

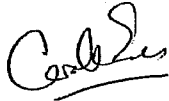
NOTTINGHAM CITY COUNCIL
AUDIT COMMITTEE

Date: Friday 26 July 2013

Time: 10.30 am

Place: LB 31/32 at Loxley House, Station Street

Councillors are requested to attend the above meeting on the date and at the time and place stated to transact the following business.



Deputy Chief Executive/Corporate Director for Resources

Constitutional Services Officer: Laura Wilson Direct dial - 8764301

AGENDA

- 1 APPOINTMENT OF VICE-CHAIR**
- 2 APOLOGIES FOR ABSENCE**
- 3 DECLARATIONS OF INTERESTS**
- 4 MINUTES** Attached
Meeting held on 26 April 2013 for confirmation
- 5 STRATEGIC RISK REGISTER (SRR) - QUARTER 1 2013/14** Attached
UPDATE AND 2012/13 ANNUAL REVIEW
Report of Deputy Chief Executive/Corporate Director for Resources
- 6 DRAFT STATEMENT OF ACCOUNTS 2012-13** Attached
Report of Deputy Chief Executive/Corporate Director for Resources
- 7 TREASURY MANAGEMENT 2012/13 ANNUAL REPORT** Attached
Report of Deputy Chief Executive/Corporate Director for Resources
- 8 INTERIM ANNUAL GOVERNANCE STATEMENT 2012/13** Attached
Report of Director of Strategic Finance
- 9 DATES OF FUTURE MEETINGS**
To consider meeting at 10.30 am on the following Fridays:

<u>2013</u>	<u>2014</u>
27 September	28 February
29 November	25 April

IF YOU NEED ANY ADVICE ON DECLARING AN INTEREST IN ANY ITEM ON THE AGENDA, PLEASE CONTACT THE CONSTITUTIONAL SERVICES OFFICER SHOWN ABOVE, IF POSSIBLE BEFORE THE DAY OF THE MEETING

CITIZENS ATTENDING MEETINGS ARE ASKED TO ARRIVE AT LEAST 15 MINUTES BEFORE THE START OF THE MEETING TO BE ISSUED WITH VISITOR BADGES

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<http://open.nottinghamcity.gov.uk/comm/default.asp>

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES

of the meeting held on **26 APRIL 2013** at Loxley House from 10.30 am to 12.25 pm

- Councillor K Williams (Chair)
- ✓ Councillor Piper (Vice-Chair)
- ✓ Councillor Aslam
- ✓ Councillor Hartshorne
- ✓ Councillor Heaton
- ✓ Councillor Molife
- ✓ Councillor Steel

✓ indicates present at meeting

Colleagues in attendance

- | | | | | |
|-------------------|---|---|---|-----------------------|
| Candida Brudenell | - | Corporate Director Children and Families |) | |
| Gill Ellis | - | Head of School Improvement Services |) | Children and Families |
| Lisa Black | - | Head of Revenues, Benefits and Welfare Rights |) | |
| Simon Burton | - | Corporate Risk Specialist |) | |
| Barry Dryden | - | Senior Finance Manager |) | |
| Carol Jackson | - | Constitutional Services Officer |) | Resources |
| Alice Johnson | - | Policy Officer |) | |
| Tony Kirkham | - | Director of Strategic Finance |) | |
| Sue Risdale | - | Finance Analyst |) | |
| Shail Shah | - | Head of Internal Audit |) | |
| Paul Hutchings | - | KPMG | | |

51 CHAIR

In the absence of Councillor Williams, Councillor Piper took the chair for the meeting.

52 COUNCILLOR STEVE PARTON

The Chair referred, with regret, to the recent sudden death of Councillor Steve Parton. He was an active member of the Committee and would be sadly missed.

53 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Williams, Liz Jones, Head of Corporate Policy and Sue Sunderland of KPMG.

54 DECLARATIONS OF INTERESTS

No declarations of interests were made.

55 MINUTES

RESOLVED that the minutes of the last meeting held on 15 February 2013, be confirmed and signed by the Chair.

56 REVIEW OF ACCOUNTING POLICIES

Consideration was given to a report of the Deputy Chief Executive/Corporate Director of Resources, which provided a set of International Financial Reporting Standards compliant accounting policies for Nottingham City Council's 2012/13 Statement of Accounts.

Barry Dryden, Senior Finance Manager, introduced the report, highlighting the changes in the draft policies between 2012/13 and 2011/12, explaining that there were no changes to the accounting policies themselves, but that they had been reworded into plain language to improve the clarity and disclosure of existing policies.

The draft policies would also be reviewed by the External Auditors, KPMG, and were therefore still subject to change. Any major changes would be highlighted to the Committee at its next meeting.

RESOLVED that Statement of Accounting Policies for inclusion in the 2012/13 annual accounts be agreed.

57 INTERNAL AND EXTERNAL AUDIT PROTOCOL

Paul Hutchins of KPMG explained that the document 'Internal and External Audit Protocol' clarified the working relationship between Internal Audit and the KPMG audit team. It was considered necessary to document the relationship to formalise areas of co-operation and assistance which could help to reduce any unnecessary overlap of audit effort and as part of the delivery of a managed audit, KPMG sought to place reliance on the work of Internal Audit where this was relevant to their work, particularly when appraising the controls operated by management over financial systems.

RESOLVED that the internal and external audit protocol be noted.

58 EXTERNAL AUDIT – AUDIT COMMITTEE PROGRESS REPORT

Paul Hutchins of KPMG summarised the position regarding progress made in relation to the external audit of the City Council since the last meeting of the Committee in February 2013 and summarised the work planned for the next quarter:

- ongoing discussions ahead of the audit of financial statements planned for July;
- completion of the value for money conclusion work, covering two metrics specified by the Audit Commission (financial resilience, economy, efficiency and effectiveness)

RESOLVED that the progress made with regard to the external audit be noted.

59 STRATEGIC RISK REGISTER; QUARTER 4 2012/13 UPDATE

Consideration was given to a report of the Deputy Chief Executive/Corporate Director of Resources, copies of which had been circulated.

Simon Burton, Corporate Risk Specialist, introduced the report which presented the progress made in reducing the threat level for each strategic risk from their original position. The report presented the latest CLT review of the strategic risks faced by the Council.

At the meeting of the Committee on 15 February 2013, two strategic risks were identified for detailed consideration;

- SR12a - failure to provide the best educational outcome for children and opportunities for young people; and
- SR26 – failure to support Nottingham citizens and communities in minimising the negative impact of welfare changes.

SR12a - Failure to provide the best educational outcome for children and opportunities for young people

Candida Brudenell, Corporate Director Children and Families and Gill Ellis, Head of School Improvement services, were in attendance to present the information contained in Appendix 1 to the report and further inform the Committee of the current issues and risks regarding educational outcomes for the City's children.

The following points were made and answers given in response to Councillors' questions:

- changes in Government policy regarding inspection of Local Authority school improvement services, significant structural changes within the Children and Families Corporate Directorate and the increasing autonomy of schools, particularly in relation to acadamisation were all reflected in the constituent risks;
- effective management of the objective and associated risks required a strategic and joined up approach that looked at a person's journey from childhood to adulthood and the impact that education and learning have on their quality of life and long term economic wellbeing. This required wider engagement of stakeholders including educational providers, training providers, employers and wider services;
- reflecting on the significance of the risk and the requirement for strategic and cross partner working, the Chief Executive would now be the risk owner supported by the Corporate Director for Children and Families.

SR26 – Failure to support Nottingham citizens and communities in minimising the negative impact of welfare changes

Lisa Black, Head of Revenues, Benefits and Welfare Rights attended the meeting to give details to the Committee of recent developments in changes to the welfare and benefits system and the next steps proposed. The committee was made aware of the following points:

- the Council had made significant progress in developing and finalising local policies required as a result of the Government's welfare changes including the development of the local Council Tax Support Scheme and the Discretionary Emergency hardship Scheme;
- recent pressures contributing to an increase in demand for advice included changes to the welfare and benefits regulations, the Easter holidays coinciding with the welfare changes, colleagues being involved in advice sessions in communities and extensive media coverage;
- since August 2012 the volume of calls into the Service had seen an upward trend and the number of calls had increased by approximately 40% between February 2012 and March 2013;
- work was being undertaken with faith communities and others to develop sustainable volunteering to support signposting, awareness and basic advice skills. It was necessary to ensure that there was a balance in responding to demand and building community capacity;
- operational service changes were being put in place for example an appointment based approach to new housing benefit claims, changing access through e-forms and building support across registered social landlords
- it was necessary to continue to co-ordinate communication nationally and locally;
- the Service would continue to plan forward with using the Strategic Risk Register to respond to emerging needs, trends and issues.

RESOLVED

- (1) that the information presented regarding SR12a - failure to provide the best educational outcome for children and opportunities for young people, and SR26 - failure to support Nottingham citizens and communities in minimising the negative impact of welfare changes be noted ;**
- (2) that the Committee's consideration and critical appraisal of the progress made on reducing the seriousness of the Council's strategic risks as reflected by their threat levels and Direction of Travel for Quarter 4 2012/13, be noted;**
- (3) that the results of the Strategic Risk Register review by the Corporate Leadership Team be noted;**
- (4) that strategic risk SR6 – failure to safeguard vulnerable children, be scrutinised at the 26 July 2013 meeting as part of the SRR Quarter 4 2012/13 report, with Simon Burton providing further information on the progress being made in relation to that risk.**

60 PARTNERSHIP GOVERNANCE INFORMATION

Consideration was given to a report of the Director of Policy, Partnerships and Communication providing additional information and requesting views from the

Committee on whether to amend the information to be collected in the 2013 health checks.

The report was presented by Alice Johnson, Policy Officer who reminded the Committee that at its meeting in November 2012 it had requested more information on the partnerships which were considered by the Council to be significant and health checks which were undertaken on these significant partnerships. The health checks were completed by the City Council lead officer and signed off by the Partnership chair. The health checks covered eight areas and each partnership gave itself a score for each of the areas.

The Vice Chair had suggested two points for addition to the health checks:

- addition to the membership and structure section- the City Council officer to be actively engaged;
- addition to the Finance section- where applicable, the most recent financial year the partnership has had 'unqualified audit opinion' and any recommendations raised by authors have been actioned.

Councillors suggested that rather than being provided with so much detail in relation to each partnership in Appendix C, they should in future be provided with a summary page for ease of reference. The detail currently provided in Appendix C should still be available to those Councillors who wanted to look at it.

RESOLVED

- (1) that the two changes to the health check template put forward by the Vice Chair be approved**
- (2) that the additional information provided with regard to the latest health checks completed in summer 2012 be noted.**

Councillor Steel requested that his abstention from the vote on resolution 2 above be noted.

61 INTERNAL AUDIT ANNUAL WORK PLAN 2013/14 AND THREE YEAR STRATEGIC PLAN

Consideration was given to a report of the Deputy Chief Executive/Corporate Director of Resources, informing the Committee of the work planned by the Internal Audit Service (IA) designed to support the Council's Governance and Control Framework.

Shail Shah, Head of Internal Audit referred the Committee to Appendix 1 of the report which set out the IA Plan for 2013/14 and explained that the Plan was centred on the need to align audit activity to the Council objectives and to meet the requirements of effective Corporate Governance, including the Annual Governance Statement. The Plan was updated annually to reflect changes of circumstance and risk affecting the Council.

RESOLVED that the Internal Audit Plan for 2013/14 and Internal Audit 3 Year Strategic Plan be endorsed.

62 AUIT COMMITTEE ANNUAL WORK PROGRAMME

Consideration was given to a report of the Deputy Chief Executive/Corporate Director of Resources, updating the Audit Committee work programme endorsed at the February 2013 meeting to reflect reports to be presented by the external auditor KPMG.

RESOLVED that the revised outline work programme, updated to include additional dates provided by KPMG be endorsed.

63 DATES OF FUTURE MEETINGS

RESOLVED that following provisional meeting dates be agreed (all Fridays at 10.30am at Loxley House):

<u>2013</u>	<u>2014</u>
28 June	28 February
26 July	25 April
27 September	
29 November	

The meeting due to be held on 28 June 2013 would be used as a private training session for members of the Committee. Councillors requested that the training include whistle blowing, and the roles, responsibilities and remit of the Committee.

WARDS AFFECTED: ALL

AUDIT COMMITTEE
26 July 2013

Report of the Deputy Chief Executive/Corporate Director for Resources

Strategic Risk Register (SRR) – Q1 2013/14 Update
and 2012/13 Annual Review**1. REPORT PURPOSE**

- 1.1 This is the Q1 2013/14 (as at 30 June 2013) update of the Council's SRR 2013/14 and Annual Review of 2012/13 presenting the progress made in reducing the threat level for each strategic risk from their original position.
- 1.2 At the 26 April meeting Audit Committee selected for more detailed scrutiny *SR6 - Failure to safeguard vulnerable children*. This report presents information to enable that scrutiny to take place.

2. RECOMMENDATIONS

Audit Committee is recommended to:

- 2.1 Consider the strategic risk *SR6 - Failure to safeguard vulnerable children* for more detailed review following selection by Audit Committee at the 26 April meeting (see RMAP included as **Appendix 1**).
- 2.2 Consider and critically appraise the progress made on reducing the seriousness of the Council's strategic risks as reflected by their threat levels and Direction of Travel (DoT) for Q1 2013/14 (**Table 1** and **Appendix 5**) and for the year 2012/13 (**Appendix 6**).
- 2.3 Note the results of the review of the SRR by CLT.
- 2.4 Select one or more strategic risks from **Appendix 5** for specific scrutiny as part of the SRR Q2 2013/14 Update. Selection might be based on the time elapsed since the risk was last reviewed, changes in the risk's threat level (or DoT) or relevance to current local or national matters of interest or concern.

3. REASONS FOR CONSIDERATION

- 3.1 The Audit Committee's risk management role is to provide assurance on the adequacy of the Council's Risk Management Framework and the associated control environment by reviewing the mechanisms for assessing and managing risk. This includes ensuring that active risk management is undertaken by relevant managers. This report presents the latest CLT review of the strategic risks faced by the Council.

4. THREAT LEVEL REDUCTION PROGRESS

4.1 Progress in reducing the seriousness of our strategic risks is assessed by a combination of each risk's overall threat level and DoT. This rounded assessment gives a clearer picture of progress in reducing the risk threat level and is summarised in Table 1.

4.2 Several SRR risks have been assessed by risk owners as improving, stable or at target. **Ten** risks are red rated, reflecting a range of delivery pressures and challenges the Council has to respond to.

4.3 For the **16** strategic risks within the SRR:

- **Two** risks show a reduced threat level such that they are at target
- **Three** strategic risks are already at target
- A further **four** strategic risks show an improved DoT

4.4 **Table 1** shows the strategic risks ranked in order of threat level and DoT (highest to lowest threat level):

TABLE 1: Risk Threat Level & DoT in rank order at Q1 2013/14			
SR No.	Strategic Risk Description	Threat Level	DoT (Q4–Q1)
Red rated strategic risks (10)			
26	Failure to support Nottingham citizens and communities in minimising the negative impact of welfare changes	16	↔
6	Failure to safeguard vulnerable children	15	↓
8b	Failure to implement and embed effective information management structures, policies, procedures, processes and controls (updated risk Q1 2013/14)	12	N/A
11a	Failure to accurately predict and respond to financial pressures supporting the development and delivery of the medium term financial plan (updated risk Q1 2013/14)	12	N/A
12a	Failure to provide the best educational outcome for children and young people (under review)	12	↔
28	Failure to ensure a financially sustainable ASC system to respond to significant increases in demand for care while protecting our most vulnerable citizens	12	↔
29	Failure to establish an effective Public Health function with adverse impact on the citizen wellbeing and a failure to deliver the authority's statutory responsibilities (under review)	12	↔
30	Failure to create an organisational environment that supports delivery of Council priorities (new risk added Q1 2013/14)	12	N/A

TABLE 1: Risk Threat Level & DoT in rank order at Q1 2013/14 (continued)			
SR No.	Strategic Risk Description	Threat Level	DoT (Q4–Q1)
7	a) Failure to reduce levels of crime and b) anti-social behaviour	12	↓
25a	Failure to embed a corporate approach to commissioning, informed by citizen need, which drives delivery of improved services at significantly lower cost	12	↓
Amber rated strategic risks (6)			
3	Failure to mitigate the impact of the economic climate on Nottingham City and its citizens	9 At target	↔
16a	Failure of partners including the City Council to work effectively together	8 At target	↔
5a	Failure to safeguard vulnerable adults	8	↓
2a	Of the reputation of the City	6 At target	↔
10	Failure to maintain good standards of governance	9 to 6 At target	↓
24	Failure to ensure effective systems are in place to manage health and safety risks	9 to 6 At target	↓
Green rated strategic risks - There are no green rated risks at Q1.			

DoT key: ↓ Reducing Threat Level ↔ Stable Threat Level ↑ Increasing Threat Level

Appendix 5 identifies individual risk owners, detailed risk threat level assessments between October 2012 (Q2 2012/13) and June 2013 (Q1 2013/14) and the projected dates when target threat levels will be achieved.

4.5 Review of new, emerging and existing SRR risks

4.5.1 SR6 - Failure to safeguard vulnerable children has remained one of the Council's highest risks for more than four years reflecting the potential significance of any failure on vulnerable children, the Council's reputation and the effectiveness of the safeguarding service. The risk was selected for review by Audit Committee because of the significance of the risk and the time elapsed since the risk was last reviewed (Q2 2011/12).

The risk is scoped around the council's duty to safeguard vulnerable children for which a number of constituent risks have been identified, the highest of which include effectiveness of early intervention, prompt completion of the Common Assessment Framework and Internal vacancy management processes.

A number of improvements have been made in terms of accessibility of the IT system improving recording and integration of information to safeguard children and evidence of a reduction in referrals to social care. However the number of children requiring safeguarding and accommodation continues to rise.

Overall the risk shows an improving DoT, however, significant change in the overall threat assessment will require further evidence of improvements around Early Intervention and timely completion of CAFs. The RMAP is included for review as **Appendix 1**.

