

# Public Document Pack

## NOTTINGHAM CITY COUNCIL

### AUDIT COMMITTEE

**MINUTES of the meeting held at LB 31 - Loxley House, Station Street, Nottingham, NG2 3NG on 22 September 2017 from 10.31 am - 11.38 am**

#### **Membership**

##### Present

Councillor Sarah Piper (Chair)  
Councillor Leslie Ayoola  
Councillor Rosemary Healy  
Councillor Anne Peach  
Councillor Andrew Rule  
Councillor Adele Williams

##### Absent

Councillor Steve Young  
Councillor John Hartshorne  
Councillor Malcolm Wood

#### **Colleagues, partners and others in attendance:**

Tony Crawley	-	KPMG External Auditor
Jane O'Leary	-	Insurance and Risk Manager
Sue Risdall	-	Finance Team Leader, Technical Accounting
Shail Shah	-	Head of Audit and Risk
John Slater	-	Group Auditor
Thomas Tandy	-	KPMG External Auditor
Geoff Walker	-	Chief Financial Officer
Zena West	-	Governance Officer

#### **17 APOLOGIES**

Councillor John Hartshorne – other council business  
Councillor Steve Young – unwell  
Councillor Malcolm Wood – other council business

#### **18 DECLARATIONS OF INTERESTS**

None.

#### **19 MINUTES**

The minutes from the meeting held 14 July 2017 were agreed and signed by the Chair.

#### **20 URGENT ITEM - EXCLUSION OF THE PUBLIC**

Although it was not included on the agenda, the Chair of the Committee agreed that the exclusion of the public, Statement of Accounts 2016/17 – exempt information, and the re-admission of the public should be considered as a matter of urgency in accordance with Section 100b(4)(b) of the Local Government Act 1972. The decision could not wait until the next meeting of Audit Committee, as members of Audit Committee now required exempt information on the statement of accounts in order to make an informed decision.

**RESOLVED to exclude the public from the meeting.**

**21 URGENT ITEM - STATEMENT OF ACCOUNTS 2016/17 - EXEMPT INFORMATION**

**RESOLVED to note the exempt information.**

**22 URGENT ITEM - RE-ADMISSION OF THE PUBLIC**

**RESOLVED to re-admit the public for the remaining agenda items.**

**23 STATEMENT OF ACCOUNTS 2016/17**

Geoff Walker, Chief Financial Officer at Nottingham City Council, presented a report on the statement of accounts for 2016/17, highlighting the following points:

- (a) the external auditors have completed the audit and reported their findings in the report to committee. As part of the audit, KPMG require the Council to present a management representation letter to confirm that the Statement has been constructed accurately and on appropriate basis and that relevant and complete disclosures have been made. The Statement of Accounts was approved by Strategic Director of Finance Geoff Walker and handed over for audit from 12 June. The report to committee is to give some high level information.
- (b) there are new reporting requirements for 2016/17 which has resulted in significant presentational changes to the accounts. These are designed to make the statement more user friendly, effective and understandable. The cost of services in the Comprehensive Income and Expenditure Account (CIES) is no longer based on the standard headings in CIPFA's Service Reporting Code of Practice (SERCoP), but is now presented by portfolio to align to internal reporting.
- (c) there is some additional information contained within a new expenditure and funding analysis note. Some items have to be removed before council tax can be calculated, so the report takes out all the items which cannot be included, to arrive at the figure chargeable for council tax;
- (d) the narrative report replaces the explanatory forward on previous statements of account, and helps to set the scene;
- (e) there have been some minor amendments to the draft version of the statement of accounts, which was published on the Nottingham City Council website in June – the changes have been agreed with KPMG and incorporated into the final version. There have been no changes to the key financial statement which impact on the General Fund or Housing Revenue Account. The figures on the balance sheet between short and long term debtors have been reclassified to align them to the PFI (Private Finance Initiative) model used;

- (f) the figure showing a revaluation gain for council dwellings is now shown separately as an exceptional item, this is just an accounting entry and does not represent any available extra funds;
- (g) there have been some minor changes in the notes to provide further clarity, and the group accounts are yet to be received.

**RESOLVED to delegate authority to the Chair of Audit Committee to:**

- (1) formally sign off the statement of accounts 2016/17 once the information on the group accounts is complete;**
- (2) sign the draft letter of representation.**

**24 KPMG - REPORT TO THOSE CHARGED WITH GOVERNANCE**

Tom Tandy and Tony Crawley, from external auditors KPMG, presented their report to the Committee, highlighting the following points (page numbers refer to pages within the supplementary agenda pack):

- (a) page 176 lists those issues still outstanding, including resolution of the impact of estimated pensions data, which is further detailed on page 180. There has been a particular issue whereby estimated data being used may present too wide a margin of error. Every 3 years the pensions data is evaluated country wide. Nottingham City Council's scheme is run by Nottinghamshire County Council. Data was requested for 3 years to 15/16 and the actuary then completes a member by member analysis and updates the viability, which then sets contribution rates from 17/18 onwards. Because of an issue between Nottingham City Council and Nottinghamshire County Council systems, estimated data was used for 15/16. The actuary initially appeared to be comfortable using estimated figures, but it became apparent that there was a significant difference between estimates and actual figures. KPMG then brought in their own actuary to assess the issue, and to clarify whether the difference in the estimate will cause a material impact to the actual figure. An answer is expected in the next few days;
- (b) no issues have been raised from citizens. Electors can challenge accounts and asks questions but nobody has. A certificate can now be issued to close the audit, and an unqualified value for money conclusion produced;
- (c) page 181 sets out the risk of the significance of the subsidiaries of the group accounts, following on from discussion at the July 2017 meeting of the Audit Committee. One of the components had significantly increased, and KPMG assessed all components and group members to see if there were any other significant components. Given the significance of growth, RHE (Robin Hood Energy) will need to be monitored, and Nottingham City Council colleagues have kept KPMG informed on these developments. KPMG have liaised with BDO (auditors) and need them to confirm their procedures, which will be closed off alongside the auditors' statement;

- (d) also detailed on page 181 are 2 standard risks. KPMG look at 2 areas: fraud risk of revenue recognition, and management override of controls. These are not usually issues within the public sector, as the motivations do not exist as they do within the private sector, but these risks are an audit industry standard and so must be addressed;
- (e) page 182 details other areas of audit focus – issues which do not qualify as a significant risk but are still important. The income and expenditure account has been revamped, and as a result it looks quite different. Last year's figures have also been revamped so as to provide some comparative figures;
- (f) on page 183, further detail is provided about property valuation of Nottingham City Council housing stock. The government has applied a discount value to council tax dwelling of 42%, an increase from 34% for the previous year. This has led to a significant revaluation gain, and given the exceptional nature of this revaluation gain, KPMG agrees with Nottingham City Council that the figures should be shown separately;
- (g) on pages 184 and 185, the auditor fulfils their requirement to look at potential manipulation of the figures. Whilst it would be possible to move figures around, KPMG feels that Nottingham City Council has taken a balance approach to their accounting estimates;
- (h) on page 186, an issue is noted regarding deferred costs over the life of NET 2. This is a minor technical issue, which came to light fairly late in the process. Whilst it is below materiality, it still requires approval by Audit Committee (see recommendations);
- (i) page 187 notes that a complete set of accounts was required by 12 June 2017. Next year the deadline will be 31 May 2018. To get audited accounts by the end of July is a massive task, and next year may prove challenging. The quality of working papers has been very high, and Nottingham City Council have helped the task by having a responsive and cooperative finance department;
- (j) there are some IT issues that have been mentioned at previous meetings. The issues surrounding leavers access to Northgate has been addressed. A formal SLA (Service Level Agreement) with EMSS (East Midlands Shared Services) is also still outstanding;
- (k) page 188 shows the statement of completion. KPMG are required to declare positively that there are no objectivity issues between KPMG and Nottingham City Council, which they are able to do. This requirement is a remnant from previous decades when auditors were obstructed from completing their task in some cases, but that has not been an issue here;
- (l) pages 190-192 shows the value for money considerations, with criteria set by the National Audit Office;
- (m) pages 193-194 set out considerations for value for money risks. There has been a slight overspend but that will be ironed out next year. There have been

concerns around resourcing due to the Sustainability and Transformation Plan. Action is being taken to address these issues, and Nottingham City Council recognises that money is unlikely to come through. This will need re-visiting in 2017/18;

