



NOTTINGHAM CITY COUNCIL
AUDIT COMMITTEE

Date: Friday, 22 September 2017

Time: 10.30 am

Place: LB 31 - Loxley House, Station Street, Nottingham, NG2 3NG

Councillors are requested to attend the above meeting to transact the following business

Corporate Director for Strategy and Resources

Governance Officer: Kate Morris **Direct Dial:** 0115 876 4353

- | | | |
|----------|--|-----------|
| 1 | APOLOGIES | |
| 2 | DECLARATIONS OF INTERESTS | |
| 3 | MINUTES To confirm the minutes of the meeting held on 14 July 2017 | 3 - 10 |
| 4 | STATEMENT OF ACCOUNTS 2016/17 Report of the Strategic Director for Finance | To Follow |
| 5 | KPMG - REPORT TO THOSE CHARGED WITH GOVERNANCE Report of KPMG | To Follow |
| 6 | ANNUAL GOVERNANCE STATEMENT 2016/17 Report of the Director of Strategic Finance | 11 - 36 |
| 7 | CORPORATE RISK REGISTER UPDATE Report of the Strategic Director for Finance and the Corporate Director of Strategy and Resources | 37 - 44 |
| 8 | REVIEW OF BEST PRACTICE IN COMPANY GOVERNANCE - TERMS OF REFERENCE Report of the Director for Strategic Finance | 45 - 48 |

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

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

CITIZENS ARE ADVISED THAT THIS MEETING MAY BE RECORDED BY MEMBERS OF THE PUBLIC. ANY RECORDING OR REPORTING ON THIS MEETING SHOULD TAKE PLACE IN ACCORDANCE WITH THE COUNCIL'S POLICY ON RECORDING AND REPORTING ON PUBLIC MEETINGS, WHICH IS AVAILABLE AT WWW.NOTTINGHAMCITY.GOV.UK. INDIVIDUALS INTENDING TO RECORD THE MEETING ARE ASKED TO NOTIFY THE GOVERNANCE OFFICER SHOWN ABOVE IN ADVANCE.

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES of the meeting held at LB 32 - Loxley House, Station Street, Nottingham, NG2 3NG on 14 July 2017 from 10.30 am - 12.42 pm

Membership

Present

Councillor Sarah Piper (Chair)
Councillor Leslie Ayoola
Councillor John Hartshorne
Councillor Rosemary Healy
Councillor Andrew Rule
Councillor Adele Williams
Councillor Malcolm Wood (Vice Chair)

Absent

Councillor Anne Peach
Councillor Steve Young

Colleagues, partners and others in attendance:

Chris Common - Senior Corporate Performance Specialist
Tony Crawley - KPMG
Glyn Daykin - Audit Section
Kate Morris - Governance Officer
Shail Shah - Head of Audit and Risk
Simon Salmon - Head of IT
John Slater - Group Auditor
Thomas Tandy - KPMG External Auditor
Geoff Walker - Strategic Director of Finance

1 MEMBERSHIP

RESOLVED to note that Councillor Toby Neal will be replaced by Councillor Adele Williams as a member of the Committee.

2 APPOINTMENT OF VICE CHAIR

RESOLVED to appoint Councillor Malcolm Wood as Vice-Chair for the municipal year 2017/18

3 APOLOGIES

Councillor Anne Peach – Council Business
Councillor Steve Young – Unwell

4 DECLARATIONS OF INTERESTS

None

5 MINUTES

Subject to the following amendment the minutes of the meeting held on 28 April 2017 were confirmed as a true record and signed by the chair.

Minute 55 should record Councillor Malcom Wood's apologies as other council business rather than as personal.

