

## REPORT OF THE DIRECTOR OF STRATEGIC FINANCE

### INTERIM ANNUAL GOVERNANCE STATEMENT 2011/12

#### 1 PURPOSE OF THE REPORT

This is the first of a series of reports developing the Annual Governance Statement (AGS). The final AGS will be published with the City Council's Statement of Accounts.

#### 2 RECOMMENDATIONS

To note the First Interim AGS 2011/12 set out at **Appendix 1**.

#### 2 REASONS FOR CONSIDERATION

2.1 The City Council's governance arrangements aim to ensure that it sets and meets its objectives and responsibilities in a timely, open, inclusive and honest manner. The governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled, and through which it engages with and leads the community to which it is accountable. Every council and large organisation operates within a similar framework, which brings together an underlying set of legislative requirements, good practice principles and management processes.

2.2 The publication of an AGS alongside the Statement of Accounts is required by the Accounts and Audit Regulations 2011. The Council is required to conduct a review, at least annually, of the effectiveness of its internal control and prepare a statement in accordance with proper practices. The 2007 CIPFA/SOLACE publication "Delivering Good Governance in Local Government Framework" provides the principles by which good governance should be measured. This was adopted as the Council's Local Code of Corporate Governance at the Executive Board meeting on 20 May 2008.

2.3 The Audit Committee has the delegated authority for the formal approval of the AGS. It is good practice to approve the AGS before and as close to publication of the final Statement of Accounts as possible. The timetable for production of the AGS was approved at the April 2012 meeting of this Committee. This interim statement is a precursor to the final statement which will be brought to the September meeting of this Committee for approval.

#### 4 OVERVIEW OF THE ANNUAL GOVERNANCE STATEMENT

4.1 The AGS reflects the governance arrangements operating within the Council and its significant partners. Responsibility for its production lies with the Acting Chief Finance Officer (CFO).

4.2 Assurance used in compiling the final report was derived from several sources: Corporate Directors and other key colleagues including the Monitoring Officer, Section 151 Officer and the Head of Internal Audit reviewed the governance arrangements according to their responsibilities and gave assurance and comment as to their effectiveness. A similar exercise was conducted with the Council's significant partners and groups. Information obtained from independent external reviews is also used to inform this assurance.

4.3 In accordance with the Local Code of Corporate Governance the final AGS will be signed by the Leader of the Council, Acting Chief Executive, and the Acting CFO and will contain the following information:

- an acknowledgement of responsibility for ensuring that there is a sound system of governance;
- an indication of the level of assurance that the systems and processes that comprise the Authority's governance arrangements can provide;
- a brief description of the key element of the governance framework, including those of significant groups or partners;
- a brief description of the processes undertaken to maintain and review the governance arrangements, including some comment on the work undertaken by the Council, Executive Board, Committees with governance remits and Internal Audit;
- an outline of the actions taken or proposed to deal with significant governance issues.

4.4 This statement maps the policies, procedures and initiatives the Council has set in place to address the governance issues embodied in its Local Code. Future statements will introduce any issues found in the control environment and report any plans set in place to address them.

## **5 BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION**

None

## **6 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

- CIPFA/SOLACE - Delivering Good Governance in Local Government (Framework)
- Accounts and Audit Regulations 2011
- Local Code of Corporate Governance – Executive Board 20 May 2008
- Audit Committee Papers February 2012 – AGS – Progress made to date on issues reported 2010/11 and process for producing 2011/12 statement

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## **Nottingham City Council**

### **ANNUAL GOVERNANCE STATEMENT 2011/12**

#### **Scope of responsibility**

Nottingham City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also 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.

In discharging this overall responsibility, it is essential that proper arrangements are put in place to ensure sound governance and effective exercise of Council functions, including appropriate risk management.

The Council has approved and adopted a code of corporate governance consistent with the principles of the *Delivering Good Governance in Local Government*. This Statement explains how the Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011.

#### **The purpose of the governance framework**

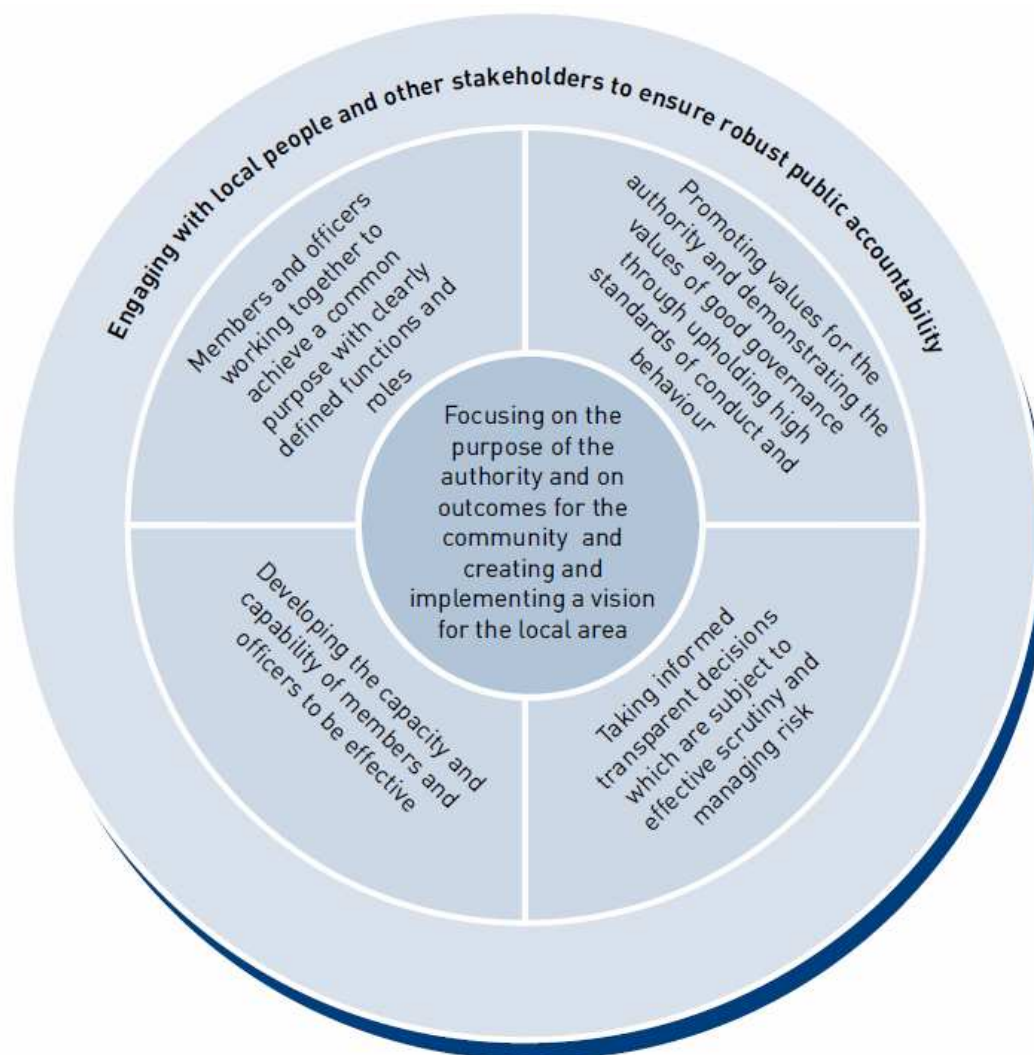
The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables monitoring of the achievement of strategic objectives and considers whether those objectives have led to the delivery of appropriate cost effective services. The core principles underpinning the CIPFA/SOLACE framework for delivering good governance are illustrated below.

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 policies, 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 Council's policies, 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 was in place at the Council for the year ended 31 March 2012 and up to the date of approval of the annual report and Statement of Accounts.

The following sections consider the various main components of the Council's governance framework and the activities within each of them.

## CIPFA/SOLACE - Principles underpinning the delivery of good governance



### **Arrangements for identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users**

The function of governance is to ensure that the Council and its partners fulfil their purpose and achieve their intended outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner. This concept should guide all governance activity. The Council has to develop and promote a clear vision of its purpose and intended outcomes for citizens and service users that are clearly communicated, both within the Council and to external stakeholders.