- (n) discussion has taken place with Audit Committee regarding Robin Hood Energy, and how the nature of some groups is quite different to most local government subsidiaries. KPMG will be following through in terms of Audit Committee's oversight;
- (o) the independence and objectivity statement on page 203 is an expansion of earlier declarations;
- (p) a report will be presented early in 2018 with the outcome of grants. All work has been done as individual tasks so they will need to be reported on separately (page 204);
- (q) page 205 details the audit fees. The additional fee for additional work in several areas will be worked out with Geoff Walker, and will then need approval by Audit Committee at a later date.

Tom Tandy, Tony Crawley and Geoff Walker then provided further information as a result of questions, comments and discussion from Audit Committee:

- (r) no breach has occurred as a result of using estimated pensions data, this was required due to the sheer number of authorities to work through – some were required to use estimated data. The actuaries are aware of our deadlines, and an outcome is expected soon, but it is more important to have correct information than rushed information;
- (s) the expectation on the group accounts would be for them to be received on time, and Nottingham City Council colleagues have been engaged early on in the process. There have been different reasons for delay from different companies, and now there are practical issues of getting them signed. The Board meetings to sign off accounts have been left very late, given the deadlines. Nottingham City Council's influence should be exerted more robustly next year to ensure compliance with the earlier deadlines, and expectations need to be made clear. There are no costs to the delay, just practical issues.

**RESOLVED to:**

- (1) thank Tom and Tony for the presentation, and note the contents of the report;**
- (2) revisit the non-material misstatement in relation to the classification of NET 2 disclosures for the 2017/18 statements.**

**25 ANNUAL GOVERNANCE STATEMENT 2016/17**

Shail Shah, Head of Audit and Risk at Nottingham City Council, presented a report on the annual governance statement 2016/17 to the Audit Committee, and circulated an updated copy signed by the Leader and Chief Executive (attached to the minutes). The interim Annual governance statement came to the Committee in July, and as a result of comments changes were made in the section about the response to the Grenfell residential tower block fire. An additional statement was added on the advice of KMPG, to explicitly state that Nottingham City Council has complied with the CIPFA guidance on the role of the Chief Finance Officer.

Tony Crawley of KPMG indicated that he had reviewed and was satisfied with the annual governance statement as part of the external audit.

**RESOLVED to thank Shail for the report, and approve the annual governance statement 2016/17.**

**26 CORPORATE RISK REGISTER UPDATE**

Jane O'Leary, Insurance and Risk Manager, presented an update to the Committee on the corporate risk register. The report shows those risks which have de-escalated from the risk register into departmental risk management at 2.5, and those which have escalated from departmental risk management onto the corporate risk register at 2.6. Work is currently taking place on the quarter 2 register, and will be reported to the next meeting of Audit Committee. This work includes discussions which took place at the July meeting about governance arrangements for wholly owned companies.

**RESOLVED to:**

- (1) thank Jane for the update, and note the risks identified on the corporate risk register.**
- (2) select SR13 Social Care Sustainability for review at a future committee meeting.**

**27 REVIEW OF BEST PRACTICE IN COMPANY GOVERNANCE -TERMS OF REFERENCE**

Shail Shah, Head of Audit and Risk for Nottingham City Council, presented a report on the terms of reference for the review of best practice in company governance. A good discussion took place at the July meeting, covering the scope of the planned review. Work has started and an update will be presented to the November Audit Committee. Governance arrangements need to be in place ahead of approving group accounts again this time next year.

**RESOLVED to thank Shail for the update, and approve the proposed terms of reference for the review of best practice in company governance, as detailed in appendix 1 of the report.**

# Annual Governance Statement 2016/17

---

## 1. NCC Responsibility for Implementing Good Governance

- 1.1. Nottingham City Council (NCC, 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.
- 1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, this includes arrangements for the management of risk.
- 1.3. The Council approved and adopted a code of corporate governance consistent with the principles of the 2016 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 in 2016/17 and also meets the requirements of the Accounts and Audit (England) Regulations 2015, which require all relevant bodies to review their system of internal control and prepare an Annual Governance Statement.
- 1.4. In addition the CIPFA Code of Practice on Local Authority Accounting requires reference to and assessment of the effectiveness of key elements of the governance framework, including group activities where the activities are significant, and the role of those responsible for the development and maintenance of the governance environment such as the authority, the executive, the audit committee and others as appropriate.

## 2. Purpose of the Governance Framework

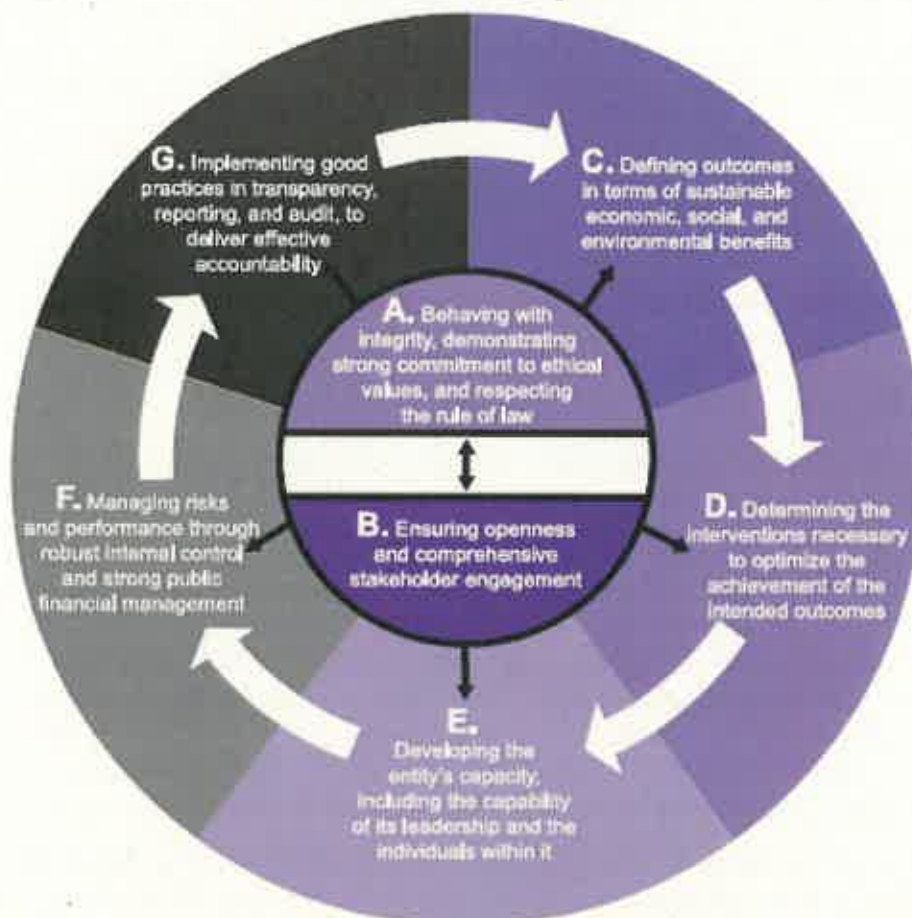
- 2.1. Good governance helps the Council to set good objectives and achieve them
- 2.2. The guidance for implementing good governance was updated in 2016 by CIPFA / SOLACE to reflect a revision to the international framework in 2014 (see below). It places the attainment of sustainable economic, societal and environmental outcomes as a key focus of the governance structures and processes, and stresses the importance of taking account of the impact of current decisions and actions on future generations.