4.5.2 SR8a - Failure to implement and embed effective information management structures, policies, procedures, processes has been on the SRR since quarter 4 of 2010/11. Significant progress has been made in terms of IT security, theft/loss of sensitive information, IT attacks/hacking such that the risk over the past two and half years has improved from 12 to 6. However, there remain significant risks which form the basis of a refocused RMAP attached as **Appendix 2**:

- *Fail to meet the Council's statutory Information Rights obligations and responsibilities (15)* - As for many large public bodies, responding to information requests in accordance with demanding statutory deadlines has presented challenges. This has prompted changes in terms of resources for managing information request and a review of relevant policies and procedures
- *Challenging requirements, timescales, insufficient understanding/ engagement leaves the council non-compliant with N3 (by Feb 2014) preventing Public Health from operating as part of the Council (12)* - The transition of the Public Health function requires access to NHS data for which the authority must be N3 accredited (compliant with NHS information governance requirements). N3 accreditation places requirements on the Council as a whole including:
 - Implementation of information life cycle management
 - Review the flow of sensitive data into and out of the organisation
 - Further training for colleagues on data protection and management
 - Privacy Notices - citizens and third parties made aware of how we hold and manage their data

N3 accreditation has been secured, based on the delivery of an action plan during 2013/14 to meet the above requirements, which should deliver significant efficiency gains for the organisation

- *Corporate Transformation Programme, citizen focused change, performance management and other service improvements not deliverable as a consequence of poor information asset management (15)* – Poor data quality undermines our ability to share information internally and externally and threatens the viability of key information driven programmes e.g. Channel Development

Given the change in the scope of the risks being managed and the emphasis on N3 compliance, CLT agreed that the re-scoped risk should be added to the SRR as SR8b in place of SR8a which is closed.

4.5.3 SR10 - Failure to maintain good standards of governance shows an improving threat assessment (9-6) and is now at target reflecting an update to the constitution to provide delegations dealing with new public health functions. The challenge going forward is to maintain our strong reputation for sound governance whilst streamlining approaches and re-assessing the tight/loose balance with reduced resources.

4.5.4 SR11 - Failure to address medium term financial pressures in a sustainable way has been on the strategic risk register for over four years and has remained high risk (red) throughout. The time elapsed since the last review and the significance of the risk prompted work to re-scope the risk around the *Failure to accurately predict*

and respond to financial pressures supporting the development and delivery of the medium term financial plan. More specifically the ability of the Council to analyse trends and make predications/forecasts around grants, income and service demand to arrive at a stable financial environment that enables most effective delivery of Council Plan priorities.

The updated risk encompasses the internal processes and mechanisms to support alignment of resources to priorities and the means by which variations from the forecasted position are accommodated. Factors considered when identifying the risks:

- Grant - Government policy, formula grant/general, specific grants & other external funding
- Income - Local policy, economic drivers, Council Tax, Business Rates, fees/charges & investments (including Treasury Management, investments, assets & interest rates)
- Demand - National & local policy, demographics (adults/children), economic drivers (benefits), new/changes in duties e.g. Public Health

The highest constituent risk is the *failure of the Medium Term Financial Plan (MTFP) to adequately support the delivery of the Council Plan priorities* assessed at 16 for which the mitigations are currently assessed as being adequate. Other constituent risks are assessed as amber (6-9) see RMAP attached as **Appendix 3**. Given this latest update CLT agreed to the re-scoped risk be added to the SRR as SR11a in place of SR11 which has been closed.

4.5.5 SR26 - Failure to support Nottingham citizens and communities to cope with welfare reforms: Significant progress has been made with an improving position in terms of the implementation of the new Local Council Tax Support scheme, work with social housing landlords to reduce the impact of Housing Benefit under-occupancy rule changes and implementation of a Local Emergency Hardship Support Scheme. Despite these improvements, the significance of the remaining risks means that the overall level of risk is unchanged at 16.

The highest constituent risks include:

- *Failure to meet increased demand for services, particularly welfare advice, hardship funds and homelessness* (20) – Generally the mitigations identified in place are considered adequate to bring the level of risk target
- *HB under occupancy rules changes results in an increase in recovery action resulting in increased eviction rates and homelessness* (20) - NCH continue to review their housing stock in light of revised allocations and lettings policy and in light of changes to demand for property. Work is underway with NCH and other Registered Providers (RPs) to prepare for the implementation of their rent recovery process and to scope the possible impact on homelessness and housing advice services
- *Failure by DWP to successfully manage transition to UC minimising unnecessary hardship on Nottingham's citizens e.g. failure in planning, weekly to monthly payment in arrears* – this has increased from 9 to 16 as Universal Credit is due to go live from October. However, there is still no roll out plan from the DWP
- *Failure of the DWP (in conjunction with HMRC) to implement new IT system underpinning UC with potential for large scale non-payment of benefits* (15) – Efforts continue to be made to engage with the Minister for Welfare Reform and

the DWP to find ways to minimise the risk stemming from the implementation of the new IT system

4.5.6 SR30 - Failure to create an organisational environment that supports delivery of council priorities brings together and replaces two long standing strategic risks, *SR14 - Failure to deliver culture change* and *SR19 - Failure to deliver Council Plan priorities* providing a more coherent approach to the management of the risks and reflects management accountability (RMAP is included as **Appendix 4**). The highest constituent risks include:

- *Policies/systems/processes developed by corporate specialists focus on corporate requirements/governance not service delivery requirements e.g. slow, bureaucratic, loss of focus on core purpose* (16) – mitigation centres on reviewing corporate policies/process to understand where there is scope for flexibility and engaging stakeholders in updating policies/process to ensure they are best aligned with services' needs.
- *Managers lack the right skills to operate effectively in a more commercialised environment* (16) – the commercialisation programme is developing to raise expectation, skills, performance and effectiveness of managers

CLT agreed that this risk should be added to the SRR in place of SR14 and SR19 which are closed.

5. REVIEW OF PROGRESS MADE DURING 2012/13 IN MANAGING THE COUNCIL'S STRATEGIC RISKS

5.1 Significant progress was made during 2012/13 to manage and reduce the threat levels of the Council's strategic risks despite the financial and economic pressures. During 2012/13 work to manage the Council's strategic risks resulted in:

- **Two** new strategic risks (SR28 and SR29)
- **Two** strategic risk having threat levels reduced to such an extent that it was delegated Corporate Directorate Risk Registers (SR1, SR27)
- **Four** strategic risks having reduced threat levels or being at target by Q4 (SR3, SR16a, SR2a, SR8a)
- **Nine** strategic risks showing no improvement in terms of threat level (SR19, SR26, SR6, SR12a, SR11, SR14, SR28, SR7a/b, SR29)
- **One** strategic risks showed a deteriorating threat level at Q4 compared with Q1 (SR24)
- **Five** strategic risks reviewed/re-scoped, or work commenced (SR2a, SR12a, SR25, SR14/19).

Appendix 6 provides a summary of changes to the composition of the SRR during 2012/13 and the rationale for each and how the risk and its management have evolved since the change.

5.2 Audit Committee has an important role in ensuring the adequacy of the Council's Risk Management Framework (RMF) and the associated control environment. As part of the SRR Quarterly Updates, Audit Committee selected or received for review **seven** RMAPs covering the Council's most important strategic risks with risk owners attending meetings to provide a verbal briefing and answer questions:

- *SR3 - Failure to mitigate the impact of the economic climate on the Nottingham City and its citizens (selected for review in Q1)*
- *SR12a - Failure to provide the best educational outcome for children and opportunities for young people to access further education and skills training to contribute to the economic wellbeing of the City (selected for review in Q1 and Q2)*
- *SR24 - Failure to ensure effective systems are in place to manage health and safety risks (selected for review in Q3)*
- *SR25a - Failure to embed a corporate approach to commissioning, informed by citizen need, which drives delivery of improved services at significantly lower cost (updated risk included for review Q4)*
- *SR26 - Failure to support Nottingham citizens and communities in minimising the negative impact of welfare changes (selected for review in Q2 and Q4)*
- *SR28 - Failure to ensure a financially sustainable adult social care system to respond to significant increases in demand for care while protecting our most vulnerable citizens (updated risk included for review in Q2)*
- *SR29 - Failure to establish an effective Public Health function impacting citizen wellbeing and a failure to deliver the authority's statutory responsibilities (updated risk included for review in Q2 and selected for review in Q3)*

In addition, Audit Committee reviewed and approved the updated Risk Management Framework at Q2 2012/13 including the Improvement Action Plan.

6. FUTURE AUDIT COMMITTEE RISK REVIEWS

- 6.1 The provision to select strategic risks for review allows Audit Committee to direct attention to areas of risk considered potentially significant to the Committee's operations and remit. The Audit Committee is invited to select two strategic risks from **Appendix 5** for more detailed examination in the SRR Q2 2013/14 Update.

7. FINANCIAL IMPLICATIONS

- 7.1 There are no direct financial implications arising from this report. Actions to mitigate identified constituent risks are contained within the RMAPs. These actions will be positioned within the Council's Corporate Directorate and Strategic Service Plans and, as appropriate, inform the medium term service and budget planning process.

8. RISK MANAGEMENT ISSUES

- 8.1 These are dealt with throughout the report.

9. LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

- 9.1 Quarter 1 2013/14 Strategic Risk Management Action Plans

10. PUBLISHED DOCUMENTS REFERED TO IN COMPILING THIS REPORT

- 10.1 SRR Q4 Update reported to Audit Committee 26 April 2013

APPENDICIES

Appendix	Description
1	<i>SR6 - Failure to safeguard vulnerable children (RMAP selected for review by Audit Committee)</i>
2	<i>SR8b - Failure to implement and embed effective information management structures, policies, procedures, processes (RMAP available for review by Audit Committee)</i>
3	<i>SR11a - Failure to accurately predict and respond to financial pressures supporting the development and delivery of the medium term financial plan (RMAP available for review by Audit Committee)</i>
4	<i>SR30 - Failure to create an organisational environment that supports delivery of council priorities (RMAP available for review by Audit Committee)</i>
5	Nottingham City Council Strategic Risk Register - Report Summary
6	Changes to the composition of the Strategic Risk Register 2012/13

Sponsoring Corporate Director:

Carole Mills – Deputy Chief Executive/Corporate Director for Resources

Author:

Simon Burton – Corporate Risk Specialist

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SR6- Failure to safeguard vulnerable children

Section 11 of the Children Act 2004 places a statutory duty on key people and bodies to make arrangements to safeguard and promote the welfare of children.

		Impact				
		Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Likelihood	Remote (1)	1	2	3	4	5
	Unlikely (2)	2	4	6	8	10
	Possible (3)	3	6	9	12	15
	Likely (4)	4	8	12	16	20
	Almost certain (5)	5	10	15	20	25

Owner:	Candida Brudenell (Helen Blackman)	Completed by:	Helen Blackman Tim O'Neill David Thompson	Date Completed:	March 2013	Next Review Date:	Q1 2013/14
Risk Summary							
Opening (Date)	Previous (Q3 2012/13-Jan' 13)	Latest (Q4 2012/13-Mar '13)		Target (Apr '13)		Overall risk mitigation effectiveness (Adequate, Yet to secure improvement, Inadequate)	
Threat level	Threat level (LxI)	DoT (⇔↓↑)	Threat level e.g. (LxI)	DoT (⇔↓↑)	Threat level (LxI)		
3x5=15	3x5=15	↓	3x5=15	↓	2x5=10		

CONSTITUENT RISKS TO BE RISK MANAGED							
Risk Ref:	Constituent Risk Description	Opening Threat Level	Previous Threat Level	Latest Threat Level	Direction of Travel (DoT) (Stable ⇔ Improving ↓ Deteriorating ↑)	Target Threat Level	
1	Shortage of Qualified Social Workers to deliver safeguarding practice impacted by internal (Single Status fallout) and external (market, increased demand) factors.	3x4=12	1x4=4	1x4=4	⇔	2x4=8	
3	Inadequate supervision of front line practitioners leading to children being at risk of significant harm.	3x4=12	3x3=9	3x3=9	↓	2x3=6	
8	Lack of robust recording management information system to support safeguarding practice.	4x4=16	4x3=12	3x3=9	↓	1x3=3	
9	Compromisation of the security of sensitive/confidential details/data.	2x3=6	2x3=6	3x3=9	↑	2x3=6	
10 Q4 2011-12	Early intervention is not effective resulting in higher demand on safeguarding services that are then compromised.	3x4=12	4x4=16	3x4=12	↓	2x4=8	
11	CAFs not being completed promptly, as soon as needs are emerging, resulting in a	3x4=12	3x4=12	3x4=12	↓	2x4=8	

	deterioration of circumstances and an increasing number of children being referred for social care intervention inappropriately creating an increase demand on social care services.					
12 Q3 2011- 12	Internal vacancy management processes are delaying timely recruitment compounded with the budget constraints.	4x4=16	4x4=16	3x4=12	↓	2x4=8

	EXISTING MANAGEMENT ACTIONS			ADDITIONAL MANAGEMENT ACTIONS			ALL
Risk Ref.	Description of actions already in place to mitigate identified risks	Person accountable	Adequacy of those actions (Adequate, Yet to secure improvement, Inadequate)	Description of additional actions to be put in place (mandatory where current risk mitigation effectiveness is anything other than "adequate")	Person accountable	Date action due to be completed	Review date
1	The Recruitment and Retention Strategy for Qualified Social Workers in Neighbourhood Fieldwork has been very successful with rolling monthly panel. The recruitment of newly qualified colleagues is strong, based on positive link to student programmes.	HB	Adequate	Work in this area is robust with rolling recruitment, agreement to over recruit to avoid dependence on agency staff and strong processes to develop and retain key colleagues. Nottingham continues to be able to attract QSW to fill vacancies in contrast to the national picture.			Monthly
3	A systemic lead has been appointed to drive the supervision policy and Munro recommendations of reflective supervision. The workforce development project to improve supervision and strength based approach is continuing with a robust training programme Performance is scrutinized with the Quality assurance strategy implemented to include audits of adequate supervision of all frontline staff to be undertaken.	HB	Adequate	Training in Supervision and Mentoring Skills for Social Work Managers Team Managers within Children's Social Care have accessed a five day accredited graduate or post graduate module on Supervision delivered by Birmingham University. This has a focus on developing a critically reflective practitioner and the role of emotional intelligence in social work theory and practice. The supervision policy is to be revised for the next Trix policy update in September 13 to strengthen the reflective practice element and include Signs of Safety & strength based communications. The case discussion document has been revised to incorporate Signs of Safety to			Monthly

				strengthen reflective case supervision. A supervision audit on supervision provided by social care managers to their staff was undertaken by service managers on their respective service areas. The audit was completed looking at April/May 13. A meeting is planned in early July to analyse findings of the audit and areas of work to be taken forward. Any areas of poor performance are addressed immediately.				
8	Service Manager attends monthly ICT Strategy Board to drive improvements on behalf of service area. There is a plan for system improvement in light of Ofsted findings (Aug 11)	HB / ICT Strategy Board	adequate	Risk has reduced with the full roll out of updates to Carefirst between September 2012-March 2013. The presentation of the systems and functionality of the system has been improved with key updates to make it easier to navigate and to duplicate records to siblings. These changes make information clear, more accessible and saves user time, reducing delays for children. Further upgrades are due this year and there is to be a lean system review on the impact of recent statutory changes in Autumn 2013.	SBr		Nov-13	
	Terms of reference and attendance of IT Strategy Board signed off at CFLT. New problem resolution process in place. Manual recording back-up system in place if Care First System goes down. HB informed if the duration is longer than a day.	HB	Adequate	Much less disruption to services and a more planned approach is taken allowing us to mitigate its impact. The increasing numbers of users on the network is impacting on the system speeds.				Monthly
	Manual recording back-up system in place if Care First System goes down. HB informed if the duration is longer than a day.	HB	Adequate					Monthly
9	Electronic security is good. IT Policies including the reporting of information security incidents, disposal of redundant equipment through Secure IT. Guardian Edge installed on	HB	Adequate	In light of ICO recommendations, further work is required on transporting documents for remote working to and from Court in Children and Adult Services.	HB		Nov13	

	laptops. HB informed of all security breaches and action taken. Further work has been initiated to embed learning from ICO cases and rulings.			Measures to ensure confidentiality are being implemented including, lockable bags for transporting documents. Further data protection training will be delivered to NQSW's and new starters, with a second wave of full service refresher training in an E learning format			
10	<ul style="list-style-type: none"> • Work closely with Early Intervention Foundation to further develop the most effective interventions • CAF review programme • Revised FCT performance management framework • Deployment of key services at earlier point of need (e. g. in schools) • Review of 'social care' operating model to ensure earlier help • 'Monroe compliance' inspection readiness preparation • FCT management review (2012) to ensure greater case holding capacity, and 'specialist' quality assurance across the three localities • Development of specific edge of care services through Big Ticket transformation programme • Rigorous review and management of edge of care processes • Delivery of Priority Families programme • Children in Care team has been created to manage children in care cases, and speed up appropriate exit from care. 	HB/CB	Adequate	Monthly review of progress through Children's Big Ticket	CP		Aug 13
11	• Better targeting of cases CAFs should be completed.	TO	Adequate				Apr-13
	• CAF Performance Management framework Implemented.	TO	Yet to Secure Improvement	Increasing focus on better and more frequent CAF completion as part of the operational roll out of the priority families			

	<ul style="list-style-type: none"> Better utilise Health and Wellbeing Board statutory framework, and Local Safeguarding Children Board to better embed CAF across partnerships. Development of framework for supporting the delivery of high quality CAFs, balancing partnership commitment with service delivery. 			programme.			
	<ul style="list-style-type: none"> Family Support Strategy and Pathway developed and published on Nottingham Children's Partnership website. Working group formed managing the implementation of the strategy and pathway. 	TO	Yet to Secure Improvement	<p>Overview and Scrutiny of Family Support Strategy (March 2013) completed.</p> <p>Development of 'Family CAF' within Priority Families Programme.</p>			
12	Speeding up HR processes so that interested applicants receive information in a timely manner and shortlisting/interviews are completed efficiently. Agency staff sign off delegated to Director.	IC	Yet to Secure Improvement	There are current difficulties with re the introduction of Oracle, EMSS, and People Plus, resulting in late payments and poor budgetary information			Apr-13



SR8b - Failure to implement and embed effective information management structures, polices, procedures, processes and controls to support the council's immediate and future regulatory, legal, and business requirements

The former strategic risk xSR8a was scoped in June 2011 to include the IT security risks but also council's wider information management arrangements. Since the rescoping significant progress has been made in terms of managing IT security risk. However, the risks around effective information management have increased in significance and prominence prompting a further rescoping to reflect a greater emphasis placed on these aspects of the risk.