The Council has accepted that knowledge and understanding of local communities and neighbourhoods is critical to delivering fit for purpose services. Improving public involvement with the work of the Council has been identified as a priority.

The Council's vision is wholly aligned with that of the City as set out in the 2030 vision and Nottingham Plan. Accordingly this vision and the associated six Nottingham Plan Strategic Priorities are set and are not subject to annual review and change. The Council Plan, which is now aligned with the municipal electoral cycle, clearly sets out the Council's highest priorities. These are also summarised via special editions of the Nottingham

Arrow which is circulated to all households. The Nottingham Plan, Council Plan and other key plans such as the Children & Young People’s Plan are published as appropriate and are available to all members of the public. The Council has a year end performance review against both priorities and all manifesto pledges that goes before Executive Board with papers publicly accessible. Financial performance is published annually and equally the MTFS is a publicly accessible document.

The City Council’s long term vision is “Go-ahead Nottingham: Safe, clean, ambitious and proud.” This vision was developed through consultation with a wide range of citizens, businesses, community, voluntary and faith groups, and public agencies across Nottingham. It is shared by its partners and sets a common goal to be achieved whilst summarising the Council’s objectives and priorities. These objectives are encapsulated in the Council’s 2030 Vision and the Sustainable Community Strategy. The Nottingham Plan to 2020 is the overall plan for the City, agreed in July 2009 and jointly owned by the Council and its key partners, providing clear strategic direction to 2020. It has three cross cutting themes of being environmentally sustainable, raising aspirations, and achieving fairness and equality of opportunity. The following table illustrates the inter-relationship of the Council’s plans and the framework put in place to deliver them.

<b>Strategic Planning</b>	<b>Aligning Plans</b>	<b>Performance</b>	<b>Governance</b>
Objectives	Operational Plans	Monitoring	Audit and Inspection
<ul style="list-style-type: none"> <li>• 2030 Vision</li> <li>• 2020 Nottingham Plan (SCS)</li> <li>• Medium Term Financial Strategy (MTFS)</li> <li>• Refreshed Council Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Medium Term Financial Plan (MTFP)</li> <li>• Corporate Directorate Priorities</li> <li>• Strategic Service Plans (SSP)</li> <li>• Operational Plans</li> <li>• Performance Appraisals</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Delivery Board</li> <li>• Corporate and Directorate Performance Reports/Boards</li> <li>• Risk Management Reports</li> </ul>	<ul style="list-style-type: none"> <li>• External and Internal Audit</li> <li>• Transformation Programme</li> <li>• Annual Governance Statement(AGS)</li> </ul>

The Council’s key objectives are contained in the Council Plan 2009-12 which plan has been under regular review, the latest being the 2011-015 refresh. Reviews ensure alignment with the Nottingham Plan to 2020 and reflect national developments including the effects of reduced Government funding. Ultimately this means the Council’s priorities and those of its key partners over both the short and long term are in accord. The principles underpinning the Plan are summarised in a ‘Message Map’ which sets out the purpose of “Leading Nottingham” and gives direction and focus for the Council. The Council Plan 2009-12 has clear priorities with associated performance measures supported by delivery plans containing the key milestones and measures for each Council Plan priority.

## Message Map



The Council uses various media for communicating its vision. Examples are performance appraisals with colleagues, publications including 'Nottingham Arrow', the staff magazine 'Impact' and use of the Council's intranet and internet sites. The Nottingham Arrow is posted to all households in the City, making it an ideal platform to inform local residents about what the Council is doing.

### **Arrangements for reviewing the authority's vision and its implications for the authority's governance arrangements**

Good governance flows from a shared ethos or culture, as well as from systems and structures. Consequently it is important that clear values and objectives are set and processes implemented to assess their effectiveness. Where appropriate the review mechanism should enable problems to be identified and corrective action to be taken. Progress against the City Council's strategic priorities is monitored and reported to the Executive Board.

Portfolio Holders and the Executive Board make decisions based upon colleague recommendations and in response to changing legal or financial obligations. The reports containing recommendations to be considered clearly explain the technical issues and their implications, and relate the recommended action to agreed policies and strategies.

Where more than one course of action is possible, the alternatives are analysed and justification given for the preferred choice.

Professional advice is taken when decisions have legal or financial implications in advance of decision making. Advice on legal and financial matters is taken from internal, and where necessary, external sources. Portfolio Holders also have a common responsibility to promote and be accountable for their services nationally and internationally as required, representing the Council's views on matters of corporate or strategic policy within their portfolio. The Leader of the Council also has responsibility to promote the City, the Council and its core values and objectives.

The advice given will usually be contained within the board papers although it may also be presented to the meeting, to facilitate discussion. Reports are circulated with the agenda where possible, to allow consideration in advance of the meeting at which a decision is to be taken. Where appropriate the recommendation will be supported by appropriate external evidence or advice. Minutes of Council, Board and Committee meetings are available to the public.

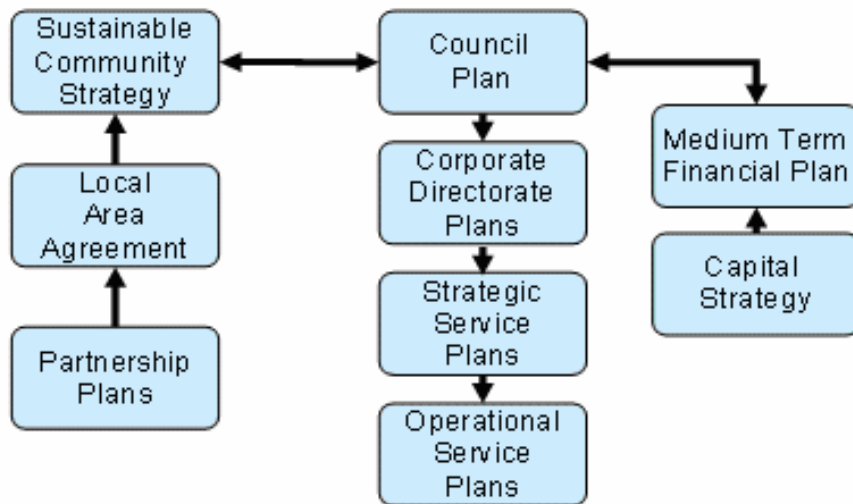
Portfolio Holders are charged with the general responsibility to promote and be accountable for the services in their portfolio within the Council and the City as a whole, and a Portfolio Holder has specific responsibility for customer services and consultation.

An overview and scrutiny function is undertaken by the Overview and Scrutiny Committee, supported by standing panels. The Committees functions contribute to policy development and help to shape major plans and strategies and publicly hold the Executive to account for the decisions it makes. As a consequence the Committee plays an important role in supporting the programme of improvements to Council services. Councillors with an overview and scrutiny role work independently, openly and transparently, and the recommendations made are founded in the evidence received from experts in the fields being reviewed, service users and colleagues.

The Committee and Panels seek to involve representatives of non-council organisations, interest groups and members of the public in their activities where it is considered that such involvement would bring new perspectives, expertise and/or specialist knowledge, to allow scrutiny to fulfil its role. An annual report on scrutiny activity is produced and reported to full city council, covering the vision for Overview and Scrutiny, its role and its method of working considered necessary.

**Arrangements for measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources**

It is important that the Council uses available resources to provide the appropriate quality of services for its citizens in accordance with its objectives and priorities and to operate within its means. The Council Plan contains targets to be met in achieving these priorities, which are translated into actions through strategic service plans and operational plans as illustrated on the following page.