## 3. The Governance Framework

### Governance Principles & How NCC Aims to Meet Them

- 3.1. The diagram below, taken from the International Framework, illustrates the various principles of good governance in the public sector and how they relate to each other.

## Achieving the Intended Outcomes While Acting in the Public Interest at all Times



3.2. Various arrangements are in place to ensure that the Council complies with the local code of corporate governance. Some of these are listed in the table below.

<u>A. Behaving with Integrity</u>	
Councillors' and Co-opted Members' Code of Conduct	Employees' Code of Conduct
	Scheme of Delegation
Councillor / Officer Protocol	Performance Appraisal
Counter Fraud Strategy	Confidential Reporting Code
Registers of Interests, Gifts & Hospitality	Declaration of Related Party Transactions
<u>B. Openness and Engagement</u>	
Customer Charter	Consultations
Comments, Compliments and Complaints Policy	Partnership Governance Framework
	Citizens' Panel
Freedom of Information arrangements	



<u>C. Defining Outcomes (decision making)</u>	
2030 Vision	Constitution including <ul style="list-style-type: none"> <li>• Responsibilities for Functions and Terms of Reference</li> <li>• Councillors' and Co-opted Members' Code of Conduct</li> <li>• Procedures and Standing Orders</li> </ul>
Council Plan	
<b>Nottingham Plan to 2020</b>	
Business plans	
Decision-making protocols & records	
<u>D. Interventions</u>	
Performance Management Framework	Budget Monitoring
Early Interventions	
<u>E. Capacity and Capability</u>	
Member Induction & Training	Officer Induction
Performance Appraisal	Learning Zone
Peer Review	
<u>F. Risks and Performance</u>	
Risk Management Framework	Medium Term Financial Plan
Financial Regulations	Counterfraud team
<u>G. Effective Accountability</u>	
Annual Financial Statements	Partnership Governance Framework
Nottingham Plan Annual Report	External Audit and Inspection

### **A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

- 3.3. The Council's Code of Conduct and Standards Committee arrangements were reviewed to reflect national requirements in the light of national provisions. In advance of the local elections in May 2015 the Council agreed that its code of conduct should be amended to require all councillors to have a DBS check within one month of election and to maintain that check during their terms of office as a councillor or otherwise be in breach of the code and disbarred from all offices and appointments. In addition, attendance at safeguarding training has been made mandatory. These additional provisions in the Code are designed to strengthen the Code and public confidence in councillors.
- 3.4. Councillors were briefed in detail at induction by the Council's Monitoring Officer about the Code of Conduct and what its provisions mean in practice. The Code of Conduct forms part of the Council's Constitution and in addition there is a Member/Officer protocol which is included in the Constitution to which all colleagues and councillors are alerted and have access which defines how councillors and officers should work together appropriately and the standards of personal behaviour and conduct expected. There is no formal code of conduct performance management system for councillors – but early, and initially, where appropriate, informal referral and discussion of any issues/ complaints either from colleagues or from citizens by the Head of Democratic Services, or the Monitoring Officer, to the relevant group whip or the individual councillor concerned is effective and adequate in most instances. More serious matters would be investigated formally if required and referred to the Monitoring Officer in the first instance and then to the Standards Committee if appropriate.

- 3.5. The Local Government Ombudsman report presented to Audit Committee identified that whilst the most frequent areas for complaints and level of upheld complaints were proportionate to those in similar authorities, a clear theme within the upheld complaints was communication and administration and a new complaints process is now in use.
- 3.6. The Register of Significant Partnerships, another mechanism of the Partnership Governance Framework, records the status of each significant partnership and is updated annually.
- 3.7. The annual health checks which are carried out with support from Internal Audit include a section to enable the significant partnerships to assess the robustness and clarity of their decision making and accountability, including that authority and delegations are set out in governing documents, including
- Who can make what decisions
  - Delegated responsibilities
- 3.8. As Head of Paid Service, the Chief Executive is ultimately responsible and accountable to the Council for all aspects of operational management.
- 3.9. The Council's establishment incorporates all posts required by statute. Two key roles are performed by the Monitoring Officer and Section 151 Officer. The roles of these officers are defined clearly in their job descriptions and summarised below.

Key Posts	Statutory	Summary of Role
Monitoring Officer		Undertaken by Corporate Director of Resilience in 2016-17, and to be undertaken by Director of Legal & Governance from the end of June 2017 Ensures that agreed procedures are followed including all applicable statutes, regulations and statements of good practice Manages arrangements for whistle blowing Ensures that professional advice is taken before making decisions with legal / financial implications, and reports to Boards and Committees include this advice
Section 151 Officer	151	Undertaken by the Director of Strategic Finance Provides the Council with advice on financial matters Manages the keeping of financial records and accounts Ensures that effective systems of internal financial control are maintained

- 3.10. The Constitution and its appendices define the delegated roles and responsibilities of key post holders, the Leader and executive councillors and decision-making bodies of the Council in detail. Changes to the Constitution including those to financial reporting are made at a meeting of Full Council.
- 3.11. The Council has set out budget and policy frameworks, which define how budget and policy decisions are made. These include setting each year's budget.
- 3.12. In order to ensure that the Council acts in the public interest at all times the Chief Executive has communicated expectations within a message map as part of the Council's Good to Great journey as follows

## Message Map



## B. Ensuring openness and comprehensive stakeholder engagement

- 3.13. The Council has a Research, Engagement and Consultation team that leads on corporate engagement for example the annual Citizens Survey and the Colleague Opinion Survey. They also provide detailed advice and guidance on all aspects of research, engagement and consultation for colleagues across the authority. Regular engagement activities such as ward surgeries and tenant and resident association meetings are captured in an engagement calendar. Results from internal and external consultations have been analysed and published.
- 3.14. Complaints can be made in various open and transparent ways including through the internet, councillors, the Director of the service or office responsible. Have Your Say is now managed through a dedicated Customer Relationship Management (CRM) system. Access to the Ombudsman is well publicised.
- 3.15. The Council's performance in respect of Freedom of Information and Environmental Information Regulations requests has been improved and remains above the statutory target, which was increased in 2016/17.

## C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

- 3.16. The Council defines outcomes through a number of processes including agreeing a long-term vision, agreeing medium term and shorter term plans.