6 CORPORATE PERFORMANCE MANAGEMENT FRAMEWORK - UPDATE 2016/17

Chris Common, Senior Corporate Performance Specialist presented the report on the Corporate Performance Management Framework – Update 2016/17. He highlighted the following information:

- (a) the Performance Management Framework (PMF) allows colleagues to be clear on what needs to be achieved, by when and who is responsible. It focuses resources, highlights successes and areas for improvement and signposts colleagues to support;
- (b) the PMF allows a consistent joined up approach and is the framework to monitoring progress toward key strategic objectives such as the Council Plan;
- (c) the Framework is reviewed annually to ensure that it is fit for purpose;
- (d) Covalent is the software that is used to manage performance information and extract statistical comparisons to other core cities and comparators. It has been developed over the last few years to give a visual understanding of performance data;
- (e) the national framework for data collection no longer exists and as such different cities collect data differently making comparisons problematic in some circumstances;
- (f) citizens have generally report a high level of satisfaction with services which is indicative of a well organised and well performing authority. It can be inferred that this is as a result of strong performance management;
- (g) within the Council plan there are 177 objectives split into 10 themes. The progress to achieving these objectives is measured using Performance indicators and Covalent and is reported back to the Corporate Leadership Team (CLT) at quarterly briefings;
- (h) currently there are 122 objectives classed as green, or on target to be achieved, 54 are either Amber, requiring more work to achieve, or Red, requiring significantly more work to achieve;

Following questions and discussion from the Committee the following information was highlighted:

- (i) Nottingham City's demographics are significantly different to some of the other Core Cities and so direct comparison is often not possible or provides poor data. Comparisons to demographically similar Local Authorities are possible and provide better data;

- (j) customer feedback has come from the Citizen Survey which is reflective of the demographics of the City, capturing some of the frustrations reported to Councillors and Officers is sometimes difficult;
- (k) trading companies also feed into the Performance Management Framework;
- (l) environmental issues and Social Care issues are not themes in the performance framework as part of the Council Plan, however they are embedded within many existing objectives;

RESOLVED to

- (1) note the progress made since the Performance Management Framework (PMF) was adopted in April 2014;**
- (2) recommend that Corporate Leadership Team consider whether the Environment and Social Care should be given more profile in the assessment of performance towards the Council Plan;**

7 TREASURY MANAGEMENT 2016/17 ANNUAL REPORT

Glyn Daykin introduced the Treasury Management 2016/17 Annual Report to the Committee and highlighted the following information:

- (a) the average rate of interest payable on external debt has decreased from 3.791% to 3.270% (at 31 March 2017);
- (b) total borrowing has increased by £98.5m to £788.9m (at 31 March 2017). Of the £98.5m increase £3.7m is long term and £94.8 is short term with interest rates of 0.33%;
- (c) the short term loans, usually from other Local Authorities minimise cost. The market is very liquid and expiring loans can be replaced with similar products;
- (d) in the last 12 months the Council has formally invested £654.6m earning £0.447m in interest at a rate of 0.691%;
- (e) administrators for Glitnir Bank have made payments to all priority creditors, including the Council. Of the £11m repaid £2.3m has been paid in Icelandic Krona and has been placed in an Escrow account awaiting final resolution of currency controls;

Following questions and discussions from the Committee the following points were made:

- (f) the advice received by the Council on Treasury Management is advice only and there is no course of action if the advice followed proves to not be sound. The advice received is through a company that uses a variety of different sources and included assessment from a range of experts and professionals. This work prompts challenge and questions within the Council and an internal panel then assess the advice given before deciding what action to take;

RESOLVED to

- (1) note the performance in relation to Treasury Management for 2016/17;**
- (2) invite a Strategic Property Colleague to present 2 or 3 worked examples of investments to allow the Committee to see risk management working within the investment strategy;**
- (3) invite Glyn Daykin to arrange a training session, with external advisors contributing, on Treasury Management for the Committee and to open this invitation to other Councillors;**

8 EXTERNAL AUDIT PROGRESS REPORT - KPMG

Tony Crawley Director of Audit, KPMG, introduced the External Audit Progress Report. He highlighted the following points:

- (a) the report outlines work to be done and that has begun which will be reported back in full at the September Committee;
- (b) work has already started on the Housing Benefits claim due to the significant amount of work that must be completed. It is expected that around 900 cases will be reviewed;
- (c) following the election there is uncertainty around business rates. The Government continues to consult and any further updates will be brought to a future committee;
- (d) the Council has until May 2018 to become compliant with the European Union General Data Protection Regulations (GDPR) adopted in April 2016;