Comprehensive and effective performance management systems operate at all levels throughout the Council. Performance is managed, at the City level through the Nottingham Plan performance board, at Corporate Council through the Corporate Delivery Board, and at Directorate level through Directorate Performance Boards

The council has a clear performance management framework, the Corporate Integrated Planning & Performance Framework (CIPPF) which has a clear focus on outcomes. The framework has been subject to positive review by both the Audit Committee and Overview and Scrutiny Committee. The CIPPF establishes a clear relationship between corporate priorities and decisions taken, from the top down to individual level via service planning. Both the Nottingham Plan and Council Plan are all tracked by a set of key performance indicators. The removal of the Local Area Agreement and the National Indicator Set has in many respects allowed the Council to focus on those measures that are most important and relevant for our local priorities.

Although external review has now been effectively removed for the best part of two years the Council's Corporate Delivery Board arrangements continue to drive the focus on continuous improvement and relative performance for a number of the Council's highest priorities remains in place. Although external assurance from bodies such as the Care and Quality Commission (CQC) and Ofsted currently remains in place although this is specific to certain service areas only. Appropriate assurance statements continue to be received from the designated external assurance providers that remain. The Local Government Group has consulted on the development of a peer review based self regulation and improvement approach, although such reviews will be at high strategic level only.

The Council has recently purchased a new software tool for Performance Management and Have Your Say (comments, compliment and complaints) management. This will be the Council's corporate system to be used across the council. The initial phase is for it to be used to replicate the corporate performance reporting requirements and Have Your Say. A second phase will see the software rolled out across the Council as the default tool for Performance and Risk Management and to support its Business Planning arrangements. This tool is now the standard software being used for performance management by all Nottinghamshire Councils and Nottingham City Homes. The Council expects the software develop, improve and integrate all elements of performance management.



The quality of services provided are also monitored by seeking the views and experiences of citizens, service users, and colleagues through residents' surveys, consultation and focus groups, analysis of complaints and comments received, and staff surveys. The introduction of the Performance Management Framework has established a clear relationship between corporate objectives and strategic service plans. The Framework and departmental planning establish a clearer relationship between corporate priorities and decisions taken.

The Value for Money Framework assists in the delivery of the Council Plan, particularly in relation to the Transformation Programme. The Council has continued to make difficult decisions in the face of demanding reductions in resources to ensure actions are directed by the objectives set out in its 2030 Vision and associated plans. Affordability is a key driver for such future decisions.

The Council's budget process establishes the resources required to deliver its services and objectives, and involves a review of the overall use of resources. Appropriate limits have been approved in line with the Prudential Code for Capital Accounting. Budget performance is monitored regularly and senior management and councillors receive financial information which is relevant, understandable and consistent with underlying financial records. Colleagues responsible for financial resources are required to sign Personal Accountability Statements in recognition of their responsibilities to use these resources effectively, and their success is monitored as part of the performance appraisal process. Financial reserves are kept under review and the Council maintains an adequate Internal Audit function. Financial procedures are identified in approved Financial Regulations. The Council also publishes its Statement of Accounts in accordance with statutory and professional guidance and which have been successfully subjected to a rigorous external audit.

**Arrangements for 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**

In local government the governing body is the City Council, which has overall responsibility for directing and controlling all the work undertaken in its name. The Constitution, approved by City Council, sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people.. The recent move to Strong Leader and Cabinet governance arrangements was supported by reports to Council. .The City Council continues to operate a Leader and Cabinet model after the citizens of Nottingham having rejected a Mayoral option at a referendum held in May 2012. Responsibility for decision making, the role of the City Council, Executive Board, Committees and the process for determining Key Decisions are defined in the Constitution, which is being updated to take account of Strong Leader and Cabinet governance arrangements.

The Constitution includes a scheme of delegations which is detailed so that the functions of City Council, Executive Board, Portfolio Holders, Committees and officers are specified. The scheme is currently being updated and a mechanism is being considered to keep the details recorded up to date.

The City Council comprises 55 councillors, with the Labour Party having overall control. The councillors meet as a Full Council around every six weeks. A limited number of items of business, such as approving the level of council tax, must be considered by the Full Council. For other decisions, the Leader and Executive Councillors hold decision-making powers through the Executive Board, each Executive Councillor including the Leader, holds a portfolio which supports the priorities of the Council.

The role of each Portfolio Holder is defined in terms of both general and specific responsibilities. Councillors who are not on the Executive may be members of one of the regulatory committees or undertake overview and scrutiny activities. Detailed terms of reference are in place for all committees. The role of Overview and Scrutiny is set out in the detailed terms of reference for the committee itself and for the panels which report to it. A review has been undertaken of the function to ensure it will continue to work efficiently and effectively in the current financial circumstances. There is a clear distinction between the Executive and Scrutiny functions within the Council and clearly defined roles for these functions, which are understood by both bodies. The Council has protocols in place to ensure communication between councillors and colleagues in their respective roles and which govern their relationship.

### **Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

A hallmark of good governance is the development of shared values, which become part of the organisation's culture, underpinning policy and behaviour throughout the organisation, from the governing body to all colleagues. These are in addition to compliance with legal requirements, for example on equal opportunities and anti-discrimination. The Council recognises that, to be effective in fulfilling their role, councillors will need to work closely with and talk to colleagues at all levels, and that this principle should be safeguarded in the current governance and neighbourhood arrangements.

The Council has put arrangements in place to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and their continuing compliance in practice is monitored. Breaches of the Code of Conduct for Members are considered by the Standards Committee. Staff can report non conformity with appropriate ethical standards via the Confidential Reporting Code. Councillors can raise issues of non compliance directly with the Standards Committee. Citizens are encouraged to report concerns through any of the routes included in the Confidential Reporting Code, or via the Council's complaints procedure. The Council's People Management Handbook includes sections relating to raising concerns, performance improvement and discipline.

At an individual level, the Council has developed and adopted formal codes of conduct defining the standards of personal behaviour to which individual councillors and colleagues are required to adhere. Under the Local Government Act 2000, all councillors have to sign a declaration to abide by and uphold the City Council's Code of Conduct for Members. Under the Code all councillors are also required to register various interests. All Councillors have signed and agreed to adhere to the Members Code of conduct and training on the code is provided as part of an induction programme. Support staff have also had briefings about the code. Councillors are reminded twice per annum to update the register of interests once in May and again in December when declarations are sent out to Councillors for them to for review.

In addition to their specific portfolio responsibilities all Portfolio Holders have a common responsibility to ensure that the executive functions within the portfolio are performed in accordance with approved Council policies and strategies, and to the highest ethical standards. These values are also enshrined in the respective codes of conduct for colleagues, councillors and the councillor/colleague protocol.

The Council's Monitoring Officer maintains the Register of Councillors' Interests that have been brought to his attention. Councillors are obliged, by law, to keep their registration up-to-date and to inform the Monitoring Officer of any changes within 28 days of the relevant event. A councillor's failure to register interests can be the subject of a complaint. Most councillors have received training relating to the Code of Conduct.

The need for disclosure of conflicts of interest is a standard agenda item at all meetings, and a review of the minutes of the Executive Board indicates that potential conflicts of interest are regularly disclosed. The "Jobs Plan Review" report from the Audit Commission in respect of these issues was fully accepted by the Council and an action plan put in place to address its findings. The Council has put arrangements in place to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and their continuing compliance in practice is monitored.

The Constitution sets out terms of reference for the application of the local determination regime for the Standards Committee Breaches of the Code of Conduct for Members are considered by the this Committee. .Committee members are trained in operating the regime, with refresher training having been given in 2010/2011 Members of the public are encouraged to report concerns through any of the routes included in the Confidential Reporting Code or via the Council's complaints procedure. This is less so in the case of the Confidential Reporting Code, particularly from an external perspective. Colleagues can report non conformity with appropriate ethical standards via the Confidential Reporting Code.

The Council has a Standards Committee to promote and maintain high standards of conduct by Councillors and co-opted members, The Committee remains primarily focused on issues of councillors' conduct and its remit includes the requirement to:

- advise the Council on the adoption or revisions of its Code of Conduct, to monitor its operation and to assist Councillors and co-opted members in observing it;
- arrange training and advice for Councillors and co-opted members on matters relating to the Council's Code of Conduct, and related probity issues;
- receive annual reports from the Monitoring Officer relating to complaints from citizens, internal complaints, whistle-blowing and any other matters relating to conduct and propriety;
- consider reports and recommendations from the District Auditor relevant to the Code of Conduct and related probity issues;
- hear cases under the Council's procedure for dealing with complaints about Councillors' conduct;
- review the operation of the Council's Confidential Reporting Code and make
- recommendations for any changes to it

It has had involvement in Government consultation regarding a new code of conduct. Councillors can raise issues of non compliance directly with the Standards Committee.