- 3.17. The Council's vision is wholly aligned with that of the City as set out in the 2030 vision and Nottingham Plan to 2020. Accordingly, this vision and the associated Nottingham Plan Strategic Priorities are set and are not subject to annual review and change.
- 3.18. The Nottingham Plan to 2020 sets the overall strategic direction and long term vision for the economic, social and environmental wellbeing of the City of Nottingham and focuses on the following six themes (with three important cross-cutting aims of Aspiration, Green and Fairness):
- World Class Nottingham
  - Neighbourhood Nottingham
  - Family Nottingham
  - Working Nottingham
  - Safer Nottingham
  - Healthy Nottingham
  - Greener Nottingham
- 3.19. The One Nottingham Partnership has reprioritised the Nottingham Plan targets to make the reporting processes more streamlined. In the light of this exercise, the One Nottingham Board agreed to receive periodic management reports of the targets and to concentrate on some areas in which they, as members of the Board and partners, are able to make the best impact and to which they can make a unique contribution.
- 3.20. The ON Board has begun to consider the successor to the Nottingham Plan to 2020 which it is planning to base around aspirations and fairness/ and system change. It will do this with the support of partners and the One Nottingham Chief Officer group. Partners are expected to agree to the terms of the code of conduct.
- 3.21. The latest Council Plan, approved by councillors, sets out the Council's ambitions for the city over the four years up to 2019. This includes the following 5 key objectives for the Council to deliver:
- Ensure that every child in Nottingham is taught in a school that is judged good or outstanding by Ofsted
  - Build 2,500 new homes that Nottingham people can afford to rent or buy
  - Cut the number of victims of crime by a fifth and continue to reduce anti-social behaviour
  - Tackle fuel poverty by setting up a not for profit energy company, to sell energy at the lowest possible price to Nottingham people
  - Guarantee a job, training place or further education plan for every 18-24 year old
- 3.22. The Council Plan underpins the council's wider Good to Great journey, with a continued emphasis on placing citizens at heart of everything the Council does to shape its service delivery going forward. It has clear priorities with associated performance measures supported by delivery plans containing the key milestones and measures for each Plan priority. On a monthly basis, the Corporate Leadership Team manages major changes, including all internal transformational projects and programmes, which together ensure that the Council is well placed to lead Nottingham and optimise what it does for and on behalf of its citizens.
- 3.23. A corporate template was developed in 2016, which is followed by the majority of services in constructing their business plans. Business plans capture how the Council delivers the Council Plan objectives. These in turn feature in colleagues' own Performance Appraisals to detail how the work they do contributes to the delivery of the council's key priorities.



- 3.24. 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 Plan objectives 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. Regular updates and reviews ensure consistency within plans 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 updated Council's 'Message Map' below, which illustrates the direction and focus for the Council.
- 3.25. 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.
- 3.26. Professional advice is taken when decisions have legal or financial implications; this is done 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.
- 3.27. The advice given will usually be contained within the board papers and will be presented to the appropriate 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.

#### **D. Determining the interventions necessary to optimise the achievement of the intended outcomes**

- 3.28. The Corporate Leadership Team (CLT) manages major changes on a monthly basis, including all internal transformational projects and programmes, which together ensure that the Council is well placed to lead Nottingham and optimise what it does for and on behalf of its citizens.
- 3.29. Progress monitoring of the Council Plan is undertaken quarterly through a series of exception reports to both CLT and Council Executive. Business plans are in place for all key Council services and the actions and performance indicators are monitored quarterly, reviewed, and refreshed on an annual basis.
- 3.30. The Council's Early Intervention approach provides integrated support to children, adults and families as soon as a problem begins to emerge or where there is a strong likelihood that problems will emerge in the future. In addition by focussing on root causes there is an aim to prevent or reduce future demand for specialist services bringing down costs in the long term.
- 3.31. A thorough review of the PMF is currently being undertaken and a revised version is expected by autumn 2017.
- 3.32. The Council's budget monitoring arrangements exist to identify variance from the financial plan at an early stage allowing appropriate intervention to take place to understand and correct performance.
- 3.33. The Finance restructure has concentrated on improvement to financial systems.

## Case Study – Interventions: Response to the Grenfell Tower Fire

The partnering arrangements between the Council and Nottingham City Homes (NCH) enabled an immediate response to be launched by NCH to:

- identify cladding materials used to clad high rise blocks within the Council's stock and assess risk;
- Communicate with, advise and reassure tenants of all properties with external cladding, both high and low rise;
- Identify and evaluate all potential safety measures and installations to prevent or reduce the risk of any such incident in one of the Council's high rise blocks.

A leadership action plan with clear actions, tasks, accountability, and timescales was developed by NCH in consultation with the Council's leadership and is currently being implemented and progress monitored. The governance process which allowed this response is provided via the Nottingham City Council (NCC) -NCH Partnering Agreement (2011 – 2021) which details the responsibilities of the parties. Council governance and oversight of NCH includes Councillor representation on the NCH Board, and a requirement for a regular Partnership Forum.

NCC Leadership also identified the need to seek to provide assurance to citizens living in privately owned tall buildings across Nottingham on fire safety in those buildings. A cross departmental project team was quickly established with a remit to:

- establish a database of all tall buildings over 18m high in the city
- identify ownership and responsible persons contact information
- identify buildings where aluminium composite material (ACM) cladding may have been present
- establish contact with owners and request information on external cladding and completion of Communities and Local Government (CLG) information pro-forma including an up to date fire risk assessment
- establish a dialogue with Nottingham Fire and Rescue Service (NFRS) to share information and intelligence and to prioritise a fire service visit and audit to buildings where any concerns over cladding and fire safety identified.

Contact was established with CLG and information shared through the period regarding any failures of the cladding fire testing by the Building Research Establishment (BRE). The lack of any existing datasets covering ownership and responsible persons was identified and added considerable complexity to the actions. Over 500 residential and commercial use buildings were identified from GIS data. Ownership and contact information was collated for all buildings and letters sent to all. If no response was received further letters were sent. Regular press statements were made to update on progress and encourage building owners to respond. Information on those buildings where no response was received were published on the website.

NFRS have been provided with regular updates of the response information database and any intelligence about cladding and lack of Fire Risk Assessments. Progress of the project team was monitored through regular updates to Leadership. Where concerns were identified, a number of tall buildings received a visit and mitigation measures have been required by the NFRS where necessary. This activity formed a new area of work outside of any existing responsibility and required significant new intelligence gathering. NCC governance and oversight of these actions was provided by NCC Leadership through established reporting mechanisms.