RESOLVED to

- (1) note the contents of the External Audit Progress Report and thank KPMG for their attendance today;**
- (2) request that Shail Shah circulate details of the briefing Webinar on the GDPR changes to Committee members;**

9 AUDIT COMMITTEE ANNUAL REPORT 2016/2017

Councillor Sarah Piper, Chair of the Audit Committee introduced the Audit Committee Annual Report 2016/2017. She outlined the work undertaken by the Audit Committee, the Terms of Reference and highlighted the key reports relied upon. She concluded by confirming that since her last annual report that, by her assessment, the Audit Committee has carried out its roles effectively during 2016/17.

RESOLVED to

- (1) note the work undertaken and approve the report at Appendix 1 of the agenda.**
- (2) welcome the two new members, Councillor Rosemary Healy and Councillor Adele Williams to the Committee.**
- (3) thank Shail Shah, Head of Audit and Risk for the work completed during 2016/17 to support the work of the Audit Committee.**

10 INTERNAL AUDIT ANNUAL REPORT 2016/17

Shail Shah, Head of Audit and Risk introduced the Internal Audit Annual Report 2016/17. He highlighted the following information:

- (a) he is satisfied that that, although no systems can provide absolute assurance, on the basis of the audit work undertaken during 2016/17 there have been no significant issues, as defined in the CIPFA Code of Practise, reported by Internal Audit;
- (b) he 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;
- (c) he confirmed to the Committee that there had been no restrictions or limitations of scope or resources in the work undertaken;
- (d) he confirmed internal audit's organisational independence;
- (e) he had provided the Committee with reports throughout the previous year to support the Committee's work plan;
- (f) Internal Audit received a positive external assessment of compliance with the Public Sector Internal Audit Standards and have made good progress with improvements suggested.

RESOLVED to

- (1) note the audit work completed during the year as set out in the appendices to the report;**
- (2) note the Head of Audit and Risk's Annual Opinion;**
- (3) select Data Protection from the list of reports to come for examination at a future meeting and invite the Data Protection Team Leader to present a progress update;**
- (4) note that there have been no restrictions or limitation of scope or resources reported by the Head of Internal Audit.**

11 INTERNAL AUDIT CHARTER

Shail Shah, Head of Audit and Risk introduced the Internal Audit Charter. He highlighted the following points:

- (a) following changes to the Public Sector Internal Audit Standards (PSIAS) requirements for the Charter this document has been refreshed and updated since July 2016;
- (b) the Charter sets out how internal audit is provided including the purpose, authority and responsibilities of all parties within the Council and its group in respect of internal audit including those of the Committee;

RESOLVED to approve the Internal Audit Charter

12 INTERIM ANNUAL GOVERNANCE STATEMENT 2016/17

Shail Shah, Head of Audit and Risk introduced the Interim Annual Governance Statement and informed the Committee that the final Annual Governance Statement will return to the Committee in September along with the Statement of Accounts for final approval;

Simon Salmon, Head of IT updated the Committee on the Service Improvement Plan within Nottingham City Council IT Services. They highlighted the following points;

- (a) following poor performance, in 2014 external consultants were engaged to review the IT service, they produced a report with 72 recommendations;
- (b) IT service satisfaction has improved from 3.5 out of 10 in 2014 to 8 out of 10 in 2017, particular focus has been on improving customer service and IT infrastructure;
- (c) the final improvement plan report confirms that IT services have been transformed from 2014 and are now described as what “good” looks like with regard to ICT service provision;
- (d) Nottingham City IT services have adopted an entrepreneurial attitude extending their School services generating income to fund around 25 posts within IT, recycling hardware generating income to fund an apprentice post and offering training. This initiative generated 3 self-funding posts within IT. There are also staff who have security qualifications to undertake IT health checks;
- (e) there are a number of recommendations made by the consultancy firm designed to ensure that IT services continue to provide good services;

Following discussion and questions from the Committee the following points were made:

- (f) KPMG have recommended to all clients that their Annual Governance Statement include a response and statement of position in response to the Grenfell Tower fire in London.