**Arrangements for 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**

Decision making within a good governance framework is complex and challenging. It must further the organisation's purpose and strategic direction and be robust in the medium and longer terms. To make such decisions, councillors must be well informed. The Constitution and its appendices clearly define those matters specifically reserved for collective decision of the Authority and those matters that may be delegated. The responsibility for updating the Constitution is set with the Monitoring Officer. Reports making changes to the Constitution including those to Financial Regulations are made to the Full Council for approval. Most reports are available for public inspection as are the results of deliberations recorded in meeting minutes.

Councillors making decisions require support of appropriate systems, to help ensure that decisions are implemented and that resources are used legally and efficiently. Risk management is important to the successful delivery of public services. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective. The Risk Management Framework (RMF) sets out the way in which the Council identifies monitors and manages its strategic, operational and project/partnership risks. The RMF is regularly updated and is approved by the Audit Committee.

There is a clear RMF in place comprising a Risk Policy, Strategy, and Process Guide agreed by the Corporate Leadership Team (CLT) and approved by Audit Committee which is reviewed annually. The RMF includes identification of respective roles and responsibilities. In addition to the RMF, detailed guidance is in place to support risk management in major projects, including capital and transformation/change management. Risk Management arrangements are integrated to other key documents namely the MTFS, Financial Regulations and Corporate Financial Procedures.

The Acting Chief Executive played a lead role in risk management, championing its development and implementation. CLT takes an active role in the review of strategic risks along with the Audit Committee which receives quarterly reporting of the Strategic Risk Register (SRR). Extensive work has taken place on the review and composition of the SRR and testing alignment of risks to the Council's strategic priorities. Similarly significant work has taken place on support effective risk management linked to Transformation/Big Ticket programmes through the work of the Portfolio Office and the Corporate Risk Specialist.

RM training has been provided to the Audit Committee as part of the Councillor induction process has been well received. Wider training for colleagues is also now available supported by revised guidance consistent with the updated RMF.

## Council Risk Register



The Strategic Risk Strategy provides practical guidance on the management of the SRR and the risks within it including escalation/ delegation of risks, reporting arrangements, responsibilities. Risk strategies will be developed for all risk registers maintaining a rigorous risk and opportunity management approach while enabling flexibility in how risks are managed at different levels of the organisation reflecting, for example, departmental priorities, ways of working and activities, while complying with requirements of higher level risk strategies. The framework is available to colleagues on the Council's intranet. Although the RMF does reference and offer guidance on management of partnership risks, more work is required to test the effectiveness of the RM approach with regards to partnership working in practice.

The RMF provides guidance on the identification and assessment of risks including guidance on appetite and threat assessment matrix in support of strategic risks. Further work is ongoing to prepare lower level threat assessment matrix appropriate to directorate and operational risks. Similar guidance is available for the management of projects and their use is widespread. More work is required to gain greater understanding specifically around operational risk management.

In January the authority signed up to the CIPFA 2012 Risk Management Benchmarking Club. The benchmarking exercise will allow comparison with other authorities, but more importantly, provide a baseline assessment from which improvement plans can be developed, and improvement tracked over time. To engage the authority more widely in the understanding of risk and the improvement agenda the assessment will draw on Corporate Risk Management Group including colleagues leading on risk from departments and DLTs, Internal Audit and Insurance and Operational Risk. The outcome of this work will reported to CLT in due course as part of the SRR Quarterly Updates and will contribute to the review and updating of the RMF

## Arrangements for ensuring that the Authority’s financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Finance Officer

An essential element of good governance is the existence of sound arrangements for the management of financial resources. The Acting Chief Finance Officer (CFO) is a professionally qualified accountant. The CFO sits on the CLT and is able to contribute positively to decision making affecting the delivery of the City Council’s objectives. The CFO is able to promote good financial management and in so doing makes sure effective use is made of City Council resources. The CFO is currently leading a Finance Change process which is designed to ensure that the finance function continually develops and remains fit for purpose. The following illustrates the financial framework in operation designed to support and deliver the Council’s objectives.

### The Financial Framework

CATEGORY	OVERALL	REVENUE	CAPITAL	TREASURY MANAGEMENT	PROCUREMENT	RISK MANAGEMENT
<b>Strategies</b>	<b>MTFS</b>					
		Income Generation Strategy	Capital Strategy & AMP	Treasury Management Strategy	Procurement Strategy	Risk Management Framework
<b>Guidance</b>	CIPFA & technical guidance	Budget Guidelines	Capital Guidelines	CIPFA Code of Practice for TM	CIPS & Procurement Toolkit	Risk Management Policy and Guidance
<b>Plans</b>	MTFP	Annual Budget	Capital Programme & AMP	Treasury Policy Statement	Procurement Checklist	Risk Responses
<b>Governance</b>	Constitution	Budget Management & Control statements & Annual Governance Statement		Prudential Indicators & Annual Report	Contract & Finance Procedure Rules	Risk Register reporting and regular review
	Financial Regulations and Standing Orders					Audit Committee Reports & annual report
	Internal & External Audit Plans and our response to inspection and audit reports					

## Arrangements for undertaking the core functions of an audit committee, as identified in CIPFA’s Audit Committees – Practical Guidance for Local Authorities

The operation of an effective Audit Committee is an essential part of good governance. An Audit Committee was established in 2008/09 and annual reports of its achievements are sent to Full Council. The role of the Committee is developing and an interaction with similar Committees in other Core Cities shows it compares favourably with the best practice identified by CIPFA.

## **Arrangements for ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

In order to demonstrate the highest level of stewardship of public resources it is important that all work undertaken on behalf of the City Council is transparent, falls within legal powers and is in accordance with professionally recognised best practice. However, governance cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements. This ethos of good governance can be expressed as values and demonstrated in behaviour. In England, the Local Government Act 2000 outlined ten principles of conduct for use in local government bodies built on the seven principles for the conduct of people in public life established by the Committee on Standards in Public Life (the Nolan principles). These principles are outlined in the following table.

<b>Principle</b>	<b>Holders of public office</b>
<b>Selflessness</b>	Should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends
<b>Integrity</b>	Should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
<b>Objectivity</b>	Should make choices on merit in carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits.
<b>Accountability</b>	Are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
<b>Openness</b>	Should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and actions and restrict information only when the wider public interest clearly demands.
<b>Honesty</b>	Have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
<b>Leadership</b>	Should promote and support these principles by leadership and example.
<b>Respect for others</b>	Should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees.
<b>Duty to uphold the law</b>	Should uphold the law, and on all occasions, act in accordance with the trust that the public is entitled to place in them.
<b>Stewardship</b>	Should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.

The Council's establishment incorporates all posts required by statute. These key roles are performed by the Council's Head of Paid Services, Monitoring Officer and Section 151/114 Officer. The roles of these officers are laid down in the City Council's Constitution and are defined clearly in the associated job descriptions. As Head of Paid Service, the Chief Executive is ultimately responsible and accountable to the Council for all aspects of operational management.

The CFO undertakes the responsibilities of the Section 151 Officer including responsibility to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

The responsibilities of the Monitoring Officer include responsibility to the Council for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with. The Monitoring Officer is responsible for arrangements for whistle blowing to which staff and those contracting with the Council have access and arrangements have been put in place allowing them access and the right of complaint is well publicised. Complaints can be initiated by contacting the office or section responsible, writing to the Director of the section concerned, or by contacting local councillors. Guidance draws attention to the right of referral to the Ombudsman.

