

1 February 2021

Agenda Item: 6

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

QUARTERLY GOVERNANCE UPDATE

Purpose of the Report

1. To inform Committee of the progress being made with the Governance Action Plan for 2020/21, 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 2011 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 quarterly basis. This ensures the AGS is used as a live document throughout the year, contributing towards maintaining an appropriate, strategic focus on the Council's ongoing governance arrangements.
4. The latest quarterly update identifies the following as the most significant governance issues for the Council. The Authority remains on an emergency response footing, as the global pandemic continues to dominate its priorities. The impact of Covid19 pervades all aspects of the Council's activities, including how it is currently applying its Local Code of Corporate Governance. This will remain the case for some time yet, through the remaining stages of the national emergency and into the recovery stage that lies ahead. Rather than include the impact of Covid19 as its own entry on the list of significant governance issues, it is referenced throughout this update wherever its influence is especially pertinent.

Issue	Comment
The transformation agenda	The Council has brought the engagement with its external partner to a conclusion. An Interim Service Director is in post and is working to implement the outputs from the review. Proposals were approved by the Improvement & Change Sub-Committee in November 2020 to establish four cross-cutting

Issue	Comment
	<p>transformation programmes, with two underpinning strands of work. A high-level staffing structure for corporate transformation and change was also approved by the Sub-Committee; enabling into this structure and the development of all other staffing tiers are currently in progress. This features the establishment of a Strategic Insight Unit, along with revised business processes, governance arrangements and co-ordination with departmental service improvement activity.</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 emerging 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 Financial Resilience Group reviewed all aspects of the financial impacts over the summer and an updated Medium Term Financial Strategy (MTFS) has been presented to the Finance & Major Contracts Management Committee. The regular review of the financial impacts and the regular Government returns are now established as business as usual and the Financial Resilience Group has been wound down. Maintaining the flow of transparent, financial data for Councillors remains a key priority. The Council will still have a financial gap over the MTFS and Policy Committee in October 2019 set out a new model for transformation (Achieve/Transform/Save) and since then identified a number of key transformation programmes to enable the Council to address this gap leading to future financial sustainability.</p>
Fair Funding & Business Rates Retention	<p>Progress has been delayed again due to the pandemic, and the Council continues to campaign for the promised Fair Funding Review to occur. It is hoped that this work will be undertaken in 2021.</p>
Pressure on core systems of internal control	<p>The findings of Internal Audit over recent Termly Audit Plans are not identifying a concerning number of areas in which only limited assurance can be provided over the effectiveness of internal controls. However, the Group Manager – Assurance has reported to the Governance & Ethics Committee a decline in implementation rates for agreed actions following audits. Understanding the impact of the pandemic on the internal control framework in the Council is key to achieving an appropriate balance between probity and speed of response.</p>
Vulnerability to fraud	<p>The half-yearly update on counter-fraud activity was presented to the Governance & Ethics Committee in January 2021. The incidence of internal fraud remains low, but the Council continues to be the target of attacks from external sources, notably in relation to its suppliers' bank details. The Council is also alert to the opportunities that fraudsters seek to exploit from the pandemic situation and is conducting targeted internal audit work in this area.</p>
Controversial/sensitive decisions	<p>The risk of challenge and demonstrations at Council meetings, at which potentially controversial and sensitive decisions are to be taken, is recognised. As the Administration Body for the Nottinghamshire Local Government Pension Scheme, the Council continues to be a focus of attention by the Nottingham Extinction Rebellion group on its stance on investments. The Council's stance and approach on this issue remains under active management.</p>
UK General Data Protection Regulation	<p>The Information Governance Improvement Programme closed in March 2020, having helped the Council make significant improvements in its exposure to reputational and financial risks of breaches in data protection.</p>

