this report.

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Service Director – Finance, Infrastructure & Improvement

For any enquiries about this report please contact:
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Constitutional Comments (EKH – 07/11/2022)

10. 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 (SES – 01/11/2022)

11. 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