Threat Assessment Matrix

		Impact (I)				
		Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
Likelihood (L)	Remote (1)	1	2	3	4	5
	Unlikely (2)	2	4	6	8	10
	Possible (3)	3	6	9	12	15
	Likely (4)	4	8	12	16	20
	Almost certain (5)	5	10	15	20	25

Owner:	C. Mills Deputy Chief Executive / Corporate Director Resources			Completed by:	M. Gannon Director IT (supported by M Dunn & S Salmon)			Date completed:	Jun 2013	Review date:	Oct 2013	
RISK SUMMARY												
Opening (May 2013)			Previous (N/A)			Current (May 2013)			Target (April 14)			Overall risk mitigation effectiveness (Adequate, Yet to secure improvement, Inadequate)
Threat level (LxI=??)		DoT	Threat level (LxI=??)		DoT	Threat level (LxI=??)		DoT	Threat level (LxI=??)			
		↓ Improving ↔ Stable ↑ Deteriorating			↓ Improving ↔ Stable ↑ Deteriorating			↓ Improving ↔ Stable ↑ Deteriorating				
4	3	12	L	I	N/A	4	3	12	2	3	6	Yet to secure improvement

SR8b - Failure to implement and embed effective information management structures, polices, procedures, processes and controls to support the council's immediate and future regulatory, legal, and business requirements - Risk Register

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RISKS TO BE MANAGED																				
Risk Ref.	Risk Description (cause, risk & impact)	Date identified	Risk owner	Proximity (date when could impact)	Opening Threat Level e.g. 2x4=8			Previous Threat Level e.g. 2x4=8			Latest Threat Level e.g. 2x4=8			DoT (↓ Improving ↔ Stable ↑ Deteriorating)	Target Threat Level e.g. 2x4=8			Proposed Mgt Action	Risk mitigation effectiveness (Adequate, Yet to secure improvement,	Status (Raised, Open, Closed)
					L	I		L	I		L	I			L	I				
Y	Information rights (EIR, FOI, DP Subject Access Request)				L	I		L	I		L	I			L	I				
R1	Significant reputational, legal, financial impacts resulting from organisational failure to respond to citizen information requests, and meet the Councils statutory Information Rights obligations and responsibilities.	May 2013	MD	Now	3	4	12	L	I		3	4	12	↓	2	3	6	Treat	Adequate	Open
Y	N3 information governance toolkit				L	I		L	I		L	I			L	I				
R2	Challenging requirements, timescales, insufficient understanding/ engagement leaves the council non-compliant with N3 (by Feb 2014) preventing Public Health from operating as part of the Council	May 2013	SS / MD	Now	3	4	12	L	I		3	4	12	↔	2	4	8	Treat	Yet to secure improvement	Open
Y	Data Management and Quality				L	I		L	I		L	I			L	I				
R3	Corporate Transformation Programme, citizen focused change, performance management and other service improvements not delivered as efficiently and effectively as a consequence of poor quality information asset management.	May 2013	SS / MD	Now	3	3	9	L	I		3	3	9	↔	3	2	6	Treat	Yet to secure improvement	Open

SR8b - Failure to implement and embed effective information management structures, policies, procedures, processes and controls to support the council's immediate and
03/07/2013 11:50



EXISTING MANAGEMENT ACTIONS				ADDITIONAL MANAGEMENT ACTIONS			ALL
Risk Ref.	Issue Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is "Inadequate")	Person accountable	Date action due to be completed	Review date
R1		Information Governance Team restructured, relocated and integrated within GIS Data and Information. In progress	MD	Establish baseline and position statement concerning the Councils compliance with the Freedom of Information Act Review policies, processes and system relevant to managing/coordinating information requests Develop action improvement plan	MD	July 2013 Dec 2013 Jan 2014	Aug 2013
R1		Dedicated team in place to manage and coordinate information requests and lead on the proactive publication of information In place	MD	Develop proposal to secure additional resources to address Information Rights Requests backlog	MD	Aug 2013	
R1			MD	Analyse FOI performance data to develop a targeted action improvement plan	MD	July 2013	
R1				Incorporate FOI performance as part of Corporate Health reporting to CDB	MD/CC	July 2013	
R1		Improve the visibility and availability of information available to citizens in the public domain In place	MD	Redesign and refresh of the Councils Publication scheme, and align with the corporate website developments, Open Data Nottingham and Nottingham Insight Redesign and refresh of the Councils Disclosure Log	MD	Nov 2013 Jan 2014	
R1		Information proactively made available through Nottingham Insight and Open Data Nottingham Ongoing	MD	Raise profile of Nottingham Insight and Open Data Nottingham with a view to increasing content and use	MD	Ongoing	
R1		Increase awareness of the obligations, benefits and challengers associated with Information Rights Ongoing	MD	Develop training targeting managers/key dept contacts. Aim to raise understand of responsibilities relating to Information Requests	SH	Jan-14	

EXISTING MANAGEMENT ACTIONS				ADDITIONAL MANAGEMENT ACTIONS			ALL
Risk Ref.	Issue Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is "Inadequate")	Person accountable	Date action due to be completed	Review date
R1				Build positive and ongoing relationship with the Information Commissioners Office	MD	Ongoing	
R1				Create a positive image of services associated with Information Rights	MD	Ongoing	
R2		Information Governance Toolkit Action Plan 2013/4 (approved by NHS subject to an undertaking to deliver during 2013/14)	SH	Establish resource to programme manage N3 Improvement Plan and 2014/15 N3 application.	MD	Jul-13	Sep-13
R2		Project Board and Team in place In place	SH	re-establish project team under Information Management Strategy Group (IMSG)	SH	Jul-13	Aug-13
R2				Agree Project Plan (IMSG)	SH	Sep-13	Sep-13
R2				Implement Improvement Plan including: - Audit of corporate records and implementation of information life cycle management (beyond social care records) - Map and understand the flow of sensitive data into and out of the organisation (electronic and hardcopy) - Comprehensive training of all colleagues on data protection and management appropriate to their role - Privacy Notices - citizens and third parties made aware of how we hold and manage their data - Ensure the commissioning and procurement arrangements meet all data protection requirements	SH	Dec-13	Sep-13
R2				NHS IG Toolkit Submission	SH	Feb-14	Sep-13
R2				Review NHS IG Toolkit feedback and response plan	SH	Apr-14	Apr-14
R3				Establish baseline for data quality and data management.	MD		Apr-14

EXISTING MANAGEMENT ACTIONS				ADDITIONAL MANAGEMENT ACTIONS			ALL
Risk Ref.	Issue Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is "Inadequate")	Person accountable	Date action due to be completed	Review date
R3				Review recommendations of the Policy, Research and Insight Functions associated with information management as agreed by CLT	MD	Mar-14	



SR11a - Failure to accurately predict and respond to financial pressures supporting the development and delivery of the medium term financial plan

The risk is scoped around the ability of the council to analyse trends and make predications/forecasts around grants, income and service demand to arrive at a stable financial environment that enables most effective delivery of Council Plan priorities. The risk also encompasses the internal processes and mechanisms to support alignment of resources to priorities and the means by which variations from the forecasted position are accommodated. Factors considered when identifying the risks:
Grant - Government policy, formula grant/general, specific grants & other external funding
Income - Local policy, economic drivers, Council Tax, Bus Rates, fees/charges & investments (including Treasury Management, investments, assets & interest rates)
Demand - National & local policy, demographics (adults/children), economic drivers (benefits), new/changes in duties e.g. Public Health

Threat Assessment Matrix

		Impact (I)				
		Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
Likelihood (L)	Remote (1)	1	2	3	4	5
	Unlikely (2)	2	4	6	8	10
	Possible (3)	3	6	9	12	15
	Likely (4)	4	8	12	16	20
	Almost certain (5)	5	10	15	20	25

Owner:	C. Mills Deputy Chief Executive/ Corporate Director Resources	Completed by:	T. Kirkham Strategic Finance Director G. Walker Head of Corporate Finance	Date completed:	Jun 2013	Review date:	Sep 2013
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RISK SUMMARY

Opening (May 13)			Previous (N/A)			Current (May 2013)			Target (???? ??)			Overall risk mitigation effectiveness (Adequate, Yet to secure improvement, Inadequate)
Threat level (LxI=??)			Threat level (LxI=??)			Threat level (LxI=??)			Threat level (LxI=??)			
3	4	12	L	I	N/A	3	4	12	2	3	6	Adequate

SR11a - Failure to accurately predict and respond to financial pressures supporting the development and delivery of the medium term financial plan - Risk Register

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RISKS TO BE MANAGED																						
Risk Ref.	Risk Description (cause, risk & impact)	Date identified	Identified by	Risk owner	Proximity (date when could impact)	Opening Threat Level e.g. 2x4=8			Previous Threat Level e.g. 2x4=8			Latest Threat Level e.g. 2x4=8				DoT (↓ Improving ⇔ Stable ↑ Deteriorating)	Target Threat Level e.g. 2x4=8			Proposed Mgt Action	Risk mitigation effectiveness (Adequate, Yet to secure improvement,	Status (Raised, Open, Closed)
1 (new)	Failure of the MTFP to adequately support the delivery of the Council Plan priorities	26/04/13	TK	TK	Now	4	4	16	L	I		4	4	16		2	3	6	Treat	Adequate	Open	
2 (new)	Fail to anticipate and respond to changes in grant levels e.g. general, specific grants etc	26/04/13	TK	TK	Now	3	3	9	L	I		3	3	9		2	3	6	Treat	Adequate	Open	
3 (new)	Fail to anticipate and respond to changes in income stream e.g. Council Tax, Business Rates etc	26/04/13	TK	TK	Now	3	3	9	L	I		3	3	9		2	3	6	Treat	Adequate	Open	
4 (new)	Failure to anticipate and respond to changes in service demand drivers e.g. demographics, economic outlook etc	26/04/13	TK	TK	Now	3	3	9	L	I		3	3	9		2	3	6	Treat	Adequate	Open	
5 (new)	Fail to forecast the performance of the growth plan and understand its impact on the accuracy of the MTFP	23/05/13	TK	TK	Now	3	3	9	L	I		3	3	9		2	3	6	Treat	Yet to secure improvement	Open	
8	Genuine pressures are not fully funded within the budget	Q3 2009/10	CM	TK	Now	2	3	6	2	3	6	2	3	6	⇔	2	3	6	Tolerate	Adequate	Open	
9	Arrangements for implementation of savings are not sufficiently robust	Q3 2009/10	CM	TK	Now	3	3	9	3	3	9	3	3	9	⇔	2	2	4	Treat	Adequate	Open	
10	Arrangements for delivery of services on time, to standard & within budget ineffective	Q3 2009/10	CM	TK	Now	3	3	9	3	3	9	3	3	9	⇔	2	2	4	Treat	Adequate	Open	
11	Financial reporting/forecasting is insufficiently prompt and/or accurate	Q3 2009/10	CM	TK	Now	3	3	9	3	3	9	3	3	9	⇔	1	2	2	Treat	Adequate	Open	

SR11a - Failure to accurately predict and respond to financial pressures supporting the development and delivery of the medium term financial plan - Risk & Issue Management

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EXISTING MANAGEMENT ACTIONS				ADDITIONAL MANAGEMENT ACTIONS			ALL
Risk Ref.	Issue Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is "Inadequate")	Person accountable	Date action due to be completed	Review date
1		Failure to match resources to ambition					
1		Develop a robust three year rolling MTFP in line with the agreed MTFS	TK				Annual
1		Active engagement of the Executive in the development of the Council Plan, MTFS and MTFP	TK				Annual
2		Fail to anticipate and respond to changes in grant levels e.g. general, specific grants etc					
2		Maintain understanding of grant mechanisms	TK				Ongoing
2		Ongoing engagement in national technical forums	TK				Ongoing
2		Maintain awareness of key issues arising through presentations to CLT, DF, TN and Executive	TK				Ongoing
2		Undertake analysis, forecasting, sensitivity analysis for NCC grant. Review variations to improve accuracy of forecasting	TK				Ongoing
2		Qualified accountants / service experts in place manage/administer grants	TK				N/A
2		Internal and external audit undertake assurance activity of function/processes	TK				Ongoing
3		Fail to anticipate and respond to changes in other income streams e.g. Council Tax, Business Rates etc					
3		Maintain thorough understanding of national funding mechanisms and models e.g. Business Rates	TK				Ongoing

EXISTING MANAGEMENT ACTIONS				ADDITIONAL MANAGEMENT ACTIONS			ALL
Risk Ref.	Issue Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is "Inadequate")	Person accountable	Date action due to be completed	Review date
3		Undertake analysis, forecasting, sensitivity analysis for NCC income streams. Review variations to improve accuracy of forecasting	to				Ongoing
3		Undertake regular and relevant benchmarking and market analysis informing fees and charging policy	DB, JK				Ongoing
3		Efficient and effective mechanisms for prompt income maximising collection	TK				Ongoing
4		Failure to anticipate and respond to changes in service demand drivers e.g. demographics, economic outlook etc					
4		Undertake <u>ongoing</u> monitoring / forecasting to identify / anticipate demand pressures	TK				Ongoing
4		Undertake risk assessment and sensitivity analysis for demand led areas prior to budget setting	TK				Ongoing
4		Maintain ongoing awareness / focus on demand pressures through reports to senior management and Executive Cllrs	TK				Ongoing
4		Ensure management actions are in place to mitigate identified / anticipated demand pressures, development of robust recovery plans where appropriate	CLT				Ongoing
5		Fail to forecast the performance of the growth plan and understand its impact on the accuracy of the MTFP					
5		Active monitoring, forecasting of outcomes for the Growth Plan in terms of business yield/employment	TK				Ongoing
8		Genuine pressures are not fully funded within the budget					

EXISTING MANAGEMENT ACTIONS				ADDITIONAL MANAGEMENT ACTIONS			ALL
Risk Ref.	Issue Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is "Inadequate")	Person accountable	Date action due to be completed	Review date
8		Budget process includes identification of demand pressures with modelling and sensitivity analysis	CLT, TK				Annual
8		Regular briefings on budget process stressing the importance of accurate budgeting	TK				Annual
8				Improve forecasting of service demand, specifically for Adult and Childrens services with full implementation of Care First financial module	CB	??	??
9		Arrangements for implementation of savings are not sufficiently robust					
9		Savings proposals worked up in detail and subject to robust challenge for deliverability as part of budget process	TK, CLT				Annual
9		Scope and ambition of Big Ticket themed approach providing thematic and holistic approach to identification/delivery of savings	CM				Ongoing
9, 10		Individuals accountable for identified savings. Supported by accountability letter stating responsibilities	CM				Annual
9		Ongoing review/reporting of savings implementation to DLTs, CLT and Exec. Board.	TK				Ongoing
9		Understand variations and ensure management actions in place to mitigate	Corporate Directors				Ongoing
9		Understand variations and review related processes/policies for improvements	CM				Ongoing
10		Arrangements for delivery of services on time, to standard & within budget ineffective					
10, 11		Ensure engagement of key stakeholders in processes financial/service planning	CM				Annual

EXISTING MANAGEMENT ACTIONS				ADDITIONAL MANAGEMENT ACTIONS			ALL
Risk Ref.	Issue Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is "Inadequate")	Person accountable	Date action due to be completed	Review date
10		Ensure management actions are in place to mitigate identified / anticipated reductions in income	CLT				Ongoing
10		Clear standards developed and agreed for production of the MTFS	TK				Annual
10		Annual service planning process in place aligned to priorities and budget processes	CM				Annual
10		Medium term trend forecasting undertaken with sensitivity analysis	TK				Ongoing
10		Understand variations and review related processes/policies for improvements	TK				Ongoing
11		Financial reporting/forecasting is insufficiently prompt and/or accurate					
11		Strategic council wide position reviewed quarterly by the CFO	CM				Ongoing
11		Regular reports to DLTs, CLT and Exec. Board	TK				Ongoing
11		Undertake work to improve the timeliness of reporting	TK				Ongoing



SR30 - Failure to create an organisational environment that supports delivery of Council priorities.

This risk is scoped around creating a corporate "organisational environment" which supports frontline service delivery and delivery of the Council's priorities and replaces two long standing risks *SR14 - Failure to deliver culture change* and *SR19 - Failure to deliver Council Plan priorities* following a review undertaken in January - June 2012. The risk also has strong links to *SR10 - Failure to maintain good standards of governance*. Areas of risks considered within scope include:

- Corporate systems, financial, legal HR&T etc;
- Style, openness, the way we work with partners, best delivery openness/trust and commercialisation
- Structure/ways of working matched to purpose;
- Strategy, vision, leadership clarity of purpose;
- Skills, requirements, matching, placement;
- Values;
- Staff, agile, competitive, affordable.

			Impact				
			Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Likelihood	Remote (1)	(1)	1	2	3	4	5
	Unlikely (2)	(2)	2	4	6	8	10
	Possible (3)	(3)	3	6	9	12	15
	Likely (4)	(4)	4	8	12	16	20
	Almost certain (5)	(5)	5	10	15	20	25

Owner:	I. Curryer Chief Executive					Completed by:	R. Henderson, Head of Service Change & Improvement					Date completed:	Jun 2013	Review date:	Sep 2013
RISK SUMMARY															
Opening (June 12)			Previous (N/A)			Current (June 2013)			Target (Mar 2014)			Overall risk mitigation effectiveness (Adequate, Yet to secure improvement, Inadequate)			
Threat level (LxI=??)			Threat level (LxI=??)			Threat level (LxI=??)			Threat level (LxI=??)						
			DoT ↓ Improving ↔ Stable ↑ Deteriorating						DoT ↓ Improving ↔ Stable ↑ Deteriorating						
3	4	12	L	I	N/A	3	4	12	2	4	8	Adequate			

SR30 - Failure to create an organisational environment that supports delivery of Council priorities.

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RISKS TO BE MANAGED

Risk Ref.	Risk Description (cause, risk & impact)	Date identified	Risk owner	Opening Threat Level e.g. 2x4=8			Previous Threat Level e.g. 2x4=8			Latest Threat Level e.g. 2x4=8			DoT (↓ Improving ⇔ Stable ↑ Deteriorating)	Target Threat Level e.g. 2x4=8			Proposed Mgt Action	Risk mitigation effectiveness (Adequate, Yet to secure improvement,	Status (Raised, Open, Closed)
1a	Failure to ensure the long term vision for the city keeps pace with the changing financial environment	01/06/12	IC	3	4	12	L	I		3	4	12		2	3	6	Treat	Yet to secure improvement	Open
1b	Failure to bring sufficient focus to determining/focusing on the priorities that have the biggest impact	28/03/13	IC	2	4	8	L	I		2	4	8		2	4	8	Tolerate	Adequate	Open
2a	Failure to ensure that governance / policies / systems and processes add maximum value to the delivery of services to citizens	01/06/12	IC, CM, DB, JK	4	4	16	L	I		4	4	16		2	4	8	Treat	Yet to secure improvement	Open
2b	Failure to secure appropriate attitudes and behaviours to support managers to be as efficient and effective as possible	28/03/13	IC, CM, DB, JK	3	3	9	L	I		3	3	9		3	3	9	Tolerate	Adequate	Open
3	Lack of understanding of current and future skills base undermines ability to work in an agile way to deploy resources as and where they're required in support of efficacy & effective service delivery.	01/06/12	AP	2	4	8	L	I		2	4	8		2	4	8	Tolerate	Adequate	Open
4	Resistance from colleagues and managers to required changes arising from change fatigue/lack of support for 'difficult' decisions	01/06/12	CM	4	3	12	L	I		4	3	12		3	2	6	Treat	Yet to secure improvement	Open
5	Managers lack the right skills to operate effectively in a more commercialised environment	01/06/12	TK & AV	4	4	16	L	I		4	4	16		2	4	8	Treat	Yet to secure improvement	Open
6	Lack of programme and change management capacity to support delivery of the changes in the short and medium term.	01/06/12	CM	2	3	6	L	I		2	3	6		2	3	6	Tolerate	Adequate	Open

RISKS TO BE MANAGED

Risk Ref.	Risk Description (cause, risk & impact)	Date identified	Risk owner	Opening Threat Level e.g. 2x4=8			Previous Threat Level e.g. 2x4=8			Latest Threat Level e.g. 2x4=8			DoT (↓ Improving ⇔ Stable ↑ Deteriorating)	Target Threat Level e.g. 2x4=8			Proposed Mgt Action	Risk mitigation effectiveness (Adequate, Yet to secure improvement,	Status (Raised, Open, Closed)
7	Failure to recognise/achieve the benefits of joined up approach, perception of threat/loss of control reinforce org structures preventing cross working compromising effectiveness, conflicting interests, duplication of effort, increased costs	28/03/13	CM	1	4	4	L	I		1	4	4		1	4	4	Tolerate	Adequate	Open
8	The Council fails to equip leaders with the right skills and attitudes (e.g. commercial approach, appropriate risk appetite) to enable colleagues to perform effectively and release discretionary effort	28/03/13	CM	4	3	12	L	I		4	3	12		3	3	9	Treat	Yet to secure improvement	Open

SR30 - Failure to create an organisational environment that supports delivery of Council priorities.