## **E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

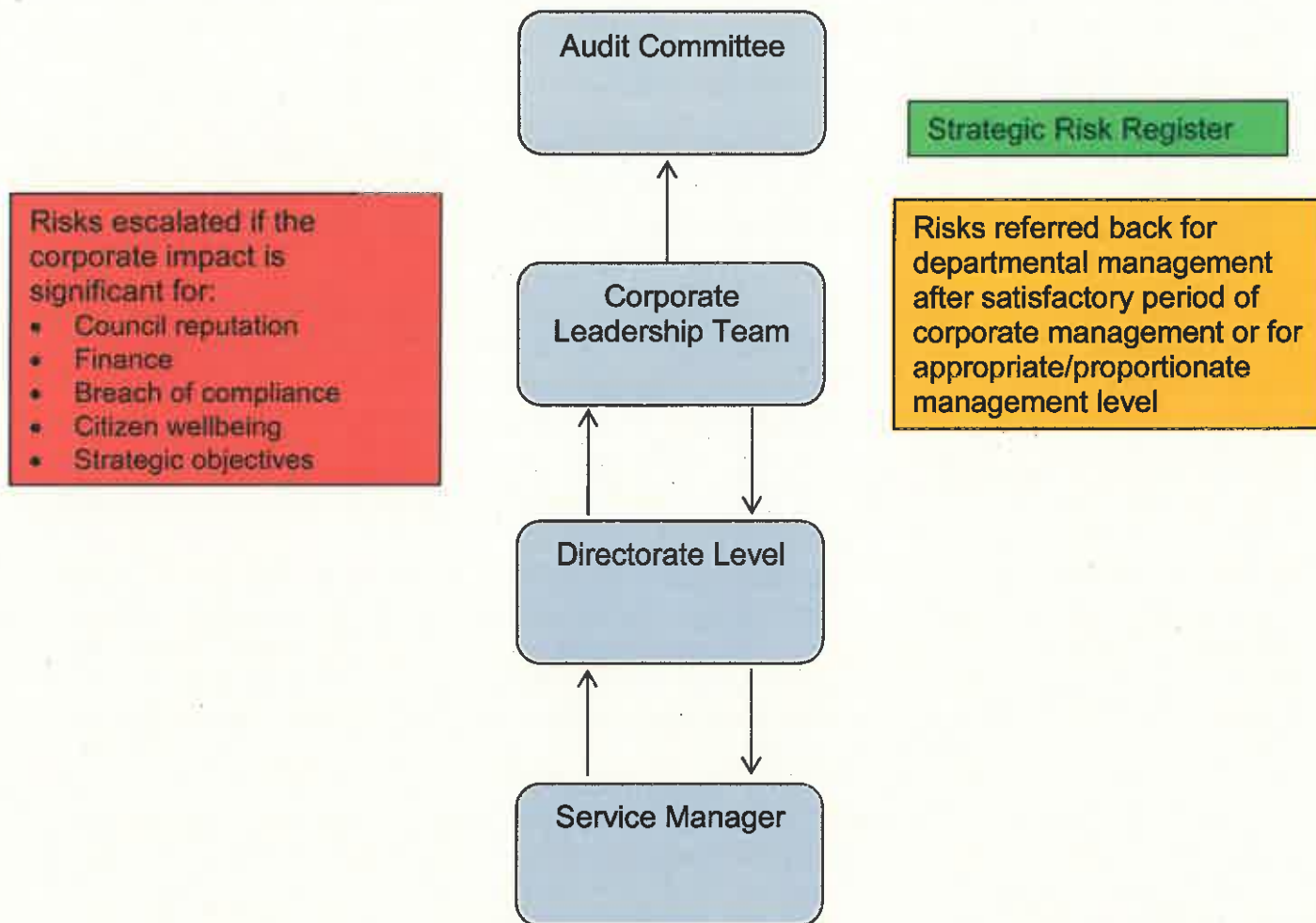
- 3.34. In May 2017, the Local Government Association were invited to conduct a Corporate Peer Challenge to help the Council validate its progress, review lessons learnt, identify improvements and help ensure it is on the right path to achieve this through its ambitious programme as set out in the Council Plan and transformation road map.
- 3.35. The Peer Team consisted of the Chief Executive of Leeds City Council, the Leaders of Newcastle City Council and Trafford Council along with other members of the Peer Challenge team the Local Government Association put together, interviewed a range of frontline staff, managers, Directors and Councillors over the course of the week. They also spoke to Leaders and Chief Executives from other councils and organisations who the Council works closely with.
- 3.36. The group looked at areas such as how the Council ensure it keeps citizens at the heart of our processes, how it supports older people in the city and whether the right systems are in place to continue the transformation to becoming a great council.
- 3.37. Initial feedback has been overwhelmingly positive, with the review team commenting that the Council clearly has a record of delivering priorities and innovating, and that Citizens at the Heart permeates the organisation. The full written report is expected late June 2017 and further details can be provided after then.
- 3.38. Development of councillors and colleagues induction arrangements, learning and development, generic, individual and group based training and development activities continued throughout 2016/17 with a mix of internal and external provision. A councillor induction programme was delivered by the cross party Councillor Development Steering Group (CDSG) and at the outset included skills audits in relation to IT to ensure that new councillors could be supported in adapting to the council's preferred ways of working electronically. The induction programme has continued to meet new councillor's needs over the last year and CDSG has continued to plan for and support both new and returned councillors' general and individual development needs and aspirations. Training tailored to political group preferences and generic and individual needs has been prepared and delivered on an ongoing basis and will be reviewed by CDSG
- 3.39. The Councillors' Allowances Scheme was reviewed in full by a newly constituted Independent Remuneration Panel in November / December 2016. The Panel's report was submitted to Council in January 2017 and its recommendations were accepted in full at that meeting. The revised scheme has now been implemented and new rates of basic and special responsibility allowances are set out in the Council's Constitution, which is available on the Council's website. The amounts of allowance paid to individual councillors is checked and publicised on a monthly basis throughout the year and the process for ensuring that members' allowances and any expenses approved under the Scheme are paid correctly has received a rating of High Assurance under a previous internal audit procedure. Accordingly, there is clarity both internally and externally about the remuneration of councillors.
- 3.40. Effective succession planning has taken place for the role of Monitoring Officer.

## **F. Managing risks and performance through robust internal control and strong public financial management**

- 3.41. The Council's Risk Management Framework and associated arrangements were revised during 2016/17. Following roll out of the Framework and Strategy workshops were undertaken with the Departmental Leadership Teams to review their current risk registers using the revised Framework as the consistent standard. Work continues to develop the departmental risk registers. CLT are engaged with identifying and managing corporate risk

and risk workshops have been undertaken with each department and Corporate Leadership Team (CLT) to refresh the corporate risk register. The escalation process is shown diagrammatically as follows.

### Risk Reporting and Escalation Process



3.42. An essential element of good governance is the existence of sound arrangements for the management of financial resources.

3.43. The Chief Finance Officer (CFO) is a professionally qualified accountant and has put in place mechanisms to ensure compliance with CIPFA's statement on the 'Role of the Chief Financial Officer in Local Government'. The CFO sits on the CLT and is able to contribute positively and influence 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 and ensures that the finance function continually develops and remains fit for purpose. The following illustrates the Financial Framework put in operation to support the delivery of 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 and Policy Guidance
Plans	MTFP	Annual Budget	Capital Programme & AMP	Treasury Policy Statement	Procurement Checklist	Risk Responses
Governance	Constitution	Budget Management & Control statements & Annual Governance Statement		Prudential Indicators & Annual Report	Contract & Finance Procedure Rules	Risk Register reporting and regular review
	Financial Regulations and Standing Orders					Audit Committee Reports & annual report

- 3.44. The Chief Finance Officer is responsible for providing guidance on setting up companies. Corporate Directors and the Director for Public Health must seek approval from the Chief Finance Officer and Head of Legal before setting up a company or establishing formal relationships with any external organisation. Group companies each have their own board, which is responsible for the direction and governance of the company. The Council as shareholder has rights to nominate directors to these boards.
- 3.45. The Internal Audit work plan is aligned to the Council Plan and as part of the process to determine the plan Internal Audit consults with Corporate Directors and key stakeholders within the Council and its companies. Internal Audit mainly conforms to the Public Sector Internal Audit Service revised in 2016 and 2017. The arrangements for Internal Audit are set out in the Internal Audit Charter and the Constitution.