RESOLVED to

- (1) thank Simon Salmon for his attendance and the update on the Service Improvement Plan for IT services;**
- (2) note the content of the interim Annual Governance Statement 2016/17;**
- (3) require Property Services to provide input to the Annual Governance Statement in response to the Grenfell Tower fire;**

13 EMSS ANNUAL REPORT 2016/2017

Shail Shah, Head of Audit and Risk introduced the EMSS (East Midlands Shared Services) Annual Report 2016/2017.

RESOLVED to note the contents of the report on the EMSS Annual Report.

14 FUTURE MEETING DATES

RESOLVED to meet at 10:30am on the following Fridays:

**22 September 2017
24 November 2017
23 February 2018
27 April 2018**

15 EXCLUSION OF THE PUBLIC

RESOLVED to exclude the public from the meeting during consideration of the remaining item(s) in accordance with Section 100A(4) of the Local Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighs in the public interest in disclosing the information.

16 EMMS ANNUAL REPORT - EXEMPT APPENDIX

RESOLVED to

- (1) note the content of the exempt appendix to the report on EMMS Annual Report 2016/2017.**
- (2) note the Head of Internal Audit's opinion contained within the exempt EMSS annual Report 2016/2017.**

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AUDIT COMMITTEE – 22 September 2017

| | | |
|--|--|------------------------|
| Title of paper: | ANNUAL GOVERNANCE STATEMENT 2016/17 | |
| Director(s)/ Corporate Director(s): | Geoff Walker Director of Strategic Finance | Wards affected: |
| Report author(s) and contact details: | Shail Shah Head of Internal Audit Tel: 0115-8764245 Email: shail.shah@nottinghamcity.gov.uk | |
| Other colleagues who have provided input: | | |
| Recommendation(s): | | |
| 1 | To approve the Annual Governance Statement 2016/17 set out at Appendix 1. | |

1 REASONS FOR RECOMMENDATIONS

- 1.1 This report presents the Annual Governance Statement (AGS) which will be published with the City Council's Statement of Accounts.

2 BACKGROUND

- 2.1 The City Council's governance arrangements aim to ensure that it sets and meets its objectives and responsibilities in a timely, open, inclusive and honest manner. The governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled, and through which it engages with and leads the community to which it is accountable. Every council and large organisation operates within a similar framework, which brings together an underlying set of legislative requirements, good practice principles and management processes.
- 2.2 The Accounts and Audit Regulations 2015 specify that every financial year the Council must undertake a review of the effectiveness of its internal control and prepare an AGS.
- 2.3 The Audit Committee has the delegated authority for the formal approval of the AGS in accordance with the requirements of the Accounts and Audit Regulations 2015. The AGS should be approved by the Audit Committee before it approves the Statement of Accounts on behalf of the Council
- 2.4 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. The CIPFA/SOLACE guidance for implementing good governance was updated in 2016 by CIPFA / SOLACE to reflect a revision to the international framework in 2014. The City Council has incorporated this guidance in both the evaluation of its governance arrangements and in the production of its AGS. Previous versions of guidance were adopted in 2008 and 2012.

- 2.5 It is good practice to approve as close to publication of the final Statement of Accounts as possible. The timetable for production of the AGS was approved at the February 2017 meeting of this Committee. This final statement has been brought to the September meeting of this Committee for approval alongside the Statement of Accounts.
- 2.6 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) / Director of Strategic Finance.
- 2.7 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 have given assurance and commented 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.
- 2.8 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.
- 2.9 This statement maps the policies, procedures and initiatives the Council has put in place to address the governance issues embodied in its Local Code. New items of note have been included regarding Capital project financing, Housing Revenue Account, and EnviroEnergy. Three items are no longer considered of note regarding Nottingham Express Transit Phase 2, Nottingham Revenues and Benefits and Blueprint.
- 2.10 An interim version of this statement was discussed at this committee on July 14th 2017. The only changes to the statement since that date are a note of the Council's response to the Grenfell Tower Fire and an updated note about the Council's IT

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

- 3.1 None.