03/07/2013 10:14



EXISTING MANAGEMENT ACTIONS			ADDITIONAL MANAGEMENT ACTIONS			ALL
Risk Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is "Inadequate")	Person accountable	Date action due to be completed	Review date
1a	Changes to budget process and improvements including joint CLT/Executive Away Days, to assist with aligning commitments and financial projections	TK	Assist leadership to review Council Plan and manifesto priorities by identifying what has been achieved (mid term review of Council Plan). Revisit Nottingham Plan and Council Plan	IC	Sep-13	
1a			Implementation of commercialisation big ticket will encourage greater "business" focus and more appropriate/intelligent risk taking	TK & AV	Ongoing	Review Dec 2013
2a 4	Increasing stakeholder engagement in the development of policies and processes e.g. engage frontline services in the design changes to support services	CLT	Develop timetable for the review and updating of corporate policies and process to facilitate stakeholder engagement	Relevant Directors		
2a 4			Increase understanding of statutory/mandatory requirements verses local bureaucracy and therefore areas for flexibility/of opportunity	Relevant Directors		
2a, 4			Build stronger links/understanding between corporate and frontline services e.g. frontline experience	Relevant Directors		
4	TSG provides longer term/coherent plan for change understanding impact on frontline services	CM	Understand interdependencies between change programmes / managing the impact on frontline services	CM	Ongoing	Review Oct 2013
4	Leading Nottingham Programme focuses on improving management behaviour in relation to engagement of colleagues	AP				Review Oct 2013
4			Moving from good to great - attitude shift to understanding culture of continuous improvement where change is not a threat but normal (PCATH)	IC	Sep-13	N/A

EXISTING MANAGEMENT ACTIONS			ADDITIONAL MANAGEMENT ACTIONS			ALL
Risk Ref.	Description of actions already in place to mitigate the identified risks	Person accountable	Description of additional actions to put in place (mandatory where current risk mitigation effectiveness is "Inadequate")	Person accountable	Date action due to be completed	Review date
5 & 8	Commercialisation programme in place to challenge, raise expectation, skills and performance, developing appropriate risk appetites	TK & AV				
8	Leading Nottingham programme	AP			Ongoing	Oct 2013
8	Putting Citizens at the Heart of what we do	IC			Sept 2013	
8	Develop Employee Engagement Strategy	AP			July 2013	Dec 2013

Nottingham City Council Risk Register - Report Summary

Ref.	Risk description	SR criteria						Threat level (seriousness) & DoT				DoT	Target Threat Level	Managing Accountability			
		Highest Pri	Corp Mit	Legal	Reputation	H & S	Citizen well-being	Financial	Date threat level & DoT	2012/13				2013/14	Corp. Director (Risk Owner)	Lead Director or Senior Colleague	
										Q2	Q3			Q4			Q1
SR26	Failure to support Nottingham citizens and communities in minimising the negative impact of welfare changes		✓				✓		Date	Oct-12	Jan-13	Mar-13	Jun-13	↔	Apr-14	C. Mills Deputy Chief Exec. / CD-Res	T. Kirkham Strategic Finance Director
								Threat Level	16 (4x4) R	16 (4x4)	16 (4x4) R	16 (4x4)			9 (3x3)		
								DoT	Deteriorating	Stable	Stable	Stable					
SR6	Failure to safeguard vulnerable children		✓	✓	✓		✓	✓	Date	Oct-12	Oct-12	March	Jun-13	↓	Apr-13	C. Brudenell Interim CD-Ch & Fam	H. Blackman Director Safeguarding
								Threat Level	15 (3x5)	15 (3x5)	15 (3x5)	15 (3x5)			10 (2x5)		
								DoT	Improving	Improving	Improving	Improving					
SR8b	Failure to implement and embed effective information management structures, policies, procedures, processes and controls to support the council's immediate and future regulatory, legal, and business requirements (updated Q1 2013/14)						✓		Date			Updated risk	Jun-13	N/A	Apr-14	C. Mills Deputy Chief Exec. / CD-Res	M. Gannon Director IT
								Threat Level				12 (3x4)			9 (3x3)		
								DoT				N/A					
SR11a	Failure to accurately predict and respond to financial pressures supporting the development and delivery of the medium term financial plan (updated Q1 2013/14)		✓		✓		✓		Date			Updated risk	Jun-13	N/A	Mar-13	C. Mills Deputy Chief Exec. / CD-Res	T. Kirkham Strategic Finance Director
								Threat Level				12 (3x4)			6 (3x2)		
								DoT				Stable					
SR12a	Failure to provide the best educational outcome for children and opportunities for young people to access further education and skills training to contribute to the economic wellbeing of the City (updated Q4 2012/13)	✓	✓		✓				Date	Oct-12	Oct-12	Mar-13	Mar-13	↔	Apr-15	I. Curryer Chief Exec.	C. Brudenell Interim CD-Ch & Fam
								Threat Level	12 (3x4)	12 (3x4)	12 (3x4) R	12 (3x4)			8 (2x4)		
								DoT	Stable	Stable	Deteriorating	Stable					
SR28	Failure to ensure a financially sustainable adult social care system to respond to significant increases in demand for care while protecting our most vulnerable citizens				✓		✓	✓	Date	Oct-12	Jan-13	Mar-13	Jun-13	↔	Mar-14	C. Brudenell Interim CD-Ch & Fam	H. Jones Dir for Adult Assessment
								Threat Level	12 (4x3) C	12 (4x3)	12 (4x3)	12 (4x3)			6 (2x3)		
								DoT	N/A	Improving	Stable	Stable					
SR29	Failure to establish an effective Public Health function impacting citizen wellbeing and a failure to deliver the authority's statutory responsibilities				✓		✓	✓	Date	Oct-12	Jan-13	Mar-13	Mar-13	↔	Apr-13	C. Kenny Dir Public Health	A. Hall Dir Health & Welbeing Transition
								Threat Level	12 (4x3) C	12 (4x3) R	12 (4x3)	12 (4x3)			9 (3x3)		
								DoT	N/A	Improving	Improving	Stable					
SR30	Failure to create an organisational environment that supports delivery of Council priorities (new risk added Q1 2013/14)				✓		✓		Date			New risk	Jun-13	N/A	Dec-12	I. Curryer Chief Exec.	R. Henderson Head of Service Change & Improvement
								Threat Level				12 (3x4)			9 (3x3)		
								DoT				N/A					

Ref.	Risk description	SR criteria							Threat level (seriousness) & DoT					DoT	Target Threat Level	Managing Accountability			
		Highest Pri	Corp Mit	Legal	Reputation	H & S	Citizen well-being	Financial	Date threat level & DoT	2012/13			2013/14			Corp. Director (Risk Owner)	Lead Director or Senior Colleague		
										Q2	Q3	Q4	Q1						
SR7a/b	Failure to reduce levels of crime and anti-social behaviour (ASB)	✓	✓		✓		✓		Date	Oct-11	Jan-13	Mar-13	Jun-13	↓	Sep-13	J. Kelly CD-Comm	E. Orrock Comm Safety Exec. Coordinator		
								Threat Level	12 (3x4)	12 (3x4)	12 (3x4)	12 (3x4)			8 (2x4)				
								DoT	N/A	Improving	Improving	Improving							
SR25a	Failure to embed a corporate approach to commissioning, informed by citizen need, which drives delivery of improved services at significantly lower cost (updated Q4 2012/13)				✓		✓	✓	Date			Mar-13	Jun-12	↓	Mar-14	C. Brudenell Interim CD-Ch & Fam	K. Banfield - Commissioning Change Programme Mgr		
								Threat Level		Updated risk	12 (3x4) C	12 (3x4)			9 (3x3)				
								DoT			N/A	Improving							
SR3	Failure to mitigate the impact of the economic climate on the Nottingham City and its citizens				✓		✓		Date	Oct-12	Jan-13	Mar-13	Jun-13	↔	Apr-12	D. Bishop CD-Dev	N. Jenkins Head of Economic Development		
								Threat Level	12 (4x3)	9 (3x3)	9 (3x3)	9 (3x3)			9 (3x3)				
								DoT	Improving	Improving AT TARGET	Stable AT TARGET	Stable AT TARGET							
SR16a	Failure of partners including the City Council to work effectively together to achieve vision and outcomes in the Nottingham Plan to 2020		✓		✓		✓		Date	Oct-12	Jan-13	Mar-13	Jun-13	↔	2014	I. Curryer Chief Exec.	C. Richmond Acting Dir Policy Partnerships & Comms		
								Threat Level	8 (2x4)	8 (2x4)	8 (2x4)	8 (2x4)			8 (2x4)				
								DoT	Stable AT TARGET	Stable AT TARGET	Stable AT TARGET	Stable AT TARGET							
SR5a	Failure to safeguard vulnerable adults		✓	✓	✓		✓	✓	Date	Oct-12	Jan-13	Mar-13	Jun-13	↓	Apr-13	C. Brudenell Interim CD-Ch & Fam	H. Jones Dir Comm Inclusion E. Yardley Dir Access & Reablement		
								Threat Level	8 (2x4)	8 (2x4)	8 (2x4)	8 (2x4)			4 (1x4)				
								DoT	Stable	Improving	Stable	Improving							
SR2a	Of the reputation of the City		✓		✓		✓		Date	Oct-12	Jan-13	Mar-13	Jun-13	↔	Oct-12	I. Curryer Chief Exec.	C. Richmond Acting Dir Policy Partnerships & Comms		
								Threat Level	6 (2x3)	6 (2x3)	6 (2x3)	6 (2x3)			6 (2x3)				
								DoT	N/A	Stable AT TARGET	Stable AT TARGET	Stable AT TARGET							
SR10	Failure to maintain good standards of governance		✓		✓		✓		Date	Oct-12	Jan-13	Jan-13	Jun-13	↓	Mar-13	C. Mills Deputy Chief Exec. / CD-Res	G. O'Connell Director Legal & Democratic Services		
								Threat Level	9 (3x3)	9 (3x3)	9 (3x3)	6 (2x3)			6 (2x3)				
								DoT	Stable	Stable	Stable	Improving AT TARGET							
SR24	Failure to ensure effective systems are in place to manage health and safety risks			✓	✓	✓	✓		Date	Oct-12	Jan-12	Mar-13	Jun-13	↓	Dec-13	C. Mills Deputy Chief Exec. / CD-Res	P. Millward Head of Service Emergency Planning		
								Threat Level	9 (3x3)	9 (3x3) R	9 (3x3)	6 (2x3)			6 (2x3)				
								DoT	Deteriorating	Stable	Stable	Improving AT TARGET							

DIRECTION OF TRAVEL (DoT):

Improving (reducing) threat level



Stable threat level



Deteriorating (increasing) threat level



Change & rationale for change	Current status
<i>XSR1 - Failure to implement harmonised pay, grade & terms & conditions, that are fair to all colleagues & Equal Pay legislation compliant</i>	
<p>SR1 was a long standing strategic risk. Over time the risk was progressively managed down to target at Q3 of 2012/13. Although some constituent risks remained these were diminishing with adequate actions in place to manage the risks. At Q3 2012/13 Corporate Leadership Team agreed to the delegation of the risk to the Resources Departmental Risk Register for ongoing management.</p>	<p>At its delegation the main focus of attention was on non teaching staff and this work has now been completed. Further work remains harmonised pay, grades and terms of conditions for Royal Centre Staff for which actions/plans are place considered adequate to manage the risks. On completion of this work there will remain a residual low level of risk of equal pay claims forming part of the business as usual operations of Human Resources & Transformation Directorate. As a significance risk to the Council it is closed.</p>
<i>XSR2 – Of the reputation of the city</i>	
<p>The risk was focussed on management of reputational consequential risks stemming from potential failure to deliver on business priorities (principally other strategic risks. The risk was re-scoped to managing causal risks as they impact on the delivery of priorities/citizens, through working more widely in the city/region with the business sector, third sector, Chamber Of Commerce, neighbouring LAs, regional groups, influencing Government Departments/Government perception etc. At Q2 2012/13 Corporate Leadership agreed the re-scoped risk.</p>	<p>This is a current strategic risk with ongoing quarterly reporting through the Strategic Risk Register Updates. The risk after re-scoping has remained at 6 since Q2 2012/13 reporting.</p>
<i>XSR7- Failure to reduce levels and the fear of crime and anti-social behaviour (ASB)</i>	
<p>SR7 was selected for review by the Corporate Director. The risk was re-scoped to focus on the relevant manifesto pledges and Corporate Leadership Team agreed the changes as part of the SRR Q2 Update.</p>	<p>This is a current strategic risk with ongoing quarterly reporting through the Strategic Risk Register Updates. The risk has remained at 12 but with an improving direction of travel since it was re-scoped in Q2 2012/13.</p>
<i>SR12a - Failure to provide the best educational outcome for children and opportunities for young people to access further education and skills training to contribute to the economic wellbeing of the City</i>	
<p>This is a long standing risk which has been in the SRR since Q3 2010/11. Changes in the Children and Families Corporate Directorate, implementation of a new inspection framework for school improvement services and a more fragmented and commercially motivated “education market place” has prompted a review of the risk which will seeks to reinforce</p>	<p>Work is underway to update the strategic risk which should be ready for review as part of the SRR Q2 Update.</p>

<p>a strategic and joined up approach that looks at a citizen's journey from child to adulthood and the impact that education and learning has on their quality of life and long term economic wellbeing.</p>	
<p><i>XSR14 - Failure to deliver culture change and XSR19 - Failure to deliver Council Plan priorities</i></p>	
<p>SR14 and 19 are long standing risks entering the SRR in quarters 3 and 4 respectively of 2008/09. A review began in March 2012 to re-scoping the risks around a <i>Failure to create an organisational environment that supports delivery of council priorities</i> to provide a more coherent approach to the management of both risks. Corporate Leadership Team asked that further work be undertaken to consider the risks and mitigations with a broader range of stakeholders.</p>	<p>The updated RMAP is included in the update as a newly scoped risk <i>SR30 - Failure to create an organisational environment that supports delivery of council priorities (Appendix 4)</i> and SR14 and SR19 have been closed.</p>
<p><i>XSR25 - Failure to deliver improved outcomes through the implementation and embedding of the Commissioning Framework within the directorate, the council and with partners</i></p>	
<p>The risk was originally scoped around the development and implementation of a Commissioning Framework within Children and Families. On completion of this work, Corporate Leadership agreed in April 2013 to the re-scoping of the risk around the wider embedding of the developed Commissioning Framework across the organisation as <i>SR25a - Failure to embed a corporate approach to commissioning, informed by citizen need, which drives delivery of improved services at significantly lower cost</i></p>	<p>Current strategic risk with ongoing quarterly reporting through the Strategic Risk Register Updates. The risk has remained at 12 but showing an improved direction of travel since it was re-scoped in Q4 2012/13.</p>
<p><i>XSR27 - Failure of Workplace Parking Levy (WPL) to raise sufficient income to meet NET Phase Two funding requirements</i></p>	
<p>The risk entered the SRR at Q1 2011/12 focussed on the ability of WPL to raise revenue to meet the Council's contribution to the NET Phase Two, HUB and Link Buses projects. The scheme was introduced on 1st October 2011 and charging commenced in April 2012. The risk was delegated for ongoing monitoring at Q2 of so12/13 once the performance of WPL was better understood and the level of risk improved to 8.</p>	<p>Concern centred on the ability of WPL to meet funding requirements for Net Phase 2, with a significant issue being interest rates/changes and Net Phase 2 borrowing costs. This risk has been mitigated by borrowing at a new 'certainty rate' offered by the Public Works Loan Board which is considerably lower than the prevailing rate and has a beneficial impact on the overall financial model, substantially offsetting a reduction in the projected WPL income in Year 1 of the scheme. The WPL income projections are updated to reflect the latest information available as income collection is still in its infancy. In the event that over the 23 year life of the NET Phase 2 contract, insufficient WPL income is generated, decisions may be made in respect of the ongoing contributions to the Link Bus network and/or extending the WPL scheme beyond the life of the NET Phase 2 contract.</p>

SR28 - Failure to ensure a financially sustainable adult social care system to respond to significant increases in demand for care while protecting our most vulnerable citizens

Corporate Leadership Team agreed the addition of the risk to the SRR in Q2 of 2012/13. The risk is scoped around delivering short and long-term savings, ensuring a financially sustainable care system, and responding to national policy drivers around personalisation, greater citizen choice, and brings together all significant change activity across the area of adult social care.

Current strategic risk with ongoing quarterly reporting through the Strategic Risk Register Updates. The risk has remained at 12 since entering the SRR.

SR29 - Failure to establish an effective Public Health function impacting citizen wellbeing and a failure to deliver the authority's statutory responsibilities

Corporate Leadership Team agreed the addition of the risk to the SRR in Q2 of 2012/13 scoped around the transition and delivery of the Public Health function and the council meeting its statutory duties. The risk entered the SRR at 12 and showed an improving direction of travel. .

The Public Health function transferred in April 2013 prompting work to rescope the risk around delivering the function and securing the benefits from improved integration of NCC services. The updated RMAP should be ready for review as part of the SRR Q2 Update.