### G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

- 3.46. The Council has a website on which it publishes key information about decisions made and performance, including the results of external assessments. The council is compliant with the Department of Communities and Local Government's Transparency Code 2015, and continues to lead in proactively making datasets available for re-use, via the Open Data Nottingham portal, thereby providing continued commitment to the council's value of being open and transparent. A recent internal audit identified a positive direction of travel in terms of how the Information Rights & Insight Team review and make non-personal information available.
- 3.47. In order to keep the One Nottingham Board (ON Board) relevant to the city and to maintain good relationships across Nottingham the ON Board invited some additional members strategically placed members who accepted the role and have been working actively since. The Portfolio holder for the ON Board has now changed. Cllr Neal has taken on the portfolio. Cllr Neal is familiar with the way ON works having been active in the partnership previously. He will take part in regular briefings with the chair of the Board and Director of ON.

- 3.48. A quarterly Statutory Officers meeting takes place to review key issues and arrangements. As highlighted in 3.9 above the monitoring Officer and Section 151 Officer are in place and fulfil their governance roles.
- 3.49. The Council complies with relevant statutory financial reporting processes and guidance including production of a published Annual Statement of Accounts.
- 3.50. Annual performance highlights are published in The Nottingham Arrow in the summer with quarterly summaries published on Nottingham Insight.
- 3.51. A data quality exercise was undertaken in 2016 on a small set of key performance indicators (that inform the Council Plan) and the intention is for all KPIs used in the Council Plan to be data assured by March 2019

### **Constitutional Bodies Dealing with Governance**

- 3.52. Overview and Scrutiny Committee takes an overview of key strategic issues relevant to Nottingham ensuring decision makers are held to account for their decisions and actions. It commissions review panels to deliver its work programme.

### **Audit Committee**

- 3.53. The Audit Committee regularly updates its programme of work in accordance with its terms of reference. It complies with CIPFA guidance on the role of Audit Committees. It monitors and approves arrangements for Internal Audit and Risk Management
- 3.54. The Audit Committee also external sources of assurance, departmental arrangements for assurance, risk management, key systems, governance audits, companies, partnerships, departmental audits, fraud
- 3.55. A regular programme of work is carried out by Internal Audit and additional scrutiny committees, external audit and external inspection contribute to compliance with Council policies, procedures, laws and regulations. During 2016/17, the Council's arrangements for Internal Audit were externally assessed against Public Sector Internal Audit Standards.

## **4. Review of Effectiveness**

### **Review Process**

- 4.1. 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 by comments made by the external auditors and other review agencies and inspectorates. The review also looks at governance arrangements undertaken within its significant partnerships and within its group members.

### **Internal Audit**

- 4.2. Internal Audit is an independent, objective assurance and consulting activity aiding the Council in accomplishing its objectives by bringing a systematic, disciplined approach directed to evaluate and improve the Council's control and governance processes. Using information and evidence collected during the year the Head of Audit & Risk (HoIA) produces an annual audit report and opinion summarising the effectiveness of the governance arrangements in place.
- 4.3. In 2016/17, the HoIA maintained processes complying with the governance requirements set down in the CIPFA Statement on the role of the Head of Internal Audit. The service met the

requirements of the Account and Audit Regulations 2015 and associated regulations and an independent review confirmed the service mostly conformed to the detailed principles contained in the Public Sector Internal Audit Standards (PSIAS).

- 4.4. The HoIA reports to Corporate Directors and stakeholders who are responsible for ensuring that proper standards of internal control operate within their areas of responsibility. Internal Audit has reviewed the controls and given an opinion in respect of the systems and processes found in place. The 2016/17 Audit Plan, as agreed by the Audit Committee and Corporate Directors and key stakeholders, was completed in accordance with the professional standards. The HoIA has also overseen those policies and procedures in place addressing the risk of fraud and irregularity, and is of the opinion that they align with best practice as described in the CIPFA Code for managing the risk of fraud and corruption. The HoIA has continued to develop the use of a corporate team to strengthen the counter fraud function.

### **Head of Audit & Risk (HoIA) Opinion**

- 4.5. The mandatory Public Sector Internal Audit Standards require the HoIA to give an opinion and report to support the City Council's Annual Governance Statement. Corporate Directors are responsible for ensuring that proper standards of internal control operate within their directorates. IA reviews these controls and gives an opinion in respect of the systems and processes put in place. The audit work concludes with a report detailing the findings and giving an overall level of assurance.
- 4.6. The IA service works to a risk based Audit Plan agreed with Corporate Directors and agreed by the Committee. The 2016/17 Audit Plan has been completed in accordance with the PSIAS and other professional standards applicable to the service. The IA service has undertaken reviews of the internal control procedures in respect of the key systems and processes of the Council and its partners, where appropriate. The service has operated within professional standards as PSIAS.
- 4.7. Planned work has been supplemented by ad hoc reviews in respect of irregularities and other work commissioned by Corporate Directors or the partners of the City Council and the work undertaken by external review agencies. Reports in respect of all reviews have been issued to the responsible colleagues, together with recommendations and agreed action plans. Further, each quarter a list of reports has been sent to the Committee for consideration.
- 4.8. Throughout 2016/17, the HoIA has continuously reviewed the significant challenges and risks associated with the Council's operations and has allocated the necessary resources, via the audit plan, to form his opinion on the Council's governance arrangements. In forming his opinion, the HoIA has reviewed all the IA reports issued in 2016/17, which has included ICT work and drawn upon available external sources of assurance from independent review bodies and internal assurance mechanisms to help him identify and assess the key control risks to the Council's objectives. Other sources of assurance has included the AGS Statement, Ombudsman Report, KPMG the Council's external auditor, and the partnership health check review
- 4.9. The HoIA has concluded that although no systems of control can provide absolute assurance, nor can IA give that assurance, he is satisfied that, on the basis of the audit work undertaken during the 2016/17 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 2016/17 financial year, covering financial systems, risk and governance, the HoIA is able to conclude that a reasonable level of assurance can be given that internal control systems are operating effectively within the Council, its significant partners and associated groups..



## **Other Assurance Activities**

- 4.10. Corporate Directors and statutory officers have provided an assurance statement supporting the AGS for 2016/17. These statements have been supplemented by assurance gathered from key colleagues responsible for Internal Audit, Risk, Human Resources, significant partnerships and group members, and have also been informed by independent external reviews, including those carried out by the external auditor. The assurance is based around questionnaires developed from the CIPFA/SOLACE Framework for Corporate Governance.
- 4.11. In summary, the Council has reviewed its systems of internal control and those of group companies where the activities are significant and taken a comprehensive approach to considering and obtaining assurance from many different sources. As a result of the review of the effectiveness of the governance framework, 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.

## **5. Significant Issues**

- 5.1. This 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 Audit and Risk 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.

- 5.2. Based on the definition there are no issues identified as significant for 2016/17. Issues considered worthy of noting are listed below

## **6. Issues Worth Noting and Actions Taken**

- 6.1. 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. New or outstanding issues are as follows:

### **EMSS**

- 6.2. The Council's Accountancy and Audit services continue to monitor the activity and performance of EMSS closely. Issues have been faced in terms of financial management since the implementation and delays have been experienced in making payments. The causes of this issue have been addressed and the resulting payment backlog has been

reduced. To provide clarity of responsibilities, a service level agreement has been set up between NCC and EMSS.

- 6.3. A new invoice scanning solution has been introduced in 2017/18 which embraces developments in OCR (Optical Character Recognition) technology which should provide for a more efficient and effective Accounts Payable service.
- 6.4. The restructure of Strategic Finance within NCC has seen the creation of a dedicated transactional team. This team will work closely with EMSS on improvement activity within Accounts Payable and Accounts receivable functions with the development of clear key performance indicators. Some of the programmed improvement activity has been put on hold pending the outcome of the joint project re the replacement of Oracle.

