WARDS AFFECTED: All

REPORT OF THE DEPUTY CHIEF EXECUTIVE AND CORPORATE DIRECTOR FOR RESOURCES

ANNUAL GOVERNANCE STATEMENT 2012/13

1   PURPOSE OF THE REPORT

1.1   This report presents the Annual Governance Statement (AGS) 2012/13

2   RECOMMENDATIONS

2.1   To approve the 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. The Framework can be found on the city Council's website at http://www.nottingham.gov.uk/governance

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. This guidance is attached as **Appendix 2** and can also be found on the Council's website at the address above.

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. An interim statement was brought to the July 2013 meeting of this Committee

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 statement has been updated to reflect the discussions of the July 2013 committee and to reflect other changes the control environment.

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
- Audit Committee Papers 26 July 2013 – Interim Annual Governance Statement 2012/13

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Nottingham City Council

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. A copy of the code is available on our website at http://www.nottingham.gov.uk/governance 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 is underpinned by the core components described.

CIPFA/SOLACE - Principles underpinning the delivery of good governance
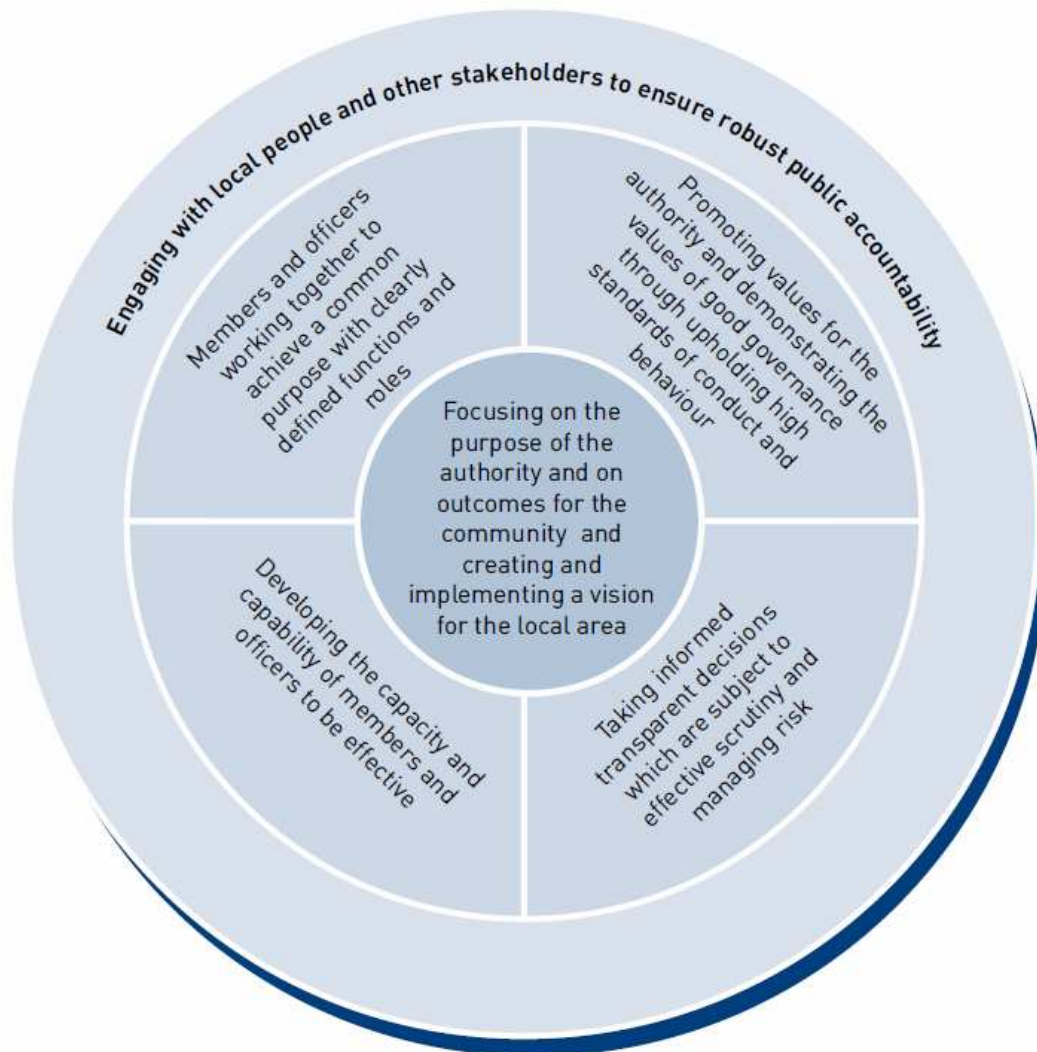
Arrangements for identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users

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 asses 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)

Strategic planning **WHAT WE WANT TO ACHIEVE**	Strategic alignment **ALIGNING OUR PLANS & RESOURCES TO DELIVER**	Monitoring performance **TRACKING HOW WE ARE DOING**	Audit, inspection, governance and review **IMPROVING PERFORMANCE**
• **CITY PRIORITIES (2030 VISION / NOTTINGHAM PLAN TO 2020)** • **MEDIUM TERM FINANCIAL STRATEGY (MTFS)** • **COUNCIL PRIORITIES (COUNCIL PLAN REFRESH 2012-2015)**	• **MTFP** • **INTEGRATED SERVICE & FINANCIAL PLANNING** • **DIRECTORATE PRIORITIES** • **STRATEGIC BUSINESS PLANS** • **BUSINESS PLANS**	• **CORPORATE DELIVERY BOARDS** • **PERFORMANCE REPORTING**	• **AUDIT & INSPECTION (INTERNAL & EXTERNAL)** • **REMEDIAL ACTIONS & INTERVENTIONS**

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

Management/ accountability	Hierarchy of risk registers	Hierarchy of plans/ priorities
CLT Audit Comm. Executive Board	Strategic Risk Register	Nottingham Plan
One Nottingham CLT Audit Comm.	LEP Risk Register	Council Plan, MTFP & Capital Strategy
Departmental Leadership Teams	Corporate Dir Risk Register CEG/Res/Dev/Com/Ch & Fam Strategic Service Risk Registers	Corporate Directorate Plans Strategic Service Plans
Operational Management Teams	Operational Risk Registers	Operational Plans
Project Boards and Teams	Project Risk Registers	Project Plans

(Council Risk Register labelled along the central hierarchy)

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, chairing, 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.

HoIA 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 HoIA has continuously reviewed these risks and allocated resources where necessary, in order to deliver the assurance embodied in the Audit Plan.

The HoIA 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 HoIA 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 and those with 11 or more chargeable places, 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 2, the HUB and Link Bus network. The scheme was introduced on 1st October 2011 and charging commenced in April 2012.

The WPL funding has enabled the Council to make two successful bids to the Governments Green Bus Fund to purchase 8 new green buses to support the Link bus network since the introduction of the WPL scheme in 2012/13 (charging). The overall WPL financial model reflects the following current and future contributions to supporting the Link Bus network from the WPL income:

> 2012/13 £584,000 (Actual)
> 2013/14 £710,000 (Estimate)
> 2014/15 £731,300 (Estimate)

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 contribution to NET Phase 2. A significant element of the risk stemming from interest rate increases has been mitigated by borrowing £100m at a new 'certainty rate' offered by the Public Works Loan Board. This rate was considerably lower than the prevailing rate and had a beneficial impact on the overall financial model, substantially offsetting a reduction in the projected WPL income in Year 1 of the levy.

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

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 form 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)

CIPFA/SOLACE - Delivering Good Governance in Local Government Guidance Note - 2012