AUDIT COMMITTEE – 26 JULY 2013

Title of paper:	DRAFT STATEMENT OF ACCOUNTS 2012-13	
Director(s)/ Corporate Director(s):	Carole Mills - Deputy Chief Executive/Corporate Director for Resources	Wards affected: All
Report author(s) and contact details:	Barry Dryden, Senior Finance Manager, Financial Reporting barry.dryden@nottinghamcity.gov.uk 0115 876 2799	
Other colleagues who have provided input:	None	
Relevant Council Plan Strategic Priority:		
World Class Nottingham		
Work in Nottingham		
Safer Nottingham		
Neighbourhood Nottingham		
Family Nottingham		
Healthy Nottingham		
Leading Nottingham		✓
Summary of issues (including benefits to citizens/service users):		
This report sets out progress regarding the 2012/13 Statement of Accounts (the Statement) for Nottingham City Council, and outlines the process for approving the Statement in accordance with the Accounts and Audit Regulations 2011		
Recommendation(s):		
1	Note that the Statement of Accounts was submitted to the Audit Commission for audit review on 28 June 2013.	
2	Note that the contents of the Statement of Accounts will be placed on deposit for public inspection for 20 working days from 8 July 2013	
3	Note that there have been no significant changes to the accounting policies presented to Audit Committee on 26 April 2013	
4	Review the Council's position and confirm that it is appropriate for the Statement of Accounts to be produced on a going concern basis.	
5	Note that the Audit Committee will be required to review the final audited Statement when it is presented on 27 September 2013.	

1. BACKGROUND

- 1.1 The Accounts and Audit Regulations 2011 (the Regulations) require the City Council to produce an annual Statement of Accounts and outlines the process for their approval and publication. The Regulations require the Council to make the unaudited Statement available for public inspection.
- 1.2 The Review of Accounting Policies report to Audit Committee on 26 April 2013 stated that any major changes in Accounting Policies would be brought to this meeting. There are no changes at this time.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Under s8 of the Regulations, the responsible financial officer has to certify that the Council's pre-audit Statement presents a true and fair view of the income, expenditure and financial position of the Council. In accordance with the Regulations, the Chief Finance Officer (CFO) certified the 2012/13 Statement on 28 June 2013 and the Statement was passed to the external auditors (KPMG) to begin their audit on the same date.
- 2.2 The certification will allow the Statement to be placed on deposit for public inspection for a period of 20 working days from 8 July 2013 to 2 August 2013. A public notice to this effect was placed in the local press on 5 June 2013 and on the Council's website. Following this period, KPMG will be available on or after 5 August 2013 for any local government elector or their representative to question them about the accounts or make any objections.
- 2.3 The accounting policies presented to Audit Committee on 26 April have been passed to KPMG for review. KPMG have not identified any major changes that are required
- 2.4 International Accounting Standard 1 requires the Council to undertake an annual review to assure itself that it is appropriate for the Statement to be produced on a going concern basis. In line with best practice, it is recommended that Audit Committee formally confirm that the Council is a going concern. The inherent nature of local authorities is considered to be sufficient to satisfy this requirement; although the work undertaken by the CFO in assessing the Medium Term Financial Plan for the robustness of the budget and adequacy of reserves further supports this.
- 2.5 The Regulations require that the audited Statement is submitted for consideration and approval by the Council or a committee of the Council prior to the end of September in the following financial year. To meet this requirement a further report, supported by the audited Statement, will be brought to the Audit Committee on 27 September.

2.6 The Audit Committee's terms of reference include dealing with matters relating to the Statement, and will be required to review the final Statement and consider any findings made by KPMG at the September meeting. As the Statement is a long and complex document, the draft executive summary and main statements are set out in **Appendix A**. The full Statement is also available on request from barry.dryden@nottinghamcity.gov.uk or from the City Council's website at <http://www.nottinghamcity.gov.uk/index.aspx?articleid=1095>

3. OTHER OPTIONS CONSIDERED IN MAKING ECOMMENDATIONS

3.1 None.

4. FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)

4.1 None.

5. RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS, CRIME AND DISORDER ACT IMPLICATIONS AND EQUALITY AND DIVERSITY IMPLICATIONS)

5.1 None.

6. EQUALITY IMPACT ASSESSMENTS (EIAs)

6.1 An EIA is not required as this report does not include proposals for new or changing policies, services or functions.

7. LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

Draft Statement of Accounts
Closedown working papers

8. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

Code of Practice on Local Authority Accounting
CIPFA Supplementary Guidance
LAAP bulletins
Accounts and Audit Regulations 2011.

1. Executive Summary

The Statement of Accounts provides a summary of the Council's financial performance for 2012/13. This is primarily reflected in the Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet, while the Movement in Reserves and Cash Flow statements provide further analysis of specific movements on the Balance Sheet.

1.1 Income and Expenditure – Funding Basis

TABLE 1.1 KEY FIGURES - FUNDING BASIS		
DESCRIPTION	2011/12 £m	2012/13 £m
Cost of services (portfolios)	278.445	270.501
(Surplus)/Deficit before transfers to reserves	(5.305)	(15.851)
(Surplus)/Deficit after transfers to reserves	(3.082)	(2.116)

When setting its Budget and Council Tax, the Council is required to follow legislative requirements to fund its expenditure (Funding Basis). On the Funding Basis the Council generated a surplus of income over expenditure of £2.116m after contributions of £13.735m had been made to earmarked reserves. This surplus increases the General Fund by £2.116m, and was generated by services underspending by £6.446m, offset by additional uses of the General Fund totalling £4.330m.

Further analysis of the spending in 2012/13 is set out in section 2.2 of the Explanatory Foreword.

1.2 Income and Expenditure – Financial Reporting Basis

TABLE 1.2 KEY FIGURES - FINANCIAL REPORTING BASIS		
DESCRIPTION	2011/12 £m	2012/13 £m
Cost of Services	432.536	304.771
Total Comprehensive Income and Expenditure (Surplus)/Deficit	353.571	(28.878)

The CIES is produced using International Financial Reporting Standards (IFRS) and shows a surplus for the year of £28.878m. The difference from the Funding Basis is due to the inclusion of the Housing Revenue Account (HRA), the treatment of capital financing and timing differences in the recognition of income and expenditure. The surplus, together with a reduction in unusable reserves (£14.896) is used to increase the General Fund (£2.116m), Earmarked Reserves (£13.735m), HRA Reserves (£0.436m) and Capital Financing Reserves (£24.578m).

Further explanation of these differences is set out in section 5 of the accounts and in note 6.3.1.

1.3 Balance Sheet

TABLE 1.3 KEY FIGURES - BALANCE SHEET		
DESCRIPTION	31 March 2012 £m	31 March 2013 £m
Long Term Assets	2,083.640	2,086.298
Current Assets	256.618	324.898
Current Liabilities	(273.594)	(242.368)
Long Term Liabilities	(1,274.781)	(1,348.070)
NET ASSETS	791.883	820.758

The Balance Sheet shows the value of the Council's assets and liabilities at the end of the financial year. The most significant assets relate to the value of property plant and equipment (PPE). The value of these assets has fallen by £2.862m. This movement is as a result of a number of factors:

- Expenditure on new PPE assets or improving existing assets has increased their value by £120.653m.
- PPE assets have been depreciated to reflect use over their lifetime. This charge has reduced the value of these assets by £81.387m
- Each year the Council's PPE assets are reviewed to assess whether their depreciated value reflects an objective assessment of their current value. This assessment has resulted in an increase in the value of these assets by £0.910m.
- A number of schools have switched to Academy status which, together with the de-recognition of other assets, resulted in £35.725m of assets being removed.
- The disposal, sale or removal of other PPE assets has reduced their value by £3.066m
- Assets transferred to Held for Sale amounted to £4.247m

Further details appear in note 6.2.1

Within long term liabilities, expenditure on assets that have been financed by borrowing has helped to produce a net increase in the long term borrowing figure of £63.609m. However, this increase has been offset by the repayments on existing loans. The Council is required to monitor its need to borrow arising from capital expenditure (Capital Financing Requirement) which currently stands at £902.178m, an increase of £9.106m. Note 6.5.9 provides further details of capital expenditure and its financing.

The Balance Sheet also includes a liability of £546.235m relating to pension schemes. This liability represents the likely pension entitlements payable to all current staff and pensioners offset by the current value of the pension fund. This method of assessing the impact of pensions can be very volatile, resulting in significant charges or credits to the CIES. For 2012/13 the credit to the CIES was £7.957m. However, the Funding Basis approach maintains an element of stability by only accounting for the annual employer's contributions and payments to the Fund. The Pension Fund is then periodically reviewed and employer's contributions are adjusted to meet liabilities over the longer term. Therefore, the difference in approach relates to timing differences in recognising the net charge to the CIES.

The figure for Net Assets represents an overall view of the net value of the Council after netting off all assets and liabilities. At 31 March 2013, this totals £820.758m.

1.4 Movement in Reserves Statement

TABLE 1.4 KEY FIGURES - MOVEMENT IN RESERVES STATEMENT			
DESCRIPTION	31 March 2012 £m	Movement 2012/13 £m	31 March 2013 £m
General Fund	11.686	2.116	13.802
Earmarked General Fund Reserves	105.249	13.735	118.984
Other Usable Reserves	36.551	25.014	61.565
Unusable Reserves	638.394	(11.987)	626.407
TOTAL AUTHORITY RESERVES	791.880	28.878	820.758

Previous years' surpluses and deficits on the CIES are reflected in the reserves figures. The Movement in Reserves Statement shows how the reserves have changed during the year.

The reserves are split between usable and unusable. Usable reserves are available to support the Council's revenue budget, otherwise known as the General Fund (£13.802m), Earmarked Reserves (£118.984m) the HRA (£5.030m) and Capital Financing (£56.535m). The movement in the General Fund reflects the surplus after transfers to reserves on the funding basis (Table 1.1). Unusable reserves are created to account for the timing differences between the Funding Basis and IFRS basis of accounting as already referred to in paragraph 1.2. These reserves are therefore not available for distribution as they are required as and when the timing differences fall out.

Further details of the reserves and movements are set out in the Movement in Reserves Statement and in notes 6.2.3, 6.2.12 and 6.2.13.

1.5 Group Accounts

TABLE 1.5 KEY FIGURES - GROUP ACCOUNTS		
DESCRIPTION	2011/12 £m	2012/13 £m
Total Comprehensive Income and Expenditure (Surplus)/Deficit	375.994	(32.513)
Net Assets	775.361	808.587
Council's Share of other Group Reserves/Minority Interests	(16.522)	(12.171)

Group Accounts consolidate statements for the Council with organisations where the Council has material financial interests and a significant level of control. The 2012/13 Group Accounts consolidate the accounts for Arrow Light Rail Ltd, Bridge Estate, Nottingham City Homes (NCH), Nottingham City Transport (NCT), Nottingham Ice Centre, Enviroenergy and Nottinghamshire Futures Ltd.

On an IFRS basis the group's surplus is £3.635m higher than the Council's primarily due to gains and losses on the pension scheme valuations for NCT and NCH. The value of the Group as represented by Net Assets is £808.587m. This is £12.171m less than the Council's Net Assets, which is due in part to the additional pension scheme liabilities. This reduction is also reflected in the Group's reserves as a result of the consequential accumulated net losses. Further details appear in section 8 of the accounts.

1.6 Forward Plans

TABLE 1.6 KEY FIGURES - FORWARD PLANS			
DESCRIPTION	2013/14 £m	2014/15 £m	2015/16 £m
Medium Term Financial Outlook - Indicative Cumulative Revenue Gap	-	22.462	43.256
Capital Programme - Planned Expenditure	209.763	205.066	69.157

Details of the Council's Plans for the future are held in a number of documents including the Nottingham Plan to 2020, the Medium Term Financial Plan and the Asset Management Plan.

The Council will continue to face a period of uncertainty due to the current economic conditions and a number of Government initiatives. The council has set a balanced budget for 2013/14. However, it is clear that there will be further funding reductions in the future within which inflationary and demographic pressures will have to be managed. As a result, the current Medium Term Financial Outlook shows an estimated gap of £43.256m by 2015/16.

A similar challenge is faced by the Capital Programme. However, the programme is boosted by expenditure on NET lines 2 and 3 for the next two years. Thereafter the programme is dominated by expenditure on public sector housing, which will be predominantly financed by the Housing Revenue Account.

Further details appear in section 2 of the accounts.

2. Core Financial Statements

2.1 Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

TABLE 4.1: COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

DESCRIPTION (Note)	2011/12			2012/13		
	Gross	Gross	Net	Gross	Gross	Net
	Expenditure £m	Income £m	Expenditure £m	Expenditure £m	Income £m	Expenditure £m
Central services to the public	4.765	(2.865)	1.900	5.383	(3.183)	2.200
Cultural and related services	66.626	(10.847)	55.779	62.933	(11.047)	51.886
Environmental and Regulatory services	46.753	(15.834)	30.919	46.208	(16.156)	30.052
Planning Services	35.240	(11.841)	23.399	26.451	(19.800)	6.651
Education and children's services	338.239	(227.693)	110.546	280.198	(189.497)	90.701
Highways and transport services	61.441	(33.937)	27.504	63.978	(46.198)	17.780
Local authority housing (HRA)	143.193	(93.076)	50.117	78.591	(100.574)	(21.983)
Other housing services	202.239	(175.630)	26.609	203.545	(184.765)	18.780
Adult social care	116.252	(37.396)	78.856	118.714	(34.281)	84.433
Corporate and democratic core	44.243	(21.496)	22.747	49.080	(28.944)	20.136
Non distributed costs	4.406	(0.246)	4.160	4.444	(0.309)	4.135
Cost of Services	1,063.397	(630.861)	432.536	939.525	(634.754)	304.771
Other operating expenditure (Note 6.1.1)						
Transfer of school buildings to academies	94.778	-	94.778	26.573	-	26.573
Other	40.987	(9.249)	31.738	17.137	(10.197)	6.940
Financing and investment income and expenditure (Note 6.1.2)	132.027	(70.465)	61.562	93.902	(55.091)	38.811
Taxation and non-specific grant income (Note 6.1.3 & 6.1.5)						
Exceptional Items						
Investment Impairment	30.261	-	30.261	-	-	-
HRA Debt Redemption	-	(65.988)	(65.988)	-	-	-
HRA Debt Premiums	-	(12.755)	(12.755)	-	-	-
Other	-	(340.342)	(340.342)	-	(341.713)	(341.713)
(Surplus)/Deficit on Provision of Services	1,361.450	(1,129.660)	231.790	1,077.137	(1,041.755)	35.382
Surplus or deficit on revaluation of Property, Plant and Equipment assets (Note 6.1.6)			(66.236)			(56.259)
Actuarial gains/losses on pension assets/liabilities (Note 6.1.4)			188.110			(7.957)
Other gains/losses recognised required			(0.093)			(0.044)
Other Comprehensive Income and Expenditure			121.781			(64.260)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE (SURPLUS)/DEFICIT			353.571			(28.878)

2.2 Balance Sheet

The Balance Sheet shows the value, as at 31 March each year, of the assets and liabilities recognised by the Council. The net assets (i.e. assets less liabilities) are matched by the reserves held. Reserves are reported in two categories:

- usable reserves - i.e. those reserves that may be used to help provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- those reserves that the Council is not able to use to help provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to help provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

DESCRIPTION	Notes	Restated 31 March 2012 £m	31 March 2013 £m
Property, Plant & Equipment	6.2.1	1,934.536	1,931.674
Heritage Assets	6.2.2	44.489	46.344
Investment Property	6.2.4	37.454	36.962
Intangible Assets	6.2.5	2.063	1.781
Long Term Investments		12.472	10.885
Long Term Debtors	6.2.16(a)	52.626	58.652
Long Term assets		2,083.640	2,086.298
Assets Held for Sale	6.2.6	5.607	5.918
Intangible Assets (current assets)	6.2.11(a)	-	0.034
Short Term Investments	6.2.16(a)	49.963	147.455
Inventories	6.2.7	1.468	1.209
Short Term Debtors	6.2.8	76.230	93.366
Cash and Cash Equivalents	6.2.9	123.350	76.916
Current Assets		256.618	324.898
Short Term Borrowing	6.2.16(b)	(126.923)	(85.898)
Short Term Creditors	6.2.10	(146.671)	(151.718)
Provisions (current provisions)	6.2.11(a)	-	(4.752)
Current Liabilities		(273.594)	(242.368)
Long Term Borrowing	6.2.16(b)	(637.713)	(701.322)
Other Long Term Liabilities	6.2.16(b)	(81.476)	(81.162)
Provisions (non-current)	6.2.11(b)	(11.127)	(14.761)
Capital Grants Receipts in Advance	6.2.14	(7.646)	(4.590)
Defined Benefit Pension Scheme	6.2.15	(536.819)	(546.235)
Long Term Liabilities		(1,274.781)	(1,348.070)
NET ASSETS		791.883	820.758
Usable Reserves	6.2.12*	153.486	194.351
Unusable Reserves	6.2.13	638.397	626.407
TOTAL RESERVES		791.883	820.758

* See tables 4.3 and 6.2.3 for details

2.3 Movement in Reserves Statement

This statement shows the in-year movement of the various reserves held, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. However, these are different from the statutory amounts required to be charged to the General Fund Balance and the HRA for council tax setting and dwellings rent setting purposes, which are shown by the Net Increase/Decrease before Transfers to Earmarked Reserves line. Discretionary transfers to or from earmarked reserves are undertaken before arriving at the Increase/Decrease in Year line

DESCRIPTION (Note)	General Fund Balance		Earmarked General Fund Reserves		Housing Revenue Account		Capital Receipts Reserve		Major Reserve		Capital Grants Unapplied		Total Usable Reserves		Unusable Reserves		Total Authority Reserves		
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Balance at 31 March 2012	11.686	105.249	4.594	0.440	15.817	15.700							153.486	638.394	791.880				
Movement in reserves during 2012/13:																			
Surplus/(deficit) on the provision of services	(45.214)	-	9.832	-	-	-	-	-	-	-	-	-	(35.382)	-	(35.382)	-	-	-	-
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	64.260	64.260	-	-	64.260	-
Total Comprehensive Income and Expenditure (Table 4.1)	(45.214)	-	9.832	-	-	-	-	-	-	-	-	-	(35.382)	64.260	28.878	-	-	28.878	-
Adjustments between accounting basis and funding basis under regulations (Note 6.3.1)	61.065	-	(9.396)	8.863	12.190	3.525							76.247	(76.247)	-	-	-	-	-
Net Increase/Decrease before Transfers to Earmarked Reserves	15.851	-	0.436	8.863	12.190	3.525							40.865	(11.987)	28.878	-	-	28.878	-
Transfers to/from Earmarked Reserves	(13.735)	13.735	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase/Decrease in Year	2.116	13.735	0.436	8.863	12.190	3.525							40.865	(11.987)	28.878	-	-	28.878	-
BALANCE AT 31 MARCH 2013	13.802	118.984	5.030	9.303	28.007	19.225							194.351	626.407	820.758	-	-	820.758	-

APPENDIX A

TABLE 4.3(b): MOVEMENT IN RESERVES STATEMENT 2011/12

DESCRIPTION (Note)	General Fund Balance		Earmarked General Fund Reserves		Housing Revenue Account		Capital Receipts Reserve		Major Repairs Reserve		Capital Grants Unapplied		Total Usable Reserves		Unusable Reserves		Total Authority Reserves		
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Balance at 31 March 2011	8.604	102.979	5.171	1.015	13.397	22.088							153.254	992.200	1,145.454				
Movement in reserves during 2011/12:																			
Surplus/(deficit) on the provision of services	(236.428)	-	4.638	-	-	-							(231.790)	-	(231.790)				
Other Comprehensive Income and Expenditure	-	0.047	-	-	-	-							0.047	(121.828)	(121.781)				
Total Comprehensive Income and Expenditure (Table 4.1)	(236.428)	0.047	4.638	-	-	-							(231.743)	(121.828)	(353.571)				
Adjustments between accounting basis and funding basis under regulations (Note 6.3.1)	241.733		(5.215)	(0.575)	2.420	(6.388)							231.975	(231.975)	-				
Net Increase/Decrease before Transfers to Earmarked Reserves	5.305	0.047	(0.577)	(0.575)	2.420	(6.388)							0.232	(353.803)	(353.571)				
Transfers to/from Earmarked Reserves	(2.223)	2.223	-	-	-	-							-	-	-				
Increase/Decrease in Year	3.082	2.270	(0.577)	(0.575)	2.420	(6.388)							0.232	(353.803)	(353.571)				
BALANCE AT 31 MARCH 2012	11.686	105.249	4.594	0.440	15.817	15.700							153.486	638.397	791.883				

Details regarding the Major Repairs Reserve are covered in the HRA notes to the accounts.