Service areas use professional networks to keep abreast of developments. The central policy function has been enhanced and works well in applying a Nottingham perspective to emerging policy trends and prospective legislation. Increasing use is made of web-based resources from specialist legal firms for legislative updates. Professional advice is offered and taken in advance of decision making when decisions have legal or financial implications. Advice on legal and financial matters is taken from internal and, where necessary, external sources. The advice given will usually be contained within the board papers.

The Council has Budget and Policy Framework Procedure rules in place, which set out how budget and policy decisions are made. Key roles are performed by the Council's Head of Paid Services, Monitoring Officer and Section 151 Officer. A regular programme of work is carried out by Internal Audit reviewing compliance with established procedures. In addition, scrutiny committees, external audit and external inspection agencies contribute to the review of the Council's compliance with its policies, procedures, laws and regulations.

### **Arrangements for identifying the development needs of councillors and senior colleagues in relation to their strategic roles, supported by appropriate training**

Effective local government relies on public confidence in councillors and colleagues. Good governance strengthens credibility and confidence in public services. The Council needs the right skills to direct and control resources effectively. Governance roles and responsibilities are challenging and demanding, and councillors need the right skills for their roles. In addition, governance is strengthened by the participation of people with many different types of knowledge and experience.

Following the local elections in May 2011, a comprehensive induction programme was delivered to Councillors to enable them to function quickly in their new roles. The programme was prepared in conjunction with the Councillor Development Steering Group (CDSG) and received positive feedback. Evaluation information has been assessed and forms the basis for a plan for future induction training. A dedicated post of Councillor Development Officer has worked with the CDSG and individual councillors using feedback information, data from Personal Development Reviews (PDRs) and advice from directorates on emerging policy areas etc to meet both broad and individual development needs and ambitions.



A Learning and Development Directory has been produced and learning and development provision commissioned. The Council has also introduced and promoted a Councillor Resource Centre to provide easier access for councillors to key documents and development materials. Each Councillor is offered the opportunity to hold a PDR with the Councillor Development Officer. These PDRs are not mandatory. At each PDR, the previous year's development objectives are reviewed and ambitions and other development needs discussed. These discussions take place in the context of the IDeA's 6 core skills in the Political skills Framework, and Learning and Development Directory is maintained. Any individual needs not covered by the broad programme are discussed with Councillors to provide individual and appropriate learning opportunities.

There has been a review of scrutiny during the last year and how it is conducted in Nottingham has changed with improved focus on priorities for scrutiny and a focus now on task and finish work. External trainers have supported in developing the skills to perform this role.

The East Midlands Councillor Development Charter was achieved in September 2010 following a detailed review of the authority's councillor development objectives, provision and plans for the future. The Charter provides the backdrop for continued review of performance. The PDR process provides an opportunity for councillors to reflect on their personal contribution to the Council's priorities and the needs of citizens. At the PDR process, each councillor is asked to prioritise the development they have highlighted. They each sign their PDR pledging their commitment to achieve their Personal Development objectives. The Learning and Development Directory embodies a plan to meet the bulk of development priorities.

The Council has a policy of recruitment and promotion on merit, and recruits outside the Council where appropriate. Induction programmes for both councillors and colleagues are in place. The Constitution contains clear details of the roles and responsibilities for Councillors including the leader and portfolio holders. All colleagues have detailed job descriptions and person specifications and Individual development requirements for colleagues and councillors are identified using a performance appraisal process. Consultation with key customers is also used to understand the development needs for the Council.

At present Executive councillor performance is reviewed at individual but not group level. The Executive is subject to scrutiny by Overview and Scrutiny at decision and policy development level. The Councillor Development Programme is designed to help councillors to continually improve their performance, with councillors receiving training and development necessary to effectively discharge their governance roles. This is achieved in a number of ways including induction training and training relevant to panels and boards. Both the Executive Board and Overview and Scrutiny Committee take external advice when considered appropriate.

The role of senior colleagues is to support councillors and this includes offering training courses to them via Councillor Services, which advertises courses and training available and records training received. All colleagues and councillors receive induction training upon taking up office, and are encouraged to identify their personal training requirements.

The Member Development Steering Group together with Councillors' Services and the Overview and Scrutiny Team identify suitable learning opportunities for councillors, there are also councillor development briefings scheduled and policy briefings on current topics. Serving Nottingham Better has a specific work stream to enhance councillor development.

Corporate Directors are experienced in their respective fields and are assessed by the Chief Executive as part of their performance appraisals (PA). Most hold relevant professional qualifications which impose the requirement for continuing professional development. Corporate Directors organise their own training within the context of PA and any development obligations imposed by professional bodies of which they are members. Similarly the skills of other staff are developed on an ongoing basis as part of the PA and service planning process.

### **Arrangements for establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

Local Government is accountable in a number of ways. Elected local authority councillors are democratically accountable to their local area and this gives a clear leadership role in building sustainable communities. All councillors must account to their communities for the decisions they have taken and the rationale behind those decisions. All authorities are subject to external review through the external audit of their financial statements and some inspective regimes. They are required to publish their financial statements and are encouraged to prepare an annual report. Many are subject to national standards and targets. Their budgets are effectively subject to significant influence and overview by government, which has powers to intervene.

Both councillors and colleagues are subject to codes of conduct. Additionally, where maladministration may have occurred, an aggrieved person may appeal either through their local councillor or directly to the Ombudsman.

The Council is accountable to the community it serves and publishes, on an annual basis, information on its vision, strategy, plans, financial performance and outcomes, achievements and the satisfaction of service users in the previous period. The Council is dedicated to providing the easiest possible access to information while protecting individuals' privacy. Some information will not be available to the public as there are several grounds for exemption under the Freedom of Information Act. Most of these exemptions are subject to the application of a Public Interest Test. This is a test of whether the reasons for disclosing the information are outweighed by the exemption. Most Council meetings are open to the public and all minutes of meetings are available for examination and reports clearly explain technical issues and their implications. A few simple rules have been introduced to help the public question session run smoothly and to be of maximum benefit to the public and the Executive Board meets in public (except for exempt items).

The Council has committed itself to wide consultation on matters of local concern. It expects that any consultation carried out is used to engage and gain the views of relevant communities, plan what needs to be achieved, establish how far the services meet their objectives from the customer's perspective, enable changes to services in line with customer feedback, determine how visible changes can be tracked as a result of consultation and provide feedback on the results and actions arising from consultation.

The consultation framework is intended to enable the Council to achieve co-ordinated consultation, use findings in its decision-making processes and feedback the outcomes to consultees. It is also intended to strengthen the Council's customer focus by promoting a structured approach to engaging customers / stakeholders and using their views in decision-making processes to improve services on a continuous basis.

A range of media is used to let local people and employees know about progress on the Council's plans. For example the "Contact Us" section of the internet site allows citizens to find out about initiatives, register interest in future consultations and make observations. The Council officially welcomes and positively encourages public involvement in the way in which business is conducted.

Councillors and the most senior managers are clearly identified on the Council's internet site and periodically in the Arrow. The Council is committed to the creation of sustainable and democratic communities, encouraging active citizenship and democratic engagement by developing the role of area committees; wide consultation on matters of local concern; events such as those that take place in Local Democracy Week and the promotion of councillors and their key roles within their communities. Other methods used to engage with the community include the Customer Suggestion Scheme, "Your Choice Your Voice" events and the Council's Infopoint.

### **Arrangements for incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the authority's overall governance arrangements.**

In order that shared goals are achieved it is important that the principles of good governance are put in place across the full range of Council work. When working in group or partnership arrangements the existence of sound governance helps ensure that shared goals are achieved and resources controlled and used effectively.

The Council engages with all sections of the community whilst working with partnerships. A variety of mechanisms are used to ensure the engagement is appropriate to the diverse communities. The Council and partners in One Nottingham and other significant partnerships have an excellent understanding of its diverse communities and their needs (see Nottingham Insight, Citizens Survey 2011, Joint Strategic Needs Assessment, State of Nottingham Report, Crime & Disorder Needs Assessment, Ward Report 2011 and wealth of ward and mosaic data) which is used to shape its engagement.