#### Replacement of Oracle

- 6.5. Currently Leicestershire County Council and Nottingham City Council share an Oracle e-business platform to support a range of functions. These include procurement and payments to suppliers, billing and income from customers, financial budgeting and reporting, general ledger, HR processes, employee contract management, payroll and a range of statutory and business reporting capabilities.
- 6.6. The current solution presents future support challenges. Our current version of e-business is only supported by Oracle until December 2021 and the current hosting contract is due for renewal in March 2019, although there is the option to extend for one year. This means that ideally we will have identified and implemented a suitable alternative by April 2020.
- 6.7. The Council is working with our partners to explore the opportunities to reduce the cost of providing the relevant functionality to their customers, improve the user experience and drive improvement and efficiencies through standardised, simplified processes. A joint project has been commissioned to assess and define the roadmap for HR and Finance systems in line with organisational requirements.

#### Central Government Review of Local Government Funding and Balancing the Councils Budget

- 6.8. The Government has implemented a rapid and extensive programme of policy change, accompanied by significantly reduced funding for the public sector. In response, service and financial planning processes have changed to
  - take account of the priorities within the Council Plan 2015-2019;
  - address demographic and service pressures through investment;
  - reflect the significant reductions in external funding (especially general and specific Government grants) by reducing expenditure on those activities;
  - support the Council's determination to be efficient, improve performance and modernise the organisation;
  - recognise the very challenging financial landscape and future outlook and the impact on all sectors, including the Public Sector.
  - Continue to focus on regeneration and growth through capital investment
- 6.9. In addition, the Council's approach to setting recent budgets has, where possible, been guided by the following principles:
  - to pursue commercialisation opportunities to generate income for the Council; and help offset a proportion of the impact of grant reductions;
  - reducing demand and reviewing the way we commission our services;
  - redesigning and modernising our service provision / identifying efficiencies;

- to protect frontline services and minimise the impact of service reductions and changes on vulnerable citizens

- 6.10. The Council submitted an Efficiency Plan (the basis being the MTFs) to DCLG in October 2016 with approval granted in November 2016, this was a requirement in securing the multi-year settlement covering 2016/17 to 2019/20. The four-year settlement gives the Council some additional certainty about future funding levels compared to the normal process of annual settlements.
- 6.11. Though the four year settlement was 'guaranteed' by the Secretary of State this will only be true if no significant, unforeseen financial changes occur for central or local government for example the consequences of the Brexit decision which are, as yet, unknown but the UK departure will have profound legal, economic, social and political implications.
- 6.12. The MTFP was presented to Council in March 2017 and proposed a balanced budget for 2017/18, but confirms the need for ongoing significant cost reductions in the short to medium term. The 2017/18 budget includes new budget reduction and income generation proposals of £13.088m and net contributions of c£10m from the integration of health and work is ongoing to identify delivery plan for this.
- 6.13. The outturn for 2016/17 is a net overspend of **£2.522m** and results in a reduction of the general fund balance. This represents a deterioration of **£0.601m** from that reported at quarter 3. The reduction in the Council's overall funding envelope has resulted in budgets becoming increasingly difficult to achieve and this has been the case for 2016/17, the majority of the overspends are within the demand led areas. Management action is in place to review the impact of this overspend on the 2017/18 budget
- 6.14. The General Fund capital programme 2017/18 to 2021/22 of £396m shows a current funding surplus of £3.465m that represents 0.9% of the total programme and is to be used as a contingency against future pressures. The programme is predicated on a number of projects in development, the cost of these projects are estimated and are subject to change. These include the Broadmarsh schemes, which is a corporate priority, but funding is yet to be identified. Any surplus on the programme and future capital receipts will be ring-fenced for the Broad marsh schemes.

#### Housing Revenue Account – HRA

- 6.15. The HRA is balanced in medium term but there is a long-term gap on capital investment requirement.
- 6.16. The Welfare Reform and Work Act 2016 requires that social rents are reduced by 1% per annum for four years from 2016, with 2017 being the second year the Council has had to reduce rents. There is uncertainty over future rent policies after the four year period
- 6.17. Universal Credit will be rolled out in 2018 and will replace 6 existing benefits and merge them into one payment will be paid monthly in arrears. This is an unquantified financial impact on collection values and debt recovery

#### Children In Care

- 6.18. The cost of funding children in care arrangements is a key issue facing the Council. Numbers of children in care both nationally and locally are at historical highs. Recruitment of foster carers continues to be a challenge, we continue to pursue our two key strands one related to recruitment and the other retention of carers on a fortnightly basis. Two recruitment staff are now in post their role is to focus on the recruitment of foster carers and ensure timely pathways for new carer approval. We are making some improvements with reduction of agency staffing; for the first time in two years the three managers in fostering, adoption, and post order are substantive Nottingham City staff

- 6.19. Plans have been put in place to further review the cases of some older children who remain in our care. In April 2017 we had 616 children in our care, an increase of 38 from April 2016. This is 95. Per 10,000 children of population, similar Councils had 96.3 per 10,000 child population in April 2017. Our target is to have 90 per 10,000 child population in care, a range of support services are in place to work with children on the edge of care and their families
- 6.20. Over the last three years the number of unaccompanied asylum seeking children in the care of the Council has increased from 8 to 28, Home Office grant supports the placement cost of these children. The number of care leavers who were former unaccompanied asylum seeking children is currently 30. Many of this older group are in various processes post 18 relating to their right to remain in the UK.
- 6.21. In the 2017/18 financial year our recruitment of fosters carers is strengthened with additional capacity to ensure we respond promptly to prospective carers and support them through the process. Local Authorities continue to face aggressive competition from independent private sector agencies in the foster carer recruitment market. We are slightly below our Council plan target of having 148 mainstream households by April 2017. At this point in the cycle we have 144 fostering households. However, we have a significant number of new applicants in the approval process currently since implementing our new recruitment plan.
- 6.22. In the 2016/2017 financial year, 73 children left the councils care and moved into long-term permanence arrangements such as adoption, special guardianship, or child arrangement orders. This was slightly below our target of 77.
- 6.23. 82.5% of our supported care leavers are aged 19-21, which is equal to national average and slightly higher than similar Councils average of 81.1%. Nottingham's has 58.7% of care leavers in employment, education or training greater than the national average of 49.3% and the similar council average of 47.7%.
- 6.24. In the 2016/2017 financial year outturn, we narrowly missed our target for adoption and other permanence outcomes for our children, achieving 73 not the target of 77. The Department for Education have examined our adoption performance, and we had positive feedback regarding finding adopters for hard to place children such as a large sibling groups who we managed to place together, and children with special needs.
- 6.25. Involvement in the criminal justice process of children in care aged 10-17 has fallen significantly in recent years from 16% to 5% and is now in line with similar Councils. Our part funding of a Police Officer post to work with children in care at risk of going missing or sexual exploitation, or other crime has received increasing recognition from other local authorities. South Yorkshire Police recently visited to look at this model. Mental Health Services and Education representatives continue to attend our weekly panel to review complex cases. A quality assurance officer based in the placements service monitors the quality of purchased placements, and visits external residential provision.
- 6.26. Our residential Children's homes continue to perform strongly when visited unannounced for inspection by Ofsted. Our 7 Ofsted registered homes have been inspected unannounced by Inspectors and are all as at 1 August 2017 rated as Good or Outstanding. Our five semi-independent homes continue to provide excellent transition to independence for our young people.
- 6.27. A team of four HMI Ofsted inspectors visited the Councils children's services 23rd January - 3 February 2017 to pilot a new inspection framework. Feedback was very positive overall with improvements noted in children in care social work fostering and adoption.