4 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- CIPFA/SOLACE - Delivering Good Governance in Local Government Framework 2016 Edition
- CIPFA/SOLACE - Delivering Good Governance in Local Government Guidance Notes for English Authorities 2016 Edition
- Accounts and Audit Regulations 2015
- Executive Board 20 May 2008 – Local Code of Corporate Governance
- Audit Committee 24 February 2017 – Annual Governance Statement – Progress Made To Date On Issues Reported 2015/16 And Process For Producing 2016/17 Statement
- Audit Committee 14 July 2017 – Interim Annual Governance Statement 2016/17

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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"> • Responsibilities for Functions and Terms of Reference • Councillors' and Co-opted Members' Code of Conduct • Procedures and Standing Orders |
| Council Plan | |
| Nottingham Plan to 2020 | |
| 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 work on 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

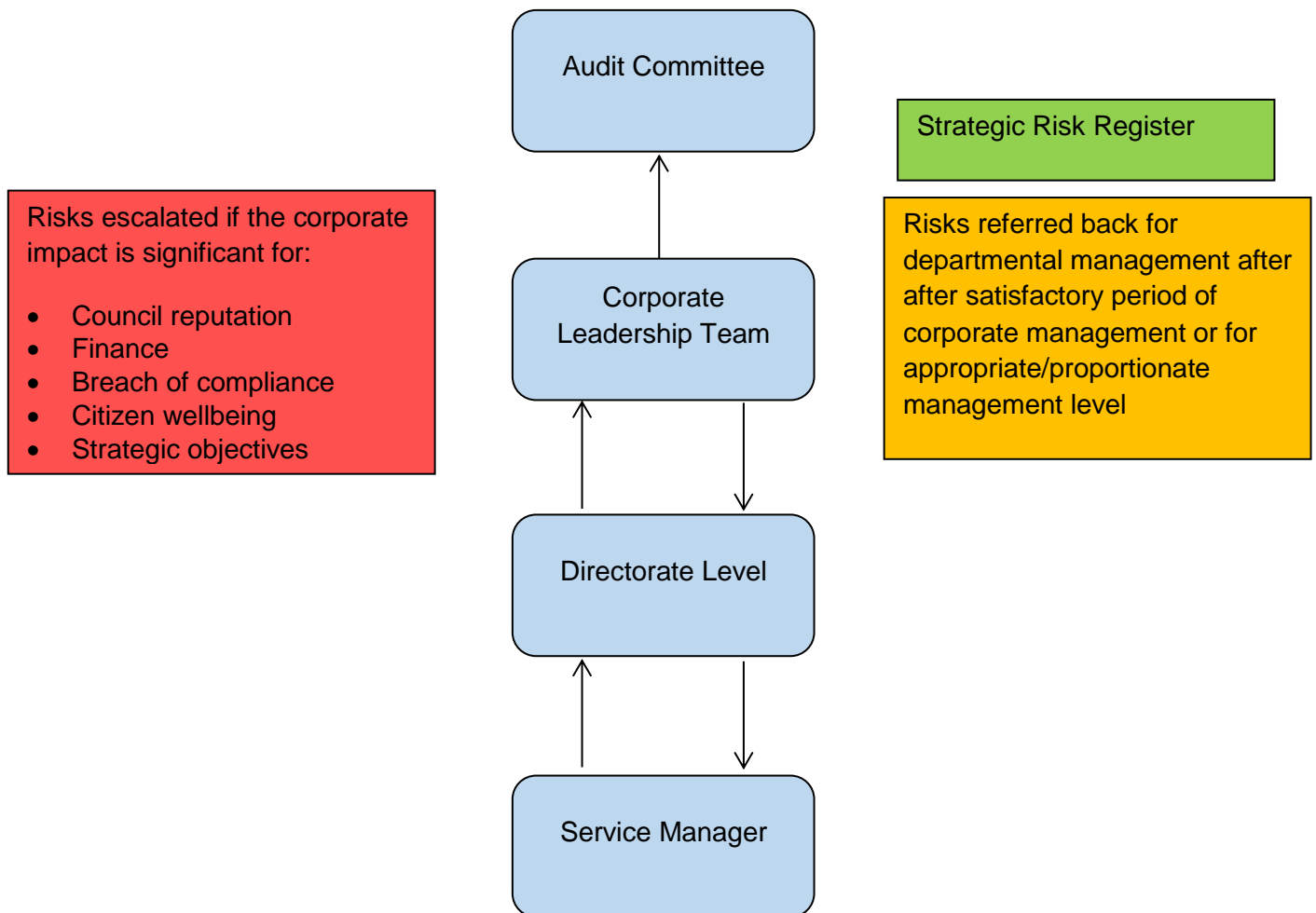
under the Scheme are paid correctly has received a rating of High Assurance under a previous internal audit procedure. Accordingly, there is clarity both internally and externally about the remuneration of councillors.