Council colleagues and councillors are nominated as Council representatives within or when dealing with significant partner organisations and group companies, Roles and responsibilities of Councillors involved in partnership were included as part of the induction programme for the newly elected Councillors following the May 2011 elections. Group companies, charities and trusts are required, where appropriate, to align their objectives with the City Council's policies and deliver high quality, efficient and effective services which are in accordance their agreements with the Council. Examples are:

- The Nottingham Plan to 2020 (One Nottingham Sustainable Community Strategy) provides the overarching vision, objectives and priorities for the One Nottingham family of partnerships. The Nottingham Plan to 2020 has full commitment across the Council, partners and community.

- The Derby, Derbyshire, Nottingham, Nottinghamshire Local Enterprise Partnership (LEP) has agreed a common vision and priorities which will be developed and refined, and which is understood and agreed by all parties.
- Joint Leadership Board (JLB) and Core City Board (CCB) have common vision and mutually interdependent objectives related to promotion of economic prosperity for the sub-regional area. The JLB and CCB are linked with the LEP ensuring a common vision across the areas they cover.
- Nottingham Regeneration Ltd (NRL), Nottingham Development Enterprise (NDE) and Experience Nottinghamshire visions and objectives are set out in their governance documents and are working closely together to deliver the objectives of the JLB and CCB.
- The Core City area partnerships have visions and objectives related to their purpose and funding.
- Nottingham City Homes vision and objectives are set as the ALMO.

The Council's Partnership Governance Framework (PGF) sets out the approach to managing work with significant partnerships. It provides the mechanism for significant partnerships to ensure that Councillors and lead officers are clear about their roles and responsibilities in relation to the partnership. The PGF includes an annual health check, which are self-assessments of the governance of all partnerships deemed significant in terms of whether there is any strategic, reputational or financial risk to the Council through its membership of the partnership.

The annual health checks were updated in 2011 to ensure that the partnerships were able to assess whether those making decisions are provided with information that is fit for the purpose, and give clear explanations of technical issues and their implications. The checks also enable each partnership to assess that it has a clear set of values and guiding principles against which decision making and actions can be judged. These are set out in the partnerships' constitution, policies and procedures. The register of significant partnerships includes the status of the partnerships, its membership, and a summary of how its aims and roles are aligned with the Council's strategic plans. The register, and an overview of the health check results including proposed actions where remedial work is needed, are reported to the Executive Board. The most recent health checks found no significant issues.

The annual health checks include a section for lead officers and chairs to self-assess the governance of partnership risk management (called "partnership risk management") and a section for "overall headline risks to enable the partnerships to assess the robustness and clarity of their decision making and accountability. This allows the Council's partners to check the appropriate delegated responsibilities and decision making powers are set out in appropriate governing documents including. Developments planned include the development of risk registers alongside the establishment of partnerships similar to RM in projects. Further work is required to develop and embed this approach.

Other organisations where the City Council holds a substantial interest include its group companies, charities and trusts. In every such interest the Council endeavours to ensure they are set up with appropriate governance arrangements and are expected to comply with all relevant laws and regulations.

Financial statements and other published information are expected to be accurate and reliable. For example the Council has entered into a significant arrangement to share its payroll and finance transactional services with Leicestershire County Council programmed to commence in the autumn of 2012. Working in partnership, requires a major programme of transformation that requires both authorities to adopt new ways of working. Accordingly a comprehensive system of governance has been developed to deliver the transition and the operational objectives thereafter.

## **Review of Effectiveness**

The Council 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 Corporate Directors within the Authority who have responsibility for the development and maintenance of the governance environment, Statutory Officers, key colleagues, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The review also looked at governance arrangements undertaken within its significant partnerships and within its group members.

## **Process that has been applied in maintaining and reviewing the effectiveness of the governance framework**

### **City Council**

City Council, comprising all 55 councillors, is the foremost public decision making forum of the Council that sets the policy framework and budget. The policy framework consists of the most important plans and strategies adopted by the Council. The Council meeting is chaired by the Lord Mayor and normally meets ten times per annum.

## **City Council considered reports on the following issues relevant to keeping the internal controls of the organisation under review:**

- Elect The Leader of The Council For A Four Year Term
- The Scheme Of Executive Delegation 2011-2012
- Appointments and First Meetings of Boards, Committees and Joint Bodies etc 2011-2012
- Adoption of Labour Manifesto 2011-2015
- Committee Memberships
- Overview and Scrutiny Annual Report 2010-11
- Updated Constitution and Financial Regulations
- Establishment of The East Midlands Shared Services Joint Committee
- Treasury Management Strategy Reports
- Audit Committee Annual Report 2010/11
- Election Turnout 2011
- Pay Policy Statement 2012/13
- Budget 2012/13

## **Executive Board**

The role of the Executive Board is to take key decisions as delegated by the City Council. The work also encompasses receiving performance and financial information which determines the strategic direction of the Council.

### **The Executive Board considered reports on the following issues relevant to keeping the internal controls of the organisation under review**

- Treasury Management Strategy and Performance Reports
- Pre-Audit Corporate Finance Outturn 2010/11
- Commissioning Of Welfare Advice Services In Nottingham City
- Local Area Agreements 2006-2009 : Performance Reward Grant
- East Midlands Shared Services Reports
- Neighbourhood Working Boundaries Change
- Final Performance Report For The Council Plan 2009-12 and The Local Area Agreement 2008-11
- Developing A Formal Schools Learning Partnership
- The Nottinghamshire and Nottingham Waste Core Strategy Preferred Option 2011
- Nottingham Express Transit (Net) Phase Two Procurement
- Nottingham City Council Affordable Rent New Build Programme
- Regulation of Letting Boards
- Record of Transactions With a Value Of £25,000 or Greater
- Capital Outturn 2010/11
- Area Capital Resource Allocations For 2011-2013
- Housing Revenue Account Self Financing Programme Future Implications For Council Housing Stock
- Adult Social Care: Self-Directed Support Policy
- Vulnerable Adults Plan 2011-14 Consultation Document
- Building Community Capacity
- Local Sustainable Transport Fund Allocation
- Review Of 2011/12 Revenue and Capital Budgets at 31 July 2011 (Period 4)
- Working Nottingham Local Jobs Strategy
- Risk Management: Strategic Risk Register and Quarterly Reports
- The Nottingham Plan To 2020 - Annual Report For 2010/11
- Council Plan 2011-2015 Refresh
- Final Assessment of Manifesto Pledge Delivery as at 31 March 2011
- Partnership Governance - Register Of Significant Partnerships and Health Checks
- Review of 2011/12 Revenue and Capital Budgets at 31 October 2011 (Period 7)
- Medium Term Financial Strategy 2011/12
- Council Tax - Determination of The 2012/13 Tax Base and Council Tax Freeze Grant
- Draft Medium Term Financial Plan and Strategic Choices Consultation
- Single Status Phase 3

## **Overview and Scrutiny Committee**

The scrutiny of Executive decisions is an essential element in the effective governance of the Council and the scrutiny function has wide-ranging powers under the Local Government Act 2000 to examine policy development, executive decisions and matters of wider local concern.

The Committee consists of councillors who are not on the Executive who are charged with keeping an overview of Council business and City concerns and scrutinising areas of particular interest or concern. Their role is to hold the Executive to account, when deemed necessary, in the business they undertake and also to assist in the development and review of Council policy. Tasks involve looking in detail at areas of service delivery or issues of general concern in the Council, external partnerships and organisations. The Committee makes recommendations to the Executive or to the whole Council and, on occasion, to outside organisations, on issues which might include suggestions for improvements or different ways of doing things.

The Council also has a statutory responsibility to scrutinise substantial developments or variations in NHS services and this is undertaken by the Health Scrutiny Panel or by the Joint City / County Health Scrutiny Committee.

The Overview and Scrutiny Committee considered reports on the following issues relevant to keeping the internal controls of the organisation under review.