2.4 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how cash and cash equivalents are generated and used by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been used for resources which are intended to contribute to future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing).

DESCRIPTION	Notes	2011/12 £m	2012/13 £m
Net Surplus/(Deficit) on the provision of Services		(231.790)	(35.382)
Adjustments to net surplus or deficit on the provision of services for non-cash movements		491.032	202.796
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(149.222)	(82.389)
Net Cash Flows from Operating Activities	6.4.1	110.020	85.025
Investing activities	6.4.2	(259.752)	(140.407)
Financing activities	6.4.3	186.144	8.943
Net Increase or Decrease in Cash and Cash Equivalents		36.412	(46.434)
Cash and cash equivalents at the beginning of the reporting period		86.938	123.350
CASH AND CASH EQUIVALENTS AT 31 MARCH 2013		123.350	76.916

AUDIT COMMITTEE – 26 JULY 2013

Title of paper:	TREASURY MANAGEMENT 2012/13 ANNUAL REPORT	
Director(s)/ Corporate Director(s):	Carole Mills Deputy Chief Executive/Corporate Director for Resources	Wards affected: All
Report author(s) and contact details:	Jeff Abbott, Head of Corporate and Strategic Finance Tel: 0115 8763648 E-mail: jeff.abbott@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Members of Treasury Management Panel: Tony Kirkham, Director of Strategic Finance Geoff Walker, Strategic Finance Manager Barry Dryden, Senior Finance Manager Peter Guest, Treasury Management Officer	
Relevant Council Plan Strategic Priority: (you must mark ✓ in the relevant boxes below)		
World Class Nottingham		✓
Work in Nottingham		✓
Safer Nottingham		✓
Neighbourhood Nottingham		✓
Family Nottingham		✓
Healthy Nottingham		✓
Leading Nottingham		✓
Summary of issues (including benefits to citizens/service users):		
This report sets out the 2012/13 performance in respect of treasury management - the management of the Council's external debt and investments.		
Recommendation(s):		
1	To consider and comment on the Treasury Management 2012/13 Annual report, shown at Appendix A.	

1. BACKGROUND

- 1.1 Treasury management is the management of an organisation's borrowings and investments, the effective management of the associated risks and the pursuit of optimum performance or return consistent with those risks.
- 1.2 The treasury management function is governed by provisions set out under Part 1 of the Local Government Act 2003, whereby the City Council must have regard to the CIPFA Prudential Code and the CIPFA Code of Practice. Under the latter Code, an annual report is required to be submitted to and considered by councillors.
- 1.3 The 2012/13 annual report is shown at Appendix A for information. This report was considered by Executive Board on 18 June 2013.

2. REASONS FOR RECOMMENDATIONS (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 The CIPFA Prudential Code requires local authorities to nominate a body within the organisation to be responsible for scrutiny of treasury management activity. It is considered that the City Council's Audit Committee is the most appropriate body for this function.

2.2 In undertaking this function, the Audit Committee holds the responsibility to provide effective scrutiny of treasury management policies and practices.

3. OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

3.1 Options for management of the Council's debt and investment portfolio are continually reviewed. The overall aim is to minimise the net revenue costs of our debt whilst maintaining an even debt profile in future years, and to maximise investment returns within stated security and liquidity guidelines.

4. FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)

4.1 The financial implications of Treasury Management performance in 2012/13 are detailed in Appendix A, section 5.

5. RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)

5.1 Risk management plays a fundamental role in treasury activities, due to the value of transactions involved. The management of specific treasury management risks is set out in the Manual of Treasury Management Practices and Procedures and a risk register is maintained for the treasury function.

6. EQUALITY IMPACT ASSESSMENT

Has the equality impact been assessed?

Not needed (report does not contain proposals or financial decisions)

No

Yes – Equality Impact Assessment attached

7. LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

7.1 None.

8. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

8.1 Treasury Management in the Public Services, Code of Practice 2009 – CIPFA

APPENDIX A

EXECUTIVE BOARD – 18 June 2013

Subject:	TREASURY MANAGEMENT 2012/13 ANNUAL REPORT		
Corporate Director(s) / Directors:	Carole Mills Deputy Chief Executive & Corporate Director for Resources		
Portfolio Holder(s):	Councillor Graham Chapman, Portfolio Holder for Resources, Economic Development and Reputation		
Report author and contact details:	Jeff Abbott, Head of Corporate and Strategic Finance Tel: 0115 8763648 E-mail: jeff.abbott@nottinghamcity.gov.uk		
Key Decision	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Reasons: Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision <input type="checkbox"/>			Revenue <input type="checkbox"/> Capital <input type="checkbox"/>
Significant in terms of its effects on communities living or working in an area consisting of two or more wards in the City			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Relevant Council Plan Strategic Priority:	Wards affected: All		
World Class Nottingham	<input checked="" type="checkbox"/>		
Work in Nottingham	<input checked="" type="checkbox"/>		
Safer Nottingham	<input checked="" type="checkbox"/>		
Neighbourhood Nottingham	<input checked="" type="checkbox"/>		
Family Nottingham	<input checked="" type="checkbox"/>		
Healthy Nottingham	<input checked="" type="checkbox"/>		
Leading Nottingham	<input checked="" type="checkbox"/>		
Summary of issues (including benefits to customers/service users):			
This report sets out the 2012/13 performance in respect of the management of the Council's external debt and investments (i.e.: treasury management). The key issues are:			
<ul style="list-style-type: none"> • The average rate of interest payable on external debt increased from 3.740% at 1 April 2012 to 3.788% at 31 March 2013 (see section 3.3). • The average rate of interest earned on short-term investments in 2012/13 was 0.778%. This is benchmarked against the 7 day London Inter-bank (LIBID) rate provided by the Bank of England, which averaged 0.487% for the same period (see section 3.6). • The 2012/13 out-turn showed net General Fund expenditure of £46.790m (see section 5.1) 			
Recommendation(s):			
1	To note the performance information in this annual treasury management report.		

1 BACKGROUND

1.1 Treasury Management entails the management of the Council's cash flows, its borrowings and investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks. To assist in this process the Council retains external financial advisors.

2 REASONS FOR RECOMMENDATIONS (INCLUDING OUTCOMES OF CONSULTATION)

2.1 The Council adopted the Chartered Institute of Public Finance and Accountancy

(CIPFA)'s revised Code of Practice on Treasury Management in Local Authorities (the Code) on 18 February 2002. Part of the Code requires a formal annual report on the performance of the Treasury Management function.

3 TREASURY MANAGEMENT ACTIVITY IN 2012/13

3.1 External advisors

External advisors (Arlingclose) are retained to provide additional input on treasury management matters. The service comprises economic and interest rate forecasting, advice on strategy, portfolio structure, debt restructuring, investment policy and credit ratings and technical assistance on other matters, as required.

3.2 Prudential Indicators

Following the Local Government Act 2003, the Council is required to approve a series of treasury management prudential indicators. **Appendix 1** shows actual performance against these indicators for 2011/12 and 2012/13 - enabling comparison. The final column in the table reflects actual outturn against targets. For the affordability and treasury management indicators, this indicates whether the outturn was within set limits. For the prudence indicators, the actuals reflect the management of the capital programme and associated debt, within existing resource limitations. All of the outturn indicators at 31 March 2013 are within the parameters set for the year and there were no breaches of limits during the year.

The 'PFI and leasing debt' figures within the indicators reflect the notional debt element of those schemes financed through Private Finance Initiative funding or finance leases.

3.3 Loan debt portfolio

Total outstanding debt during 2012/13 increased by £21.6m to £776.6m at 31 March 2013. The average rate of interest on that debt increased slightly, from 3.740% at 1 April 2012 to 3.788% at 31 March 2013. The majority of long-term borrowing is raised from the Government's Public Works Loan Board (PWLB). **Table 1** analyses the debt portfolio:

	1 APR 2012		31 MAR 2013	
	£m	%	£m	%
DEBT				
PWLB borrowing	628.0	4.073	684.8	3.950
Market loans	51.3	4.287	51.3	4.287
Local bonds	1.0	2.417	0.6	2.200
Temporary borrowing	74.7	0.574	39.9	0.393
TOTAL DEBT	755.0	3.740	776.6	3.788

Good treasury management practice requires a spread of maturing debt over future years, avoiding large amounts of debt falling to be repaid in any one year. Prudential indicators include a requirement for fixed debt maturity to be within set parameters. **Table 2** shows those parameters and the actual debt percentages at 31 March 2013.

Period of loan	Parameters %	31/03/13 %
Under 12 months	0 – 20	9.82
1 to 2 years	0 – 20	1.80
2 to 5 years	0 – 25	5.99

5 to 10 years	0 – 25	19.67
10 to 25 years	0 – 50	35.54
25 to 40 years	0 – 25	16.41
> 40 years	0 - 75	10.77

The debt maturity profile is reviewed as part of the overall review of treasury management strategy.

3.4 Economic background

The UK economy registered overall growth of 0.2% in Gross Domestic Product (GDP) for the calendar year 2012, largely as a result of the boost provided by the Olympic Games in the third quarter. Following a return to negative growth in quarter 4, a 'triple-dip' recession was narrowly avoided in the first quarter of 2013. Although there are some encouraging signs in terms of declining inflation and unemployment levels, a return to healthy GDP growth is not expected before 2014 at the earliest.

As a consequence of these growth figures, Government borrowing increased in 2012/13, leading to the loss of the UK's AAA credit rating status (Moody's rating agency). Any potential increase in Government borrowing costs as a result of this downgrade was offset by continuing problems in the Eurozone, with the UK remaining an attractive safe haven for funds.

The introduction of the Government's Funding for Lending scheme in 2012, providing cheap funding for banks in return for passing this credit flow into the wider economy, led to a sharp fall in short-term interest rates (the 6 month gilt rate reduced from 1.33% to 0.51% during the course of the financial year).

The continuation of the Government's re-purchase of longer-term gilts (Quantitative Easing) also served to depress long-term interest rates, with the 40-year gilt yield falling by around 0.25% in the year.

3.5 Strategy during year

The overall Treasury Management strategy for 2012/13 was approved at a meeting of the Council on 5 March 2012 and included:

- *new borrowing*

A borrowing requirement of £53.8m was estimated for 2012/13, to replace maturing debt and finance capital expenditure. The type, period, and timing of new borrowing would be dependant on the expected movement in interest rates and the existing debt maturity profile, as well as approved prudential indicators and limits. The continued use of existing surplus cash to fund the borrowing requirement ('internal borrowing') would remain an option, given projected interest rates.

- *rescheduling*

Rescheduling of debt (the early repayment of existing loans and the replacement of that debt with new borrowing for different periods) is undertaken to improve the maturity profile of outstanding debt and reduce the interest charge on the revenue account. It was intended to take advantage of such opportunities if and when they arose during the year.

- *investments*

Cash surpluses during the year would be invested with security and liquidity being the primary driver. Within those stated guidelines, the interest earned would be maximised. Investment activity would follow the specific approach included within the Treasury Management strategy report. The use of such surpluses to fund the borrowing requirement, on a temporary basis, would continue where appropriate.

3.6 Performance

Performance on the various elements within the adopted treasury management strategy during 2012/13 (see 3.5) is set out below:

- *Overall borrowing strategy*
In 2012/13, surplus cash continued to be used to suppress the need for new borrowing, because of the margins between long-term borrowing costs and short-term investment returns. This strategy, which commenced in 2010/11, continues to generate significant revenue savings.
- *New borrowing*
There was no new long-term borrowing raised in 2012/13, other than the specific PWLB loan to finance the development of the Nottingham Express Tram (NET) scheme network, detailed below.
- *NET loan*
The NET Phase 2 scheme includes a large capital payment by the Council to the developer on construction completion, to be funded from prudential borrowing. (Future interest and principal costs from that borrowing will be met from Private Finance Initiative (PFI) grant and Workplace Parking Levy income streams). With long-term interest rates at a very low level during 2012/13, the opportunity to raise this borrowing in advance of need was taken, with £100m being raised from the PWLB in November and December 2012, at an average rate of 2.702%.
- *Other repayments / rescheduling*
Opportunities to reschedule existing debt remained very limited during the year, as a result of continuing low rates of interest across all periods.
- *Investments*
Investments of surplus cash, generated from a combination of core cash, short-term surpluses and various reserves and provisions, were made with approved counterparties throughout the year, in line with the strategy approved by Council in March 2013.

The counterparty list is based on the approved financial institution achieving a minimum specified credit rating, with the lowest rating from the three rating agencies being applied. Other factors, such as share prices, Credit Default Swap rates, sovereign credit ratings and support mechanisms and market sentiment are also considered. Monitoring of all these elements is carried out by the Council and by its advisors each day.

- *overall investment performance*
The average sum formally invested during the year was £174m, earning total interest of £1.345m at an average rate of 0.778%. The investment portfolio was inflated by the £100m advance borrowing raised for NET Phase 2 during the year (see *NET loan* above). The effect of this additional investment sum, and the sharp fall in short-term interest rates following the Government's Funding for Lending scheme, meant that the average return for 2012/13 fell below the original estimate of 1.10%.

The Council benchmarks its average return against the 7-day London Inter-bank (LIBID) rate provided by the Bank of England. For 2012/13, the average LIBID rate was 0.487%.

- *Icelandic bank deposits*

In October 2008, the Icelandic banking system failed, resulting in the collapse of its four major banks. At that time, the Council had a total of £41.6m deposited with three of those banks - Glitnir, Landsbanki and Heritable. The administration process to enable repayments to be made to the banks' various creditors has continued throughout 2012/13, with further instalments being received at regular intervals.

The repayment position at 31 March 2013, and the final expected recovery levels, based on the latest reports from the various bank administrators, are shown in **Table 3**:

TABLE 3: ICELANDIC BANK DEPOSITS			
Bank	Deposit	Recovery To 31/3/13	Final Est. Recovery
	£m	%	%
Glitnir	11.0	77	100
Landsbanki	15.0	47	100
Heritable	15.6	79	88
TOTAL	41.6		

In cash terms, the Council had recovered a total of £27.8m of its original deposits, plus a further £1.1m in interest at 31 March 2013. Based on the final estimated percentage returns in **Table 3** above, the total final principal sum recovered will be £39.7m plus £1.6m interest, although the final repayment is not currently scheduled to be received until 2018. Full provision for the financial loss (impairment) associated with these deposits was made in 2010/11, from the Treasury Management Reserve.

Accounting regulations require notional accrued interest in respect of the outstanding principal sums to be credited to the revenue account each year, together with any changes in the impairment calculation, until the recovery process is complete. These sums are then transferred to the Treasury Management Reserve to offset the original gross impairment provision (see **Table 4** below).

- *daily cash management*

To avoid bank overdraft charges and maximise interest earned, the Council seeks to maintain an overnight cash balance between - £300k and + £150k. The target for 2011/12 was 99%, with an actual rate of 98.83% being achieved.

4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

Options for management of the Council's debt and investment portfolio are continually reviewed. The overall aim is to minimise the net revenue costs of our debt whilst maintaining an even debt profile in future years, and to maximise investment returns within stated security and liquidity guidelines.

5 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)

5.1 General Fund Revenue Implications

Revenue costs associated with borrowing and lending can be volatile, being affected by a number of factors including movements in interest rates, the timing of capital

spending, the extent of reserves held and actual cash flows during the year.

Total treasury management-related costs in 2012/13, comprising interest charges less receipts, plus provisions for repayment of debt, were £57.449m. A proportion of the Council's debt relates to capital expenditure on council housing and £12.385m of these costs was charged to the Housing Revenue Account (HRA). The remaining costs, £45.064m were included within the treasury management section of the General Fund corporate budget.

Accrued notional interest and changes in the impairment charge in respect of Icelandic deposits produced a credit to the revenue account of £0.617m in 2012/13. The transfer of this sum to the Treasury Management Reserve (see 3.6 above), along with a further transfer of £1.726m in respect of revenue savings in the year leaves a net General Fund charge in 2012/13 of £46.790m, equal to the revised estimate for the year.

The final General Fund position for 2012/13 is summarised in **Table 4**:

TABLE 4: GENERAL FUND TREASURY MANAGEMENT COSTS 2012/13			
DESCRIPTION	ORIGINAL BUDGET 2012/13 £m	REVISED BUDGET 2012/13 £m	OUTTURN 2012/13 £m
External interest	30.277	30.755	29.079
Debt repayment provision	31.426	30.511	30.157
Prudential borrowing recharge	(0.562)	(0.504)	(0.565)
Investment interest	(1.350)	(1.040)	(1.060)
Other interest	(0.151)	(0.151)	(0.162)
Gross Treasury Management costs	59.640	59.571	57.449
Less: HRA interest element	(12.781)	(12.781)	(12.385)
Net Treasury Management costs	46.859	46.790	45.064
Icelandic bank impairment – change in year	-	-	(0.617)
General Fund expenditure	46.859	46.790	44.447
Treasury Management Reserve transfer – Icelandic banks impairment change in year	-	-	0.617
Treasury Management Reserve transfer – revenue savings	-	-	1.726
NET GENERAL FUND POSITION	46.859	46.790	46.790

5.2 Treasury Management Reserve

The Treasury Management Reserve is maintained to smooth the impact of any volatility in treasury management revenue charges in any one year. The balance on the Reserve at 31 March 2013 is £6.002m.