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. 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 Policy and 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.

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

AUDIT COMMITTEE – 22 September 2017

| | | |
|--|---|-------------------------------|
| Title of paper: | CORPORATE RISK REGISTER UPDATE | |
| Director(s)/ Corporate Director(s): | Geoff Walker, Strategic Director for Finance Candida Brudenell, Corporate Director, Strategy and Resources | Wards affected: All |
| Report author(s) and contact details: | Jane O’Leary Insurance and Risk Manager 0115 8764158 Jane.oleary@nottinghamcity.gov.uk | |
| Other colleagues who have provided input: | Shail Shah, Head of Audit and Risk | |
| Recommendation(s): | | |
| 1 | To note the risks identified on the Corporate Risk Register and identifying particular risks for future consideration at Audit Committee. | |

1 REASONS FOR RECOMMENDATIONS

1.1 The Audit Committee’s risk management role is to provide assurance on the adequacy of the Council’s Risk Management Framework and the associated control environment by reviewing the mechanisms for assessing and managing risk. This report presents the latest review of the corporate risks faced by the Council.

2 BACKGROUND

- 2.1 This is the Council’s Corporate Risk Register for Q1 2017/18.
- 2.2 Risks are identified and rated in accordance with the council’s Risk Management Framework and reviewed on a quarterly basis.
- 2.3 The Corporate Risk Register for Q1 is attached as Appendix A.
- 2.4 The Corporate Risk Register for Q4 (2016/17) is attached as Appendix B
- 2.5 Risks removed and delegated to departments from the Corporate Risk Register at Q4 2016/17 are :-

| Risk Reference | The Event |
|-----------------------|--|
| SR02 | The change to the Corporate Infrastructure and support services provided affecting C&A |
| SR03 | The shortage in qualified and experienced persons to deliver services to an increasing number of vulnerable citizens |

| Risk Reference | The Event |
|----------------|--|
| SR05 | The changing structure of the Corporate Infrastructure affecting C&O |
| SR10 | The creation and running of wholly owned trading companies |
| SR11 | Citizens at the Heart Agenda and increasing partnership working/reliance on communities and partners to deliver services |

2.6 New risks included for Q1 are ;_

| Risk Reference | The Event |
|----------------|---|
| SR02 | Statutory requirement in accordance with the Air Quality Management Guidance to monitor, report and reduce air pollution in Nottingham |
| SR03 | Greater Broadmarsh Redevelopment with the refurbishment of Broadmarsh Shopping centre, Car Park development, road space and public realm |
| SR05 | Lack of Secondary School Places to meet citizen educational demand with a number of primary schools already oversubscribed due to increases in pupil demand and secondary Academies reducing capacity to focus on improving performance. Legislation has resulted in councils losing the power to plan and build new maintained schools and a shift to new schools being 'free schools' |
| SR10 | Delivery of the Derby Nottingham Metropolitan Strategy 2030 |
| SR11 | Fit for Future (Oracle Review) |
| SR13 | Social Care Sustainability |

2.7 The Committee is invited to select risks from the Q1 report (Appendix A) for presentation at the next Audit Committee.