#### Workplace Parking Levy (WPL)

- 6.28. The overall NET/WPL financial model is regularly updated to reflect the actual WPL income received each financial year together with the latest projections of future income. Should



forecasts indicate that insufficient WPL income may be generated over the life of the NET Phase 2 contract to achieve a balanced position by 2033/34, decisions may be made in respect of the ongoing contributions to the Green Bus network and/or extending the WPL scheme beyond the life of the NET Phase 2 contract.

#### Information Governance

- 6.29. The role and responsibilities of the Senior Information Risk Owner (SIRO) have been expanded to include; overall ownership of information risk management across the council, acting as champion for information management activities in order to mitigate against potential risks, and realising greater operational efficiencies and improved customer services. An Information Management Assurance Board is being established, led by the SIRO to ensure information is managed in an holistic manner across the whole organisation with a focus on compliance, transparency, and efficiency.
- 6.30. Performance associated with requests under Freedom of Information and Environmental Information Regulations continue to remain above the recently increased statutory target. Previous challenges associated with managing and processing personal information requests under the Data Protection Act (DPA) have been addressed and performance is now routinely in line with statutory expectations. Focussed activity around establishing sustainable operating models to ensure continued compliance in responding to all types of information requests is ongoing.
- 6.31. The council is compliant with the Department of Communities and Local Government's Transparency Code 2015, and continues to lead in proactively making datasets available for re-use, via the Open Data Nottingham portal, thereby providing continued commitment to the council's value of being open and transparent. A recent internal audit identified a positive direction of travel in terms of how the Information Rights & Insight Team review and make non-personal information available.
- 6.32. The Information Commissioners Office (ICO) has recently concluded its review of the consensual Data Protection Audit carried out in 2014. The ICO reported that she found it encouraging to see a significant improvement since the last review and now considers this review closed. However, the ICO does expect that the commitment demonstrated by NCC in improving its compliance with the DPA to be maintained.
- 6.33. In May 2018, the EU General Data Protection Regulation (GDPR) will replace the Data Protection Act 1998. The GDPR imposes new, and significantly more stringent, requirements for the handling of personal data. Although the position regarding the GDPR is not wholly clear, it is recognised that new procedures will need to be put in place to deal with the provisions of the GDPR associated with transparency and individuals' rights. Internal Audit were commissioned to carry out a gap analysis as part of the Council's ongoing preparations for the implementation of the GDPR, focusing on actions required to ensure compliance and to identify areas where additional work is required before May 2018. In addition, the GDPR places greater emphasis on the explicit design of organisational and technical measures to secure compliance with its principles (privacy by default and design). It is recognised there could be significant associated budgetary, I.T., personnel, governance and communications implications. The internal audit report findings, and the ICO's 12 step GDPR checklist, are being used to develop the Council's GDPR action plan.

#### Information Technology

- 6.34. In February 2017, Actica Consulting reviewed the IT Service upon completion of the IT Service Improvement Programme. They noted a *"significant shift in user perception of the service"* and cited the service as



*“an example of what good looks like...resultant of the commitment to transformation of the IT Team ... Much of this improvement has come about as a result of the strict adherence to the SIP by the current Head of IT (Simon Salmon), with particular focus on improving customer service and the IT infrastructure, facilitated mainly by a structural reorganisation and cultural change programme within the ICT function”.*

#### Robin Hood Energy

6.35. The Council wholly own this private limited company licensed to supply gas and electricity to domestic and non-domestic customers in England, Scotland and Wales. It is a not-for-profit company and began offering credit tariffs in May 2015 followed by prepayment tariffs and commercial tariffs. Governance arrangements are now established including weekly management meetings and bi-monthly Board meetings. The Board comprises five Directors (all Councillors).

#### Enviroenergy

6.36. The Council wholly own this private limited company which both generates heat and power and sells heat and power to commercial and domestic customers in Nottingham. The company has launched additional commercial services, billing provision for a number of housing associations outside Nottingham and the development and sale of a heat monitor. The Board comprises 5 Directors (all Councillors) and meets on a bi-monthly basis.

6.37. The new appointment to Head of Enviroenergy, together with other key managerial appointments, is delivering new focus on infrastructure, investment and expansion with noticeable benefits in the following business performance areas necessary to sustain a heat network for the next 30 years :-

Asset Care, Engineering Risk, Statutory Maintenance, Environmental Compliance, Capital and Revenue expenditure, Income enhancement, Budget Control, Health & Safety, Training and Development, Operational Efficiency, Customer Services and Private Wire and District Heating Expansion and Strategic planning.

#### Response to the Grenfell Tower Fire

6.38. The partnering arrangements between the Council and Nottingham City Homes (NCH) enabled an immediate response to be launched by NCH to:

- identify cladding materials used to clad high rise blocks within the Council's stock and assess risk;
- Communicate with, advise and reassure tenants of all properties with external cladding, both high and low rise;
- Identify and evaluate all potential safety measures and installations to prevent or reduce the risk of any such incident in one of the Council's high rise blocks.

6.39. A leadership action plan with clear actions, tasks, accountability, and timescales was developed by NCH in consultation with the Council's leadership and is currently being implemented and progress monitored. The governance process which allowed this response is provided via the Nottingham City Council (NCC) -NCH Partnering Agreement (2011 – 2021) which details the responsibilities of the parties. Council governance and oversight of NCH includes Councillor representation on the NCH Board, and a requirement for a regular Partnership Forum.

6.40. NCC Leadership also identified the need to seek to provide assurance to citizens living in privately owned tall buildings across Nottingham on fire safety in those buildings. A cross departmental project team was quickly established with a remit to:

- establish a database of all tall buildings over 18m high in the city

- identify ownership and responsible persons contact information
- identify buildings where aluminium composite material (ACM) cladding may have been present
- establish contact with owners and request information on external cladding and completion of Communities and Local Government (CLG) information pro-forma including an up to date fire risk assessment
- establish a dialogue with Nottingham Fire and Rescue Service (NFRS) to share information and intelligence and to prioritise a fire service visit and audit to buildings where any concerns over cladding and fire safety identified.

6.41. Contact was established with CLG and information shared through the period regarding any failures of the cladding fire testing by the Building Research Establishment (BRE). The lack of any existing datasets covering ownership and responsible persons was identified and added considerable complexity to the actions. Over 500 residential and commercial use buildings were identified from GIS data. Ownership and contact information was collated for all buildings and letters sent to all. If no response was received further letters were sent. Regular press statements were made to update on progress and encourage building owners to respond. Information on those buildings where no response was received were published on the website.

6.42. NFRS have been provided with regular updates of the response information database and any intelligence about cladding and lack of Fire Risk Assessments. Progress of the project team was monitored through regular updates to Leadership. Where concerns were identified, a number of tall buildings received a visit and mitigation measures have been required by the NFRS where necessary. This activity formed a new area of work outside of any existing responsibility and required significant new intelligence gathering. NCC governance and oversight of these actions was provided by NCC Leadership through established reporting mechanisms.

## 7. Conclusion

7.1. The Council has reviewed the effectiveness of its governance framework including the system of internal control as outlined above and considers it fit for purpose.

7.2. 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