5.3 Value for Money

Management of borrowing and investments is undertaken in conjunction with our appointed advisors, with the aim of minimising net revenue costs, maintaining an even debt maturity profile and ensuring the security and liquidity of investments.

6 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)

Risk management plays a fundamental role in treasury activities, due to the value and nature of transactions involved. The management of specific treasury management risks is set out in the Manual of Treasury Management Practices and Procedures and a risk

register is maintained for the treasury function.

The key Strategic Risk relating to treasury management is SR17 'Failure to protect the Council's investments'. The rating for this risk at 31 March 2013 was 4.57 (Likelihood = unlikely, Impact = moderate) which represents a reduction from a rating of 5.30 at 1 April 2012.

7 EQUALITY IMPACT ASSESSMENT (HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT?)

Has the equality impact been assessed?

- (a) not needed (report does not contain proposals for new or changing policies, services or functions, financial decisions or decisions about implementation of policies development outside the Council) £
- (b) No
- (c) Yes – Equality Impact Assessment attached

8 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

Final ledgers, working papers 2012/13.

9 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

CIPFA statistics, LIBID rates 2012/13

PRUDENTIAL INDICATORS

Appendix 1

INDICATORS	2011/12 Actual	2012/13 Estimate	2012/13 Actual	Within Limits?
1) Prudence indicators				
i) Capital Expenditure				
General Fund	£ 347.5m	£ 92.3m	£ 78.9m	YES
HRA	£ 58.0m	£ 50.7m	£ 44.2m	YES
	£ 405.5m	£ 143.0m	£123.1m	
ii) CFR at 31 March				
General Fund	£ 552.4m	£ 605.7m	£ 553.0m	YES
HRA	£ 284.3m	£ 283.3m	£ 283.3m	YES
PFI notional 'debt'	£ 59.1m	£ 248.4m	£ 65.8m	N/A
	£ 895.8m	£ 1,137.4m	£ 902.1m	
iii) External Debt at 31 March				
Borrowing	£ 755.0m	£ 794.9m	£ 776.7m	YES
PFI & leasing notional 'debt'	£ 59.1m	£ 248.4m	£ 65.8m	N/A
Gross debt	£ 814.1m	£ 1,043.3m	£ 842.5m	
Less investments	£ (166.3)m	£ (166.0)m	£ (217.0)m	N/A
Net Debt	£ 645.4m	£ 877.3m	£ 625.5m	
2) Affordability indicators				
i) Financing costs ratio				
General Fund	9.81%	13.68%	14.61%	YES
HRA	12.77%	14.63%	13.35%	YES
Council Tax Band D (per annum)	-	+ £3.67	+ £1.10	YES
HRA rent (per week)	-	+ £0.55	+ £0.56	YES
	Max in year		Max in year	
iii) Authorised limit for external debt	£823.4m	£1,198.3m	£882.0m	YES
iv) Operational limit for ext. debt	£823.4m	£1,158.3m	£882.0m	YES
3) Treasury Management indicators				
	@ 31/3/12	%	@ 31/3/13	
ii) Limit on variable interest rates	9.99%	0-50%	6.99%	YES
iii) Limit on fixed interest rates	90.01%	50-100%	93.01%	YES
iv) Fixed Debt maturity structure				
- Under 12 months	15.65%	0-25%	9.82%	YES
- 12 months to 2 years	4.30%	0-25%	1.80%	YES
- 2 to 5 years	4.30%	0-25%	5.99%	YES
- 5 to 10 years	16.17%	0-25%	19.67%	YES
- 10 to 25 years	30.40%	0-50%	35.54%	YES
- 25 to 40 years	11.10%	0-25%	16.41%	YES
- 40 years and above	18.08%	0-75%	10.77%	YES
	Max in year		Max in year	
v) Max sum invested for >364 days	£28.2m	£60m	£17.0m	YES

WARDS AFFECTED: All

AUDIT COMMITTEE
26 JULY 2013

REPORT OF THE DIRECTOR OF STRATEGIC FINANCE

INTERIM ANNUAL GOVERNANCE STATEMENT 2012/13

1 PURPOSE OF THE REPORT

- 1.1 This report presents the Interim Annual Governance Statement (AGS). The final AGS will be published with the City Council's Statement of Accounts in September.

2 RECOMMENDATIONS

- 2.1 To note the Interim AGS 2012/13 set out at **Appendix 1**.

3 REASONS FOR CONSIDERATION

- 3.1 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.
- 3.2 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.
- 3.3 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.
- 3.4 In 2012 CIPFA/SOLACE produced an updated guidance note covering the delivery of good governance in local government and how an authority's arrangements can be reflected in the AGS. The City Council has incorporated this guidance in both the evaluation of its governance arrangements and in the production of its AGS.
- 3.5 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 February 2013 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 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 have reviewed the governance arrangements according to their respective responsibilities and gave assurance and comment as to its 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, Chief Executive, and the 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 interim statement maps the policies, procedures and initiatives the Council has put in place to address the governance issues embodied in its Local Code. The final AGS will update this statement and will introduce any further issues found in the control environment if appropriate.

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

- 5.1 None

6 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- CIPFA/SOLACE - Delivering Good Governance in Local Government (Framework)
- CIPFA/SOLACE - Delivering Good Governance in Local Government Guidance Note -2012
- Accounts and Audit Regulations 2011
- Executive Board 20 May 2008 – Local Code of Corporate Governance

- Audit Committee Papers February 2013 – Annual Governance Statement – Progress Made To Date On Issues Reported 2011/12 And Process For Producing 2012/13 Statement

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Nottingham City Council**INTERIM ANNUAL GOVERNANCE STATEMENT 2012/13****Scope of responsibility**

Nottingham City Council (the 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, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, this includes arrangements for the management of risk.

The Council approved and adopted a code of corporate governance consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* publication at its 20th May 2008 Executive Board, the papers for which may be viewed at <http://open.nottinghamcity.gov.uk/comm/>. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

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 the Council to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money

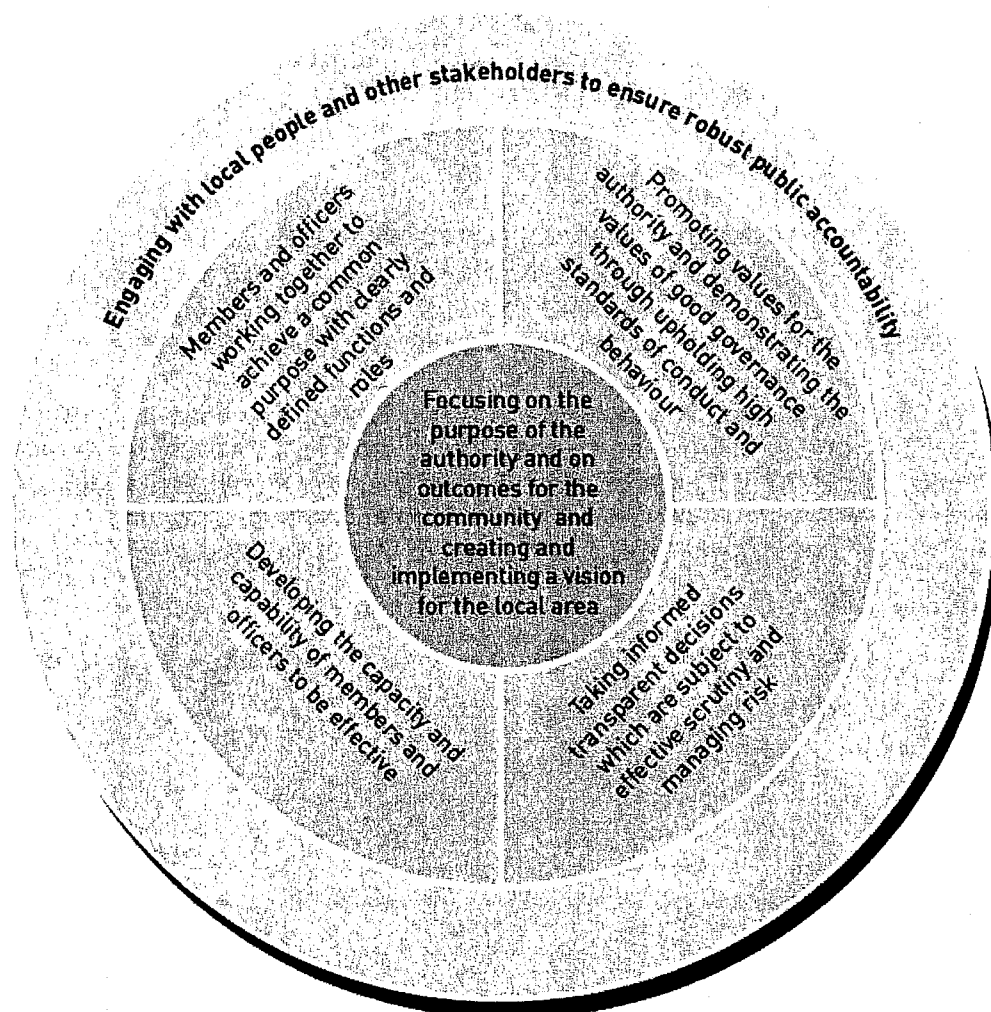
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system 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 2013 and up to the date of approval of the annual report and Statement of Accounts.

The Governance Framework

The core principles of the CIPFA/SOLACE framework for delivering good governance adopted by the Council in its local framework are illustrated below. Each of these principles are underpinned by the core components described.

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, and 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 aligned with the municipal electoral cycle, clearly sets out the Council's highest priorities. 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. Regular performance reports on the progress in delivering manifesto pledges are provided for councillors to review performance. Financial statements are published annually and equally the Medium Term Financial Strategy (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 2020 Nottingham Plan. The Nottingham Plan to 2020 is the overall plan for the City, 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.

Message Map



The Council's key objectives are contained in the Council Plan which has been under regular review, the latest being the 2012-15 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 the 'Message Map' on the previous page, which sets out the purpose of "Leading Nottingham" and gives direction and focus for the Council. The Council Plan has clear priorities with associated performance measures supported by delivery plans containing the key milestones and measures for each Council Plan priority. Major changes are managed by a Transformation Steering Group which is responsible for managing the overall Transformation Portfolio. The Portfolio comprises all our internal transformational projects and programmes (plus the externally facing Growth Plan Programme) which together seek to ensure that the Council is well placed to lead Nottingham and optimise what it does for and on behalf of its citizens.

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 Council's strategic priorities is monitored and reported to the Executive Board and One Nottingham Board on an annual basis.

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. They also represent 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 applicable 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. A Portfolio Holder has specific responsibility for customer services and consultation.

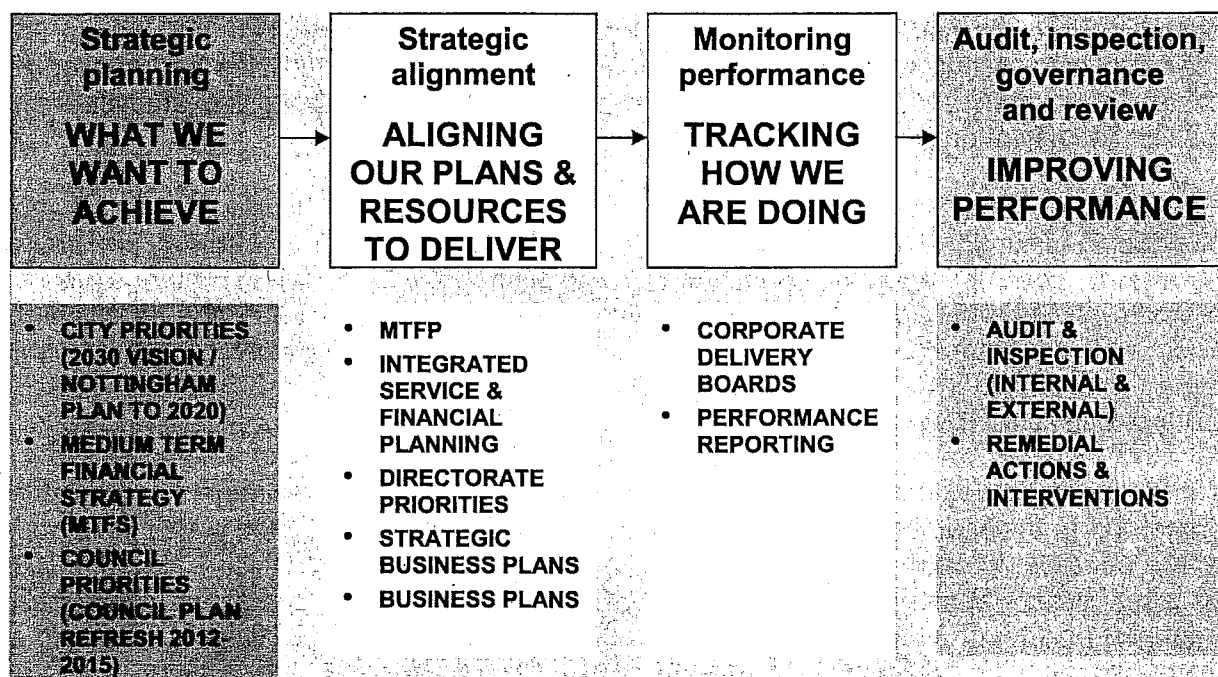
An overview and scrutiny function is undertaken by the Overview and Scrutiny Committee, supported by standing panels. The Committee's functions contribute to policy development and help to shape major plans and strategies and publicly hold the Executive to account for the decisions it makes. As a consequence 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.

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. These are translated into actions through strategic business plans and operational plans as illustrated below.

Corporate Integrated Planning & Performance Framework (CIPPF)



The CIPPF is a performance management framework which has a clear focus on outcomes. 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 level through the Corporate Delivery Board and the Corporate and Departmental Leadership Teams. The framework has been subject to positive review by both the Audit Committee and Overview and Scrutiny Committee. It establishes a clear relationship between corporate priorities and decisions taken from the top down to individual level via business planning. The framework is under review and will be developed in 2013/14. A full performance report is taken annually to the Executive Board with highlights reported in the Nottingham Arrow.

Both the Nottingham Plan and Council Plan are tracked by a set of key performance indicators and some information is provided by external agencies such as the police. The removal of the National Indicator Set in 2010 has in many respects allowed the Council to focus on those measures that are most important and relevant for its local priorities. Efforts are underway with Core Cities and regional authorities to establish a set of indicators that are measured comparably. The Council's Corporate Delivery Board arrangements continue to drive the focus on continuous improvement. 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, this is specific to certain service areas only. Further assurance is being sought, for example a Local Government Association Peer Challenge is planned for December 2013 focussing on governance and practice in a range of key issues.

The Council has implemented a software tool for performance management and risk management used across the Council. This tool is used to monitor and manage performance at the corporate level and will be used to manage directorate business plan performance during the 2013/14. Work is planned to develop and improve the way performance information collected is presented. The quality of services provided is also monitored by seeking the views and experiences of citizens, service users and colleagues. This is achieved through residents' surveys, consultation and focus groups, analysis of complaints and comments received, and staff surveys.

The Council's budget process establishes the resources required to deliver its services and objectives, it also 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. The accounts 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 it operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. The Council operates an effective Strong Leader and Cabinet model after the citizens of Nottingham 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 well documented and defined in the Constitution,

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 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.

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. 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.

Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behaviour for councillors 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 relating to councillors are considered by the Standards Committee. Colleagues 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. 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'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 Council's Code of Conduct for Members. Under the Code councillors are also required to register 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 also had briefings about the Code.

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, and Councillors are regularly reminded of this responsibility. 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.

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 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 Council has put arrangements in place to ensure that the associated procedures and operations are designed in conformity with appropriate ethical standards.

The Constitution sets out terms of reference for the application of the local determination regime for the Standards Committee, and breaches of the Code of Conduct for Members are considered by this Committee. Committee members are trained in operating the regime, with refresher training having been given in 2010/2011. This Committee promotes high standards of conduct by councillors and co-opted members and remains primarily focused on issues of councillors' conduct.

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.

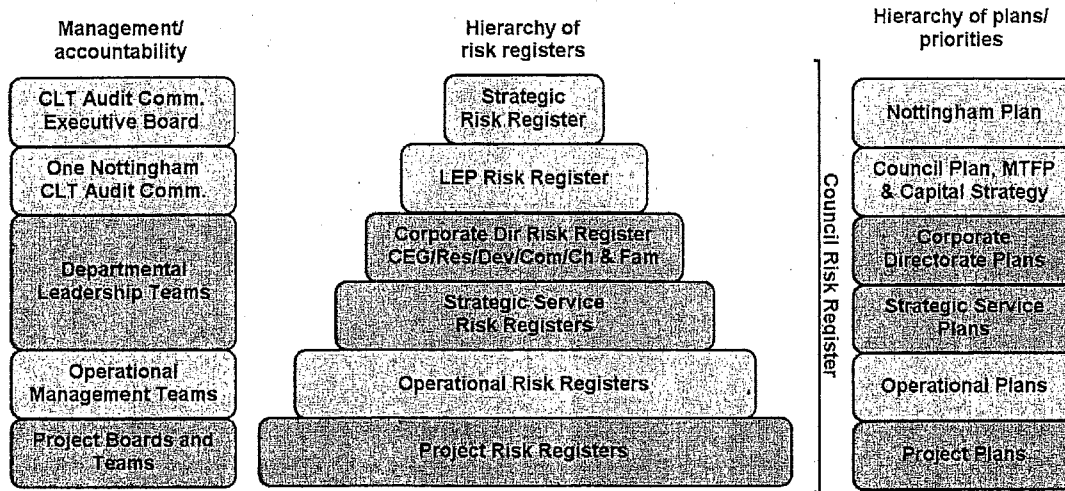
Councillors making decisions require the support of appropriate systems to help ensure that decisions are implemented and that resources are used legally and efficiently. Risk management is important to the successful delivery of public services. An effective risk management system identifies and assesses 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.

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

The Deputy Chief Executive has 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. Further work is, however, required to embed risk management practice at the service/operational level and to ensure that risk management is embedded and linked into policy and decision making.

RM training has been provided to the Audit Committee as part of the councillor induction process and 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 and responsibilities. Risk strategies are 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. This will reflect 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 regard 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 and similar guidance is available for the management of projects. It is however recognised that more work is required to embed understanding of operational risk management, and work is being undertaken to establish specific risk indicators. There are indicators but these have not been assigned to risks/constituent risks. The implementation of the Corporate Performance System will help support this.

The Council has signed up to the CIPFA Risk Management Benchmarking Club. This will allow comparison with other authorities and provide a baseline assessment from which improvement plans can be developed and tracked over time. To engage the authority more widely in the understanding of risk and the improvement agenda, the assessment will draw on the Corporate Risk Management Group including colleagues leading on risk from departments and DLTs, Internal Audit and Insurance.

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 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 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 which is designed to support and deliver the Council's objectives.