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

3.1 None

4 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

4.1 None

Appendix A

| REFERENCE | | | | THE RISK | | | THE RISK EVALUATION | | | | |
|----------------|------------|---------------------------|----------------------|--|---|---|------------------------|--------------------|------------------|--------------|------------|
| Risk Reference | Risk Type | Service Area | Service Lead | The Event | Risk Description | The Impact | Owner | Date of Assessment | Likelihood Score | Impact Score | Risk Score |
| SR01 | Financial | Children and Adults | Alison Michalska | Reduction in Government funding coupled with an increasing demand for services. | Lack of resources to support the funding of a competent workforce, to fund specialist external services and deliver proactive early intervention initiatives. | A failure to deliver the services required to citizens of Nottingham leading to an increased risk in the likelihood of harm to a citizen in need; an increase in risk of government intervention and a reduction in confidence in our services as a whole. | Alison Michalska | 30-Jun-2017 | 4=Likely | 3=Moderate | 12 |
| SR02 | Workforce | All | Environmental Health | Statutory requirement in accordance with the Air Quality Management Guidance to monitor, report and reduce air pollution in Nottingham. | Failure to have in place sufficient resource to robustly monitor air quality and to report on areas exceeding statutory limits with relevant public exposure and report as an AQMA; failure to draw up an action plan detailing remedial action; failure to reduce levels of air pollution to below statutory limits. | Adverse affect on the health and longevity of our citizens; harmful effects on the environmental; breaching our statutory duty; impacts on the city's ability to attract tourists, businesses and economic development; increase in healthcare costs. | Andy Vaughan | 30-Jun-2017 | 4=Likely | 4=Major | 16 |
| SR03 | Project | Development | David Bishop | Greater Broadmarsh Redevelopment with the refurbishment of the Broadmarsh Shopping Centre, Car Park development, roadscape and public realm | Failure to robustly manage the project and undertake regular gateway reviews; failure to undertake strict financial monitoring resulting in an overspend; failure to work collaboratively and effectively communicate with all stakeholders; failure to meet economic objectives. | Project is delivered over budget and over time, resulting in loss of resources and operational expenses; loss of opportunity for income and investment; adverse impact on reputation; inconvenience to citizens and loss of opportunity to fully meet economic objectives and potential benefits of regeneration of this area of this city. | David Bishop | 30-Jun-2017 | 3=Possible | 3=Moderate | 9 |
| SR04 | Financial | All | Geoff Walker | Changes of funding of services from national taxation to local taxation. Reliance on funding from council and business tax. | Failure to raise sufficient funds from local taxation to meet the needs of our citizens. | Services will be reduced, cut in their entirety or ineffectively delivered - adversely affecting the citizens of Nottingham; increasing the risk of harm to vulnerable citizens and resulting in the failure to deliver our statutory duties and the priorities contained within the Council Plan. | Geoff Walker | 30-Jun-2017 | 3=Possible | 4=Major | 12 |
| SR05 | Citizens | Children and Adults | Alison Michalska | Lack of Secondary School Places to meet citizen educational demand with a number of primary schools already over subscribed due to increases in pupil demand and secondary Academies reducing capacity to focus on improving performance. Legislation has resulted in councils losing the power to plan and build new maintained schools and a shift to new schools being 'free schools'. | Failure to plan to accommodate pupils from now until when pressure peaks; failure to engage Academies to increase capacity; lack of power, resources and finances to build new maintained schools; free schools are opened are not opened in areas where there is most demand. | A demographic 'wave' in primary schools could exceed Secondary capacity in Years 7 & 8 by 2020; if this were to occur the reputational risk to NCC would be significant. To meet demand class sizes may grow to such an extent as to have a detrimental effect on educational attainment. | Pat and Sarah Fielding | 30-Jun-2017 | 3=Possible | 4=Major | 12 |
| SR06 | Commercial | Commercial and Operations | Andy Vaughan | Growth and Delivery of Commercial Activity. | Lack of agile and commercially astute management processes resulting in inability to quickly respond to business growth opportunities. Lack of empowerment in decision making at the lowest level delays decisions and quick turnarounds. | Commercial growth opportunities are missed, delayed or implemented with inadequate management data required to make sound business decisions; the commercial agenda fails to reach expected targets affecting the delivery of core services that rely on commercial funding for delivery; financial and reputation loss resulting from unprofitable commercial activity and failure to deliver the Council Plan priorities. | Andy Vaughan | 30-Jun-2017 | 3=Possible | 3=Moderate | 9 |