- Overview and Scrutiny Committee Terms of Reference
- Overview and Scrutiny 2011/12 - Ways of Working
- Establishment of Overview And Scrutiny Committee Sub-Committees 2011/12
- Programme for Scrutiny
- Arrangements for Overview and Scrutiny Co-Option
- Nottingham Plan To 2020
- Voluntary Sector In Nottingham
- Tackling Health Inequalities In Nottingham
- Managing Council Performance
- Implications of Legislative Changes for Overview and Scrutiny
- Managing Pressures In Adult Social
- Discussion Relating To The Council's Objectives for 2011/12 and 2012/13

### **Audit Committee**

The Audit Committee has responsibility for the development of risk within the Council and is the designated body for the overview of the Council's Internal Audit function. An annual report is produced by the Chair of the Committee, reflecting the work undertaken and the associated linkages it has to improving governance. This report is received at Full Council.

### **The Audit Committee Considered reports on the following issues.**

- The Role of The Audit Committee and Annual Work Programme
- Strategic Risk Register Quarterly Updates and Annual Review
- Treasury Management Strategy Reports
- Annual Report To Standards Committee 2010/11
- Internal Audit Annual Report 2010/11 and Internal Audit Charter
- Audit Committee Annual Report 2010/11
- Internal Audit Annual Work Plan 2011/12 and Strategic Plan 2011-14
- The Statement Of Accounts 2010/11
- Annual Governance Report - Nottingham City Council - Audit 2010/11
- Annual Governance Statement 2010/11 and Progress Report
- Corporate Integrated Planning and Performance Framework - Review
- Government Response To Communities and Local Government Select Committee Report on Audit and Inspection

- Bribery Act 2010 and Counter Fraud Strategy
- Department For Work and Pensions Consultation on Options For The Inclusion of Local Authority Benefit Fraud Investigation Teams In The Single Fraud Investigation Service
- Internal Audit Reports Selected For Examination
- Ombudsman Annual Letter
- Internal Audit Quarterly Reports 2011/12
- Audit Commission Annual Audit Letter 2010/11
- Jobs Plan Review
- Review of Accounting Policies
- Certification of Claims and Returns - Annual Report 2010/11
- Audit Plan 2011/12

## **Standards Committee**

The Council has a Standards Committee that oversees the Code of Conduct and other governance matters. The Standards Board for England is responsible for promoting high ethical standards and receiving allegations that councillors' behaviour may have fallen short of the required standards.

### **The Standards Committee has received reports including:**

- Standards Committee Annual Report 2010/11
- Appointment Of Sub-Committees
- The Localism Act 2011 - The Amended Standards Regime
- Future of The Standards Regime

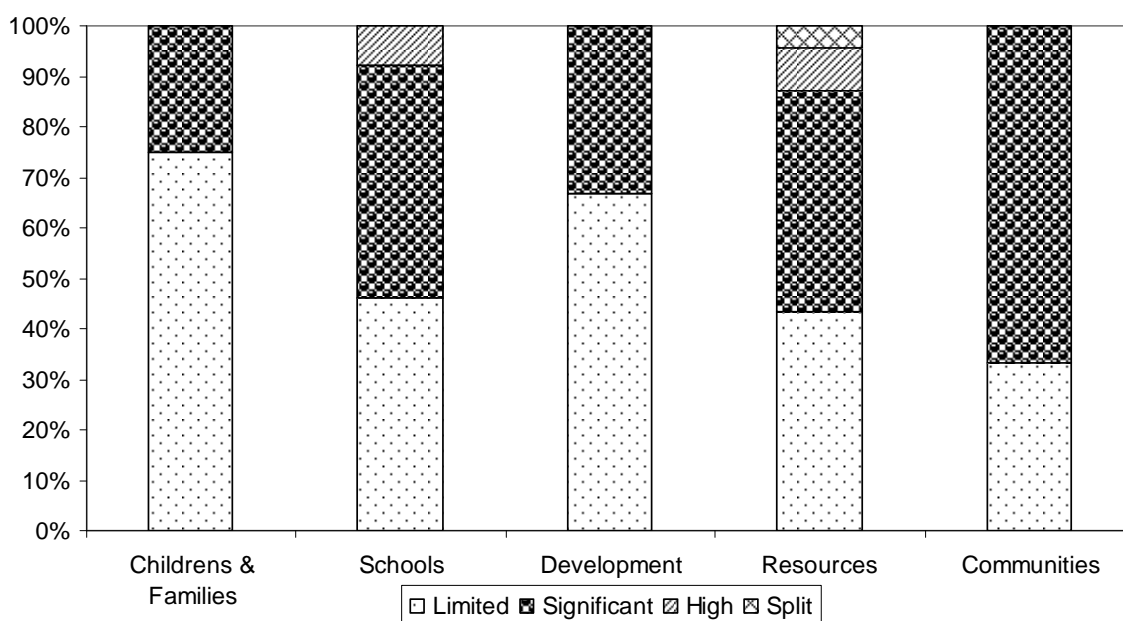
## **Head of Internal Audit**

Corporate Directors are responsible for ensuring that proper standards of internal control operate within their departments. Internal Audit reviews these controls and gives an opinion in respect of the systems and processes put in place. The service operates within professional standards as laid down by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The 2011/12 Audit Plan, as agreed by the Audit Committee and Corporate Directors, has been completed in accordance with the professional standards set for the service. The Internal Audit service has undertaken reviews of the internal control procedures in respect of the key systems and processes of the Council and where appropriate, its partners. The work was planned using a risk based model of the Council's activities. It has been supplemented by ad hoc reviews in respect of irregularities and other work commissioned by Corporate Directors or the partners of the Council and the work undertaken by external review agencies. Reports in respect of all reviews have been issued to the responsible officers, together with recommendations and agreed action plans. Each report includes a level of assurance that can be taken from its findings, these assurances are summarised below. Each quarter, a list of reports has been sent to the Audit Committee for consideration and a number of audits selected for in depth review at the Committee.



## Level of Assurances given 2011/12



### Key:

- High assurance: the system of internal control is meets the organisation's objectives and controls are consistently applied in all the areas reviewed.
- Significant assurance: there is a generally sound system of control designed to meet the organisation's objectives and that controls are generally being applied consistently in the areas reviewed
- Limited assurance: weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at some risk.
- No assurance: Weaknesses in control, or consistent non-compliance with key controls, could result in failure to achieve the organisation's objectives in the areas reviewed.

2011/12 saw many changes in the risks faced by the City Council and at the same time resources available to Internal Audit were reduced. The Head of Internal Audit has continuously reviewed these risks and allocated resources where necessary in order to deliver the assurance embodied in the Audit Plan. Internal Audit has continued to improve its focus and provide value added recommendations. Consequently the Head of Internal Audit has been able to conduct a review of all Internal Audit reports issued in 2011/12, external sources of assurance given by independent review bodies, and internal assurances from Corporate Directors and key colleagues in respect of measures in place to identify and control key risks to the Council's objectives.

In conclusion, although no systems of control can provide absolute assurance, nor can Internal Audit give that assurance, on the basis of the audit work undertaken during the 2011/12 financial year, there have been no significant issues (as defined in the CIPFA Code of Practice) reported by Internal Audit. Furthermore, on the basis of the audit work undertaken during the 2011/12 financial year, covering financial systems, risk and governance, the Head of Internal Audit is able to conclude that a reasonable level of assurance can be given that the internal control system is operating effectively within the Council and within its associated partners.

## **Other assurance mechanisms**

All Corporate Directors and statutory officers provided a signed assurance statement supporting the AGS for 2011/12. The CFO (Section 151 Officer) and Monitoring Officer provided signed assurance statements in respect of their personal responsibilities. These statements have been supplemented by assurance gathered from key colleagues responsible for Internal Audit, Risk, Human Resources and partnerships, and have also been informed by independent external reviews, including the Audit Commission. The assurance is based around a questionnaire developed from the CIPFA/SOLACE Framework for Corporate Governance. The Statement has also drawn on information included in the Council's Risk Register.