The Financial Framework

CATEGORY	OVERALL	REVENUE	CAPITAL	TREASURY MANAGEMENT	PROCUREMENT	RISK MANAGEMENT
Strategies	MTFS					
		Income Generation Strategy	Capital Strategy & AMP	Treasury Management Strategy	Procurement Strategy	Risk Management Framework
Guidance	CIPFA technical guidance &	Budget Guidelines	Capital Guidelines	CIPFA Code of Practice for TM	CIPS Procurement Toolkit &	Risk Management Policy and Guidance
Plans	MTFP	Annual Budget	Capital Programme & AMP	Treasury Policy Statement	Procurement Checklist	Risk Responses
Governance	Constitution	Budget Management & Control statements & Annual Statement Governance		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. The 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 regular interaction with similar Committees in other Core Cities is undertaken to share best practice.

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 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:

Principle	 Holders of public office
Selflessness	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
Integrity	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.
Objectivity	Should make choices on merit in carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits.
Accountability	Are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
Openness	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.
Honesty	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.
Leadership	Should promote and support these principles by leadership and example.
Respect for others	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.
Duty to uphold the law	Should uphold the law, and on all occasions, act in accordance with the trust that the public is entitled to place in them.
Stewardship	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 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 role of the Monitoring Officer includes 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; 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.

A comprehensive induction programme, developed in conjunction with the Councillor Development Steering Group (CDSG) and Corporate Directors, is delivered to councillors to enable them to function quickly and effectively in their roles. Evaluation information is assessed and forms the basis for a plan for future induction training. That induction plan, which is now being scoped, will also have regard to the ongoing learning and development needs and councillor performance, which have been observed or recorded in specific topics (for example scrutiny, quasi judicial meetings, charring, and IT skills).

The Councillor Development Steering Group, aided by Councillor Support colleagues 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. In addition, a Councillor Resource Centre provides easier access for councillors to key documents and development materials. Councillors' learning and development needs have previously been identified via one to one interviews between each councillor and the Councillor Development Officer. These arrangements are in the process of being changed so that Councillors can use an online tool annually to identify their learning and development needs (within the context of the political skills framework) and to obtain 360 feedback from a variety of sources so that personal development provision can then be built around their individual and collective needs.

The Council has a policy of recruitment and promotion on merit (People Plus and Project People), and recruits outside the Council where necessary. 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 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. Councillor Development Provision 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, casework, overview and scrutiny, public speaking, IT skills and chairing. 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.

Corporate Directors are experienced in their respective fields and are assessed by the Chief Executive as part of their 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

The Council is accountable in a number of ways. 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. The Council is subject to external review through the external audit of its financial statements and some inspection regimes. Similarly the Council budget is subject to significant influence and overview by government, which has powers to intervene. The Council is required to publish its financial statements and to prepare an annual report.

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.

Councillors and colleagues are both 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. 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.

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.

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 2012, 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 our engagement. The Nottingham Plan to 2020 (One Nottingham Sustainable Community Strategy) provides the overarching vision, objectives and priorities for the Council and the One Nottingham family of partnerships. The Nottingham Plan to 2020 has full commitment across the Council, partners and community.

The Research, Engagement and Consultation function within the Chief Executive's Policy Team supports all services across the Council to effectively consult and engage with citizens and make the best use of the findings. This includes providing advice and support on planning, designing and undertaking consultations (including surveys, event evaluations, focus groups, polling, internal focus groups) and engagement activity. As part of this, the team advises colleagues as to the most appropriate ways of consulting and engaging, depending upon the intended audience. It also ensures that colleagues think about using alternative formats and interpretation services when necessary.

The Council and partners in One Nottingham, in addition to other significant partnerships, have an excellent understanding of its diverse communities and their needs. The Register of Significant Partnership states the status of each significant partnership and is updated annually.

Council colleagues and councillors are nominated as Council representatives within or when dealing with significant partner organisations and group companies. Councillors are aware of their roles and responsibilities both individually and collectively in relation to the partnership and to the authority. Induction sessions for new Councillors, following the May 2011 elections, included an overview of which partnerships the Council works with. Party groups undertake their own development regarding partnerships as needed and Councillors' individual appraisals include descriptions of their role in relevant partnerships. Group companies, charities and trusts are required, where appropriate, to align their objectives with the Council's policies and deliver high quality, efficient and effective services which are in accordance with their agreements with the Council. Examples are:

- The Nottingham Plan to 2020 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. This 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. Their visions and objectives are set out in their governance documents and they 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.

The Council's Partnership Governance Framework (PGF) sets out the approach to managing work with significant partnerships and 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 mechanism is the annual health checks which includes a section to assess that the governance of the partnership is clear and appropriate. The health checks enable the 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 often set out in the partnerships' constitutions including codes of conduct. The PGF includes the health check, which is a self-assessment of the partnerships deemed significant in terms of whether they are strategically, reputationally or financially significant to the Council through its membership of the partnership. The health check includes an assessment of the aims and objectives of the partnerships, including alignment between the partnership and the Nottingham Plan, and also a section to enable the partnerships to assess the robustness and clarity of their decision making, delegated powers and accountability. The Partnership Governance Framework, via the health checks, provides the mechanism for significant partnerships to assess the extent to which their aims and objectives align to The Nottingham Plan to 2020 and the vision for 2030.

The annual health checks have been updated to ensure that the partnerships were able to assess whether those making decisions are provided with information that is fit for the purpose, relevant, timely and give clear explanations of technical issues and their implications. This contributes to the assessment for the 'decision making and accountability' capability. 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 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". The contents of these are shared with the Corporate Risk Specialist. The most recent health checks found no significant issues.

Other organisations where the 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, and their financial statements and other published information are expected to be accurate and reliable.

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 Council 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 issues relevant to keeping the internal controls of the organisation under review including the following:

- Official Communications And Announcements From The Leader Of The Council And/Or The Chief Executive
- Pay Policy Statement 2013/14
- Treasury Management 2013/14 Strategy
- Budget 2013/14
- Decisions Taken Under The Urgency Procedure
- Treasury Management Strategy 2012/13 - Revised Investment Strategy
- Appointment Of The Chief Executive and Interim Corporate Director
- Audit Committee Annual Report 2011/12
- Overview And Scrutiny Annual Report 2011-12
- Proposed Amendments To The Constitution And Financial Regulations
- Executive Appointments, Remits And First Meetings

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 issues and key decisions relevant to keeping the internal controls of the organisation under review including the following

- Records Of Transactions With A Value Of £25,000 Or Greater
- Schools Budget 2013/14
- Risk Management Strategic Risk Register) Quarterly reports
- Local Transport Body - Governance Arrangements
- Medium Term Financial Plan 2013/14
- Council Tax - Determination Of The 2013/14 Tax Base
- Treasury Management Annual Report, Investment Strategy Review and Treasury Management Updates
- The Local Authorities (Executive Arrangements) (Meetings And Access To Information)(England) Regulations 2012
- City Council Budget
- The Nottingham Plan To 2020 Annual Report (Year 2) For 2011/12
- Review Of 2012/13 Revenue And Capital Budgets 2012/13
- Treasury Management
- Risk Management: Strategic Risk Register (quarterly Reports and Annual Review

- Procurement Workshop Recommendations: Strengthening Procurement And Maximising Savings And Increasing Employment Levels
- Capital Financial Outturn 2011/12

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 issues relevant to its role including the following.

- Nottinghamshire's Police And Crime Commissioner Police And Crime Plan And Discussion With Nottinghamshire's Deputy Police And Crime Commissioner
- Programme For Scrutiny
- Growth Plan
- Appointment Of Chair For The Call-In Panel
- Response To Questions Raised By Overview And Scrutiny Committee
- The Nottingham Plan To 2020
- Local Authority Health Scrutiny - Proposals For Consultation
- Police And Crime Panels
- Overview And Scrutiny Terms Of Reference and Establishment Of Overview And Scrutiny Sub Committees

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.

- Review Of Accounting Policies
- Consultation On Appointment Of External Auditors, Internal And External Audit Protocol

- External Audit - Audit Committee Progress Reports, External Audit Plan, Certification Of Grants And Returns
- Risk - Strategic Risk Register Quarterly Reports, Risk Management Framework
- Partnership Governance Information
- Internal Audit Work
 - Annual Work Plans,
 - Three Year Strategic Plans,
 - Combined Internal Audit Work Plan For East Midlands Shared Services
 - Internal Audit Performance, Including Updates Against Plans
 - Internal Audit Reports Selected For Examination
 - Internal Audit Annual Report 2011/12
 - Internal Audit Charter
- Treasury Management Updates , Investment Strategy And Annual Report
- Role Of Audit Committee/Annual Work Programme
- Annual Governance Statement: Progress
- Ombudsman Annual Letter
- Partnership Governance Framework Register And Health Checks
- Counter Fraud Strategy
- Audit Committee Annual Report
- Statement Of Accounts, Annual Governance Report

Standards Committee

The Council has a Standards Committee constituted in accordance with The Standards Committee (England) Regulations 2008 that oversees the Code of Conduct and other governance matters. The Committee meets as and when required and there was no meeting called in the year.

Head of Internal Audit (HoIA)

The HoIA has established processes which comply with the governance requirements set down in the Cipfa Statement on the role of the Head of Internal Audit. Internal Audit policies, plans and performance are effectively scrutinised throughout the year within an approved timetable of meetings of the Audit Committee. The service has adopted and substantially complied with, the principles contained in the Public Sector Internal Audit Standards (PSIAS) and has met the requirements of the Account and Audit Regulations 2011 and associated regulations.

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 2012/13 Audit Plan, as agreed by the Audit Committee and Corporate Directors, was 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 included a level of assurance that can be taken from its findings. Each quarter, a list of reports was sent to the Audit

Committee for consideration and a number of audits selected for in depth review at the Committee.

HolA Overall Opinion

2012/13 saw significant challenges and risks experienced by the Council, including the development of a significant partnership for the delivery of HR and financial services with Leicestershire County Council (EMSS). The HolA has continuously reviewed these risks and allocated resources where necessary, in order to deliver the assurance embodied in the Audit Plan.

The HolA has conducted a review of all IA reports issued in 2012/13, 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 IA give that assurance, on the basis of the audit work undertaken during the 2012/13 financial year, there have been no significant issues (as defined in the CIPFA Code of Practice) reported by IA. Furthermore, on the basis of the audit work undertaken during the 2012/13 financial year, covering financial systems, risk and governance, the HolA is able to conclude that a reasonable level of assurance can be given that the internal control system is operating effectively within the Council, its significant partners and associated groups.

Other assurance mechanisms

All Corporate Directors and statutory officers provided a signed assurance statement supporting the AGS for 2012/13. 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 external auditor. The assurance is based around a questionnaire developed from the CIPFA/SOLACE Framework for Corporate Governance.

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 informed on the implications of the result of the review of the effectiveness of the governance framework, and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed, and those to be specifically addressed with new actions planned, are outlined below.

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 that are not categorised as significant but which 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

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 schools-based support staff is in progress. "Single Status", a new harmonised set of terms and conditions and pay and grade structure, was introduced for the majority of centrally based employees in November 2010 and the current exercise is designed to bring schools staff in line with this. There is a prospect of potential disruption and legal challenge to the decisions made to implement the new pay structure in schools (grading appeals and backdating of awards).

Updated Position

Single Status was implemented for schools based staff and a small number of centrally based colleagues on 1 May 2013. The majority of these colleagues (96.7%) have now either signed a compromise agreement through the Single Status process or a COT 3 agreement, thereby settling potential historical equal pay claims.

Work continues to move a small number of colleagues at one school onto the new terms and conditions (they had not been included in the original project as they had been due to convert to an academy before 1 May 2013). An exercise to bring schools based casuals onto pay in line with the Single Status arrangements is also ongoing, with changes to pay due to be implemented for this group of workers on 1 September 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. The 2009 budget process, through the in depth analysis of spending requirements and the opportunities to generate income, highlighted the need to reduce net expenditure across the City Council.

Updated Position

The Medium Term Financial Plan has been reviewed to reassess pressures in future years as part of this process and 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. Resources have been redirected by Identifying cost reductions arising from both efficiencies and policy issues, especially:

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

Children in Care

The Children in Care service exists primarily to ensure that children have permanent plans for where they live. Nottingham's priority for its children in care is to ensure that where possible, children live with their birth families. If that is not achievable then adoption and fostering are the next preferred options.

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 two years.

Updated Position

A plan is in place to reduce the numbers of children who remain in care 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 to adopters at an earlier point in the adoption process to ensure a stable and permanent family home for all our children in care. The renewed focus is the subject of a Big Ticket Project regarding reducing the numbers of children in care and speeding up the adoption process by tackling delay. Work in 2012 was undertaken to realign the children in care placements budget and to ensure that the use of a regional framework for all care registered and 16 plus accommodation was robust. This has resulted in some continued 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. The Council has just moved to a position of having created a 'permanence team' which is the Children in Care Social Work Service. This became operational in April 2012. Further resources have been agreed to support the effectiveness and implementation of the National Minimum Standards across Fostering, Adoption and the Residential Children's estate. This is central to the strategy of ensuring better outcomes for our children in care population.

Performance against children in care targets in many areas continues to be strong and NCC largely out performs against its statistical neighbours. Areas for growth and development against key performance targets are in ensuring the health of children in care is robustly monitored and action taken where appropriate. Speeding up adoptions and tackling delay is the second area that requires some development. NCC does better than

its statistical neighbours (with the exception of Middlesbrough) in the recently published adoption scorecard. There was a significant increase in the number of adoptions in 2012/13 compared with the previous year. Resources have been realigned to build on that progress, based on evidence of what works well.

The Targeted Support Team continues to offer the effective delivery of services to children, young people and their families/carers. The reconfiguration of Nottingham City Council's Residential Services into Small Group Homes has served to support children and young people to be better placed, have improved outcomes in a cost effective manner and ensure young people receive a quality service that keeps them safe. All homes have met and exceeded minimum standards.

The Council is about to embark on a further strategy to reduce the numbers of children coming into care. This will be done through the implementation of an Edge Of Care Intervention Hub which will be an initial 6 month pilot project located and managed within the Targeted Support Team. Assuming 20 children are kept from entering care in 6 months the annual budget relief would range between £425k and £846k. Similar authority models indicate that less than 20% enter care or return to the service.

Central Government Review of Local Government Funding

As the new 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 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.

East Midlands Shared Service (EMSS)

Leicestershire County Council (LCC) and Nottingham City Council (NCC) have been working in partnership to develop and implement an East Midlands Shared Service to support both transactional finance and HR administration/payroll processes. The shared service is supported by an implementation of the Oracle E-Business Suite. As is usual with this type of extensive system implementation, a great deal of focus has been applied to the financial control processes requiring review and redesign. Much of the risk for NCC has been mitigated by the fact that the Council was migrating to an existing LCC platform.

Latest Position

The Council's Accountancy and Audit services continue to closely monitor the activity and performance of the Oracle system closely. No major concerns have yet arisen in this regard. Issues have been faced in terms of financial management since the implementation on 2 April 2013, and delays have been experienced in making payments to certain suppliers. The causes of this issue have been addressed and the resulting payment backlog is being cleared.

Nottingham Express Transit (NET)

Nottingham City Council entered into a 22 year Private Finance Initiative concession contract with Tramlink Nottingham Limited ("Tramlink") in December 2011 to extend and operate Nottingham's tram network. The concession contract passes the key design, build and construction risks, to Tramlink, the private sector concession company.

Latest Position

Construction of NET Phase Two is underway with an anticipated date for the operation of the extended network of December 2014. The NET concession contract, including project risks remaining with the City Council, is being managed by an experienced in-house project team and overseen by a dedicated Project Board.

Workplace Parking Levy (WPL)

The WPL is a levy which applies to all employers within the Nottingham City Council administrative boundary. Employers that provide any workplace parking places are required to get a WPL licence by, and to pay a charge, from 1 April 2012. An important issue focuses on the ability of WPL to raise revenue to meet the Council's contribution to the NET Phase Two, HUB and Link Buses projects. The scheme was introduced on 1st October 2011 and charging commenced in April 2012.

Latest Position

There has been concern regarding the ability of WPL to meet funding requirements. A significant issue is the interest rate at which the City Council borrows to finance its interest in the Scheme. The majority of the risk stemming from interest rate increases has been mitigated by borrowing at a new 'certainty rate' offered by the Public Works Loan Board. This rate is considerably lower than the prevailing rate and has a beneficial impact on the overall financial model, substantially offsetting a reduction in the projected WPL income in Year 1 of the scheme.

The WPL income projections will be continually updated to reflect the latest information available from the WPL team as the income collection is still in its infancy. In the event that over the 23 year life of the NET Phase 2 contract, insufficient WPL income is generated, decisions may be made in respect of the ongoing contributions to the Link Bus network and/or extending the WPL scheme beyond the life of the NET Phase 2 contract

SIGNIFICANT ISSUES REPORTED

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.

Recovery of monies

More than 120 local authorities had similar deposits with Icelandic banks at that time, totalling some £920m, and these joined forces, through the Local Government Association, to co-ordinate the recovery of the monies. In particular, lawyers were appointed to represent UK local authorities in the Icelandic Courts, whose role was to decide whether

UK local authority deposits were treated as priority creditors in the administration process of Glitnir and Landsbanki banks.

Following a series of court cases in Iceland, the Council was confirmed as a priority creditor, with sufficient funds being identified within Glitnir and Landsbanki banks to enable repayment in full, albeit over a number of years. Separately, the administration of the London-based Heritable Bank has been managed within the UK, with regular dividend payments to all creditors being made over the last 4 years.

Latest position

Since the banks went into administration in 2008, the Council has received a series of dividends from the administrators of the individual banks. The final sum to be received remains dependant on a number of factors including the exchange rate applied in converting payments received in currencies other than sterling, and the release from escrow of monies paid in Icelandic Krone (currently being retained by the Central Bank of Iceland, pending resolution of existing foreign currency exchange issues in Iceland).

The following table details the amount of the Council’s funds that have been returned to date, plus the current forecasted total recovery figure:

BANK	ORIGINAL DEPOSIT	TOTAL RECOVERED TO DATE			ESTIMATED FINAL RECOVERY		
		PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
	£m	£m	£m	£m	£m	£m	£m
Heritable	15.600	12.056	0.259	12.315	13.731	0.295	14.026
Landsbanki	15.000	7.079	0.328	7.407	15.000	0.696	15.696
Glitnir	11.000	8.694	0.516	9.210	11.000	0.653	11.653
	41.600	27.829	1.103	28.932	39.731	1.644	41.375

Governance

The steps taken to review the Council’s processes in the wake of the banking crisis have provided a robust and transparent methodology with which to manage the Council’s investments. This has proved to be an effective approach during the ongoing difficulties being experienced within the financial markets.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed:
 Leader of the Council

Signed:
 Chief Executive

Signed:
 Deputy Chief Executive/Corporate Director for Resources (Chief Finance Officer)