Issue	Comment
(GDPR) / Data Protection Act 2018	Ongoing Information Governance risks, their severity and mitigations are regularly considered by the Information Governance Board (IGB). Risks associated with data flows at the end of the UK EU transition period (end Dec 2020) are being actively managed. Incremental improvements will be made to enhance electronic document and records management, exploiting new technologies and progress in this will also be considered by the IGB. The Council submits an annual Data Security and Protection Toolkit self-assessment to NHS Digital (next submission due June 2021).
Move to the Cloud and ICT resilience	<p>The County Council currently stores its software and data within the ICT Data Centre on the County Hall campus. Work continues 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 most appropriate ICT systems and applications remain under review, both in light of the response to the pandemic and with a view to the Council's emerging plans for recovery and renewal.</p> <p>The impact of new ways of working for the vast majority of the Council's staff has required an increase in ICT resilience to enable Council staff to work more effectively at home and with the right technology in place. A range of actions have been taken to achieve a stable service, and this will receive continual monitoring and further update reporting to the Improvement & Change Sub-Committee.</p>
Post-EU transition implications for the Council	The Council has maintained a risk register, since the referendum in 2016, to assess the implications for its continued delivery of local services. This will be retained, and continue to be updated, to ensure the need for additional mitigations is swiftly identified as the UK's revised relationship with the EU settles in.
Local Government Association Peer Challenge	The LGA Peer Challenge was conducted in June 2019 and its subsequent report recognised a number of the Council's key attributes that underpin the positive findings of the Review Team. A report to Policy Committee in October 2019 agreed an action plan in response to the report's five recommendations. Progress is being monitored by the appropriate committee for each action.
Ofsted inspection of Children's Services	The inspection endorsed the actions set in train to deliver improvements in discrete aspects of the service, and the Children & Young People's Committee is overseeing implementation. An annual conversation took place between Ofsted and the Children and Families Leadership Team as part of the Ofsted inspection framework in November 2020, at which the Council's safeguarding response to Covid was considered, alongside a review of the department's self-evaluation of practice and progress against the areas for improvement identified during the inspection in October 2019. This was a constructive conversation which recognised the commitment that the Council has displayed to continuing to improve services for vulnerable children and young people. A full report will be scrutinised by Children and Young People's Committee in February 2021.

5. The entries on the list of significant governance issues have been refreshed since the previous update in October 2020, as follows:
 - a) Local Government re-organisation - the September 2020 meeting of the Policy Committee approved a proposal to revisit the issue of local government re-organisation in the County. Subsequent to this and in view of the ongoing pandemic, the Government has decided to defer the publication of the 'Devolution and Local Recovery' White Paper until mid-2021.

The Council has therefore paused its work on local government reorganisation, and will review its position following the White Paper's publication.

- b) Independent Inquiry into Child Sexual Abuse (IICSA) – Children & Young People's Committee continues to scrutinise the good progress being made against the Council's comprehensive action plan. A second phase of public hearings took place in November 2019 for the Accountability & Reparations investigation, and an additional, special sitting-day was held on 5 February 2020. The recommendations from this phase of the inquiry are directed primarily to the Ministry of Justice to progress, and the Council will keep its action plan under review to take account of developments from Government.
 - c) Restoration the committee schedule – following suspension of the normal schedule during the first wave of the pandemic, all committees have now been meeting on a virtual basis for some time.
6. The thoughts and insight of Corporate Leadership Team colleagues are sought on a quarterly 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.
7. An important part of the AGS is its Action Plan, and this should also be refreshed following each quarterly update. The Action Plan for 2020/21 is set out in **Appendix 1**, along with an update on progress that has been identified through consultation with relevant managers.

Other Options Considered

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

Reason/s for Recommendation/s

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

Statutory and Policy Implications

10. 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.

11. 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.

Nigel Stevenson
Service Director – Finance, Infrastructure & Improvement

For any enquiries about this report please contact:
Rob Disney, Group Manager – Assurance

Constitutional Comments (EKH 12/01/2021)

12. 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 05/01/2021)

13. 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