In summary, the Council has reviewed its systems of internal control and taken a comprehensive approach to considering and obtaining assurance from many different sources. The Council has been advised on the implications of the result of the review of the effectiveness of the governance framework by Performance and Resources Standing Panel and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## **Issues reported**

Part of the AGS report reflects the position on significant control issues affecting the Council and the action plans put in place to address them. In ascertaining the significance of the control issues reported, the Council has used CIPFA guidance on the factors involved. These factors are summarised as follows:

- The issue has seriously prejudiced or prevented achievement of a principal objective
- The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business
- The issue has led to a material impact on the accounts.
- The Audit Committee, or equivalent, has advised that it should be considered significant for this purpose.
- The Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment.
- The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation.
- The issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

Issues worthy of note are issues which are not categorised as significant but require attention to ensure continuous improvement of the system of internal control.

Issues previously reported regarding management development, colleague/councillor relations, Children's Services and the comprehensive improvement programme were resolved at the time of the last AGS. New or outstanding issues are as follows:

## **ISSUES WORTHY OF NOTING, REPORTED IN PREVIOUS AGS**

### **Single Status**

As part of Central Government's Single Status initiative to deal with equal pay issues, a major change in the remuneration structure for staff is in progress. There is a prospect of potential disruption and legal challenge to the decisions made to implement the new pay structure (grading appeals and backdating of awards).

### **Updated Position**

Focus continues on the implementation of Single Status for non-teaching school based colleagues (known as Single Status phase 3).

A set of proposals for implementation has been developed, and these have been designed to address the specific equal pay challenges present within schools whilst mitigating the impact on affected employees as much as possible. These proposals were agreed by ACOS, the Council's Appointments and Conditions of Service committee, on 13<sup>th</sup> March 2012 and then by Executive Board on 20<sup>th</sup> March. Work has now commenced to prepare for implementation, which is planned for 1 May 2013.

### **Balancing the Council's Budget**

The combination of the impact of the global recession and the need for a significant investment in some services placed severe pressure on the Council's financial resources.

### **Updated Position**

Savings and the redistribution of financial resources to priority areas were identified through the 2011 budget process and have been closely monitored. A similar approach has been adopted in developing the 2012/13 budget and the MTFP will be reviewed to reassess pressures in future years as part of this process. The draft MTFP reflects the culmination of the extensive work of councillors, colleagues and other stakeholders to fulfil a legal obligation to enable the setting of a balanced budget for 2012/13 in the context of a three year MTFP to fund provision of a wide range of services; many of them statutory. Resources have been redirected by:

- Identifying cost reductions arising from both efficiencies and policy issues;

- Reviewing priorities and services and restructuring accordingly;
- Optimising external funding;
- Reviewing income streams;
- Implementing new ways of working and providing services

Nottingham currently operates on a three year rolling MTFP but takes a slightly longer term perspective in horizon scanning. The outlook for local government is now much more challenging in the light of global, national and regional issues. In examining proposals for the 2012/13 budget, the Council considers both the immediate situation and the longer term outlook. This confirms the need for the need for ongoing cost reductions in the short to medium term. A balanced budget for 2012/13 was approved by Executive Board in February 2012.

## **International Financial Reporting Standards (IFRS)**

The introduction of IFRS within local government for accounting periods from 1 April 2010 required the redesign of certain accounting statements and the adoption of new accounting and management processes in certain areas.

### **Updated Position**

The changes required for IFRS were successfully introduced for the 2010/11 Statement of Accounts. In the Audit Commission's Annual Report they noted that:

"The Council responded well to the challenge of producing financial statements meeting IFRS requirements for the first time this year. This is a significant achievement given that the Council's financial statements are complex and as many authorities struggled to implement IFRS in a timely manner".

The Corporate Accounting team is now embedding and improving the process used for producing the 2011/12 Statement of Accounts and there is close liaison with Human Resources and Property Services to ensure information is available in good time for producing the accounts.

The introduction of IFRS has increased the complexity of the Statement of Accounts, making them more difficult for non-financial people to understand. To help improve this situation the Corporate Accounting team is also looking to restructure the Statement of Accounts, provide additional information and an executive summary to help readers interpret the accounts.

## **Children in Care**

Children in Care arrangements and associated budget pressures are key issues facing the service. There is a need to recruit and retain social workers to maintain stable safeguarding arrangements. Nottingham has seen, as in other areas across the country, a significant increase in the number of children in care over the past year.

### **Updated Position**

A plan is in place to continue to reduce the numbers over the forthcoming year. Part of this work involves systematic use of tools to help return young people to their birth families, having detailed exit plans for each young person, benchmarking all data against our statistical neighbours and ensuring a full complement of staff to deliver the business. Work is underway to match children and young people at an earlier point in the adoption process to ensure a stable and permanent family home for all our children in care. Work in 2011 was undertaken to realign the children in care placements budget and ensuring that the use of a regional framework for all care registered and 16 plus accommodation was robust. This has resulted in some net savings on placement costs. Performance against placement stability and recording the wishes and feelings of children and young people continues to be strong.

There is strong collaboration between partners in Nottingham city, most notably between Health, LA, Police, Foster Carers and providers of residential accommodation. NCC has just moved to a position of having created a 'permanence team' which is the Children in Care Social Work Service. This is central to the strategy of ensuring better outcomes for our children in care population.

Recent Ofsted inspections of CiC services including fostering and social care have given strong judgements against all areas.

### **Housing and Council Tax Subsidy Claim**

The housing benefit and council tax benefit subsidy claim 2008/09 was qualified by the Audit Commission. Their qualification letter extrapolated financial errors found in the claim. The DWP wrote to the City Council requiring a response to the qualification letter.

#### **Updated position**

The Housing Benefit and Council Tax Benefit 2008/09 have been settled, with the agreed reduction of £0.409m being reflected in the final statement.

### **Accounts Payable (AP)**

The centralisation of the AP function took place in August 2009. This was undertaken to release savings of £0.3m, to introduce more modern working practices and to ensure greater financial control. However, there were significant problems in the first three months of implementation, involving processes and resources, which created a significant backlog in the payment of invoices.

#### **Updated Position**

Following a detailed review of the procurement process, an improvement plan has been implemented with the objective of improving efficiency, streamlining processes and thereby deliver anticipated savings. Significant progress has been achieved and current statistics show that the Accounts Payable team's performance is within the top quartile when compared with similar local authorities. Processing difficulties, which damaged performance during the first stage of the redesign of this service, have been resolved through a greater emphasis on quality and communication.

### **Central Government Review of Local Government Funding**

The coalition Government has undertaken a fundamental review of public spending which has reduced the level of funding available to the Council from 2010/11 onwards.

#### **Updated Position**

The financial settlement for 2011/12 and 2012/13 resulted in a reduction in funding for Nottingham close to that predicted. The Government intends the local government funding system to be fundamentally reformed for 2013/14 onwards, the details of which are not yet published.

The City Council responded to consultation documents highlighting concerns that a disproportionate share of the financial risk is being passed to local authorities and that the mechanisms create a questionable link between growth in businesses in an area and the need to fund demand led services such as social care.

**SIGNIFICANT ISSUES**

**Icelandic Banks**

In October 2008, as a consequence of the global financial crisis, the Icelandic banking system collapsed, with four of its banks going into administration. This impacted directly on the Council, which had a total of £41.6m deposited with three of the banks involved, at the time of the collapse.

A review of the Treasury Management Strategy was immediately undertaken. As a consequence of this review, the strategy was amended in respect of future investments to: reduce the number of eligible investment counterparties: reduce the maximum period of investments: and reduce the maximum sum placed with individual counterparties. The new strategies were implemented with immediate effect, and were subsequently approved by Executive Board in November 2008 and January 2009.

**Updated Position**

The City Council worked with other local authorities, under the co-ordination of the Local Government Association, and the Icelandic Supreme Court found in favour of UK local authorities and other wholesale depositors, meaning that they will be paid first when it comes to getting their money back. They will recover almost all of the money they had deposited. The following table details the proportion of these Council's funds that have been returned to date:

<b>Bank</b>	<b>% return</b>
Landsbanki	41
Heritable	72
Glitnir	79

**Signed:** .....  
Leader of the Council

**Signed:** .....  
Acting Chief Executive

**Signed:** .....  
Acting Chief Finance Officer