| REFERENCE | | | | THE RISK | | | THE RISK EVALUATION | | | | |
|----------------|-------------|------------------------|-------------------|--|---|---|------------------------------------|--------------------|------------------|--------------|------------|
| Risk Reference | Risk Type | Service Area | Service Lead | The Event | Risk Description | The Impact | Owner | Date of Assessment | Likelihood Score | Impact Score | Risk Score |
| SR07 | Workforce | All | All | Corporate Pay, Terms and Conditions relevant to commercial activity, and increasing demand for services. | Cannot pay at levels required to attract the talent to deliver the commercial agenda; reduced level of services delivered within wholly owned companies affecting commercial income and growth due to inability to pay overtime requirements; failure to meet statutory obligations/reduction in ability to deliver front line services due to inability to recruit and retain staff. | Commercial growth opportunities are missed, delayed or implemented poorly; potential of closure or reduction in services (such as in the Heat Station) affecting customers and impacting on supply chain; failure to meet obligations to citizens and deliver front line services such as community protection, waste management and environmental health services. | Richard Henderson | 30-Jun-2017 | 4=Likely | 3=Moderate | 12 |
| SR08 | IT | Strategy and Resources | Candida Brudenell | With the progress of the Fourth Industrial Revolution brings an increasing frequency and capability of criminals to infiltrate organisational IT systems to cause harm. | IT security (tools, process and people) is insufficient to protect against the council's IT system being hacked to steal highly sensitive or confidential personal information or to steal financial data on our citizens and customers. IT security systems are insufficient to quickly detect a malware attack; processes and supervision fails to detect employee negligence or malicious behaviour. Failure to adequately train employees on IT security to raise awareness and ensure adherence to policies. | Data is sold for criminal use adversely affecting our citizens; stolen data is published affecting the council's reputation; data privacy and regulatory fines are incurred; the council suffers severe business interruption to critical services both during and after a malware attack; physical loss of data and damage to property and cost of restoration. | Simon Salmon | 30-Jun-2017 | 3=Possible | 4=Major | 12 |
| SR09 | Operational | Strategy and Resources | Candida Brudenell | Loss of Services caused by catastrophic event such as flood, fire, power outage, terrorist act. | Lack of robust business continuity plans that are joined up, tested and adequate to respond to a business critical interruption; Budget cuts and rationalisation may challenge the ability of Category 1 responders to fulfil their statutory duty; Insufficiently prepared management leads to delay in the restoration of business critical activities and the control of the emergency plan. | Unable to provide critical services to vulnerable citizens; downtime is longer than necessary; reputation is adversely affected; cost escalates and the council is unable to deliver services to its citizens for longer than is acceptable. | Malcolm Townroe and Sarah Molyneux | 30-Jun-2017 | 3=Possible | 4=Major | 12 |
| SR10 | Citizens | All | All | Delivery of the Derby Nottingham Metropolitan Strategy 2030 | Fail to develop and sustain relationships and formal arrangements with partners, the community, and key stakeholders. No common vision and consensus across all key partners. Failure to understand the drivers for demands and shape services accordingly. | Failure of local agreements impacting adversely on council reputation, services to citizens and wellbeing of community as a whole. Potential financial risk with increased costs and strain on council resources. Outcomes for citizens and economic development does not reach council target and aspirations. | David Bishop | 30-Jun-2017 | 3=Possible | 3=Moderate | 9 |
| SR11 | Operational | Strategy and Resources | Geoff Walker | Fit for the Future (Oracle Review) | The feasibility study and options appraisal does not adequately scope out the future needs, with a lack of understanding about the financial and HR requirements of the council as a whole. Failure to consult and understand the needs of key stakeholders; failure to meet the financial needs of the council's commercial requirements; delay in implementation beyond acceptable term after contract expiry. | A commitment to a contract that does not meet the long term financial and human resources needs of the council; an inability to respond to change in business need; financial loss and adverse impact on reputation and credibility. | Geoff Walker | 30-Jun-2017 | 3=Possible | 4=Major | 12 |
| SR12 | Legal | Strategy and Resources | Candida Brudenell | Information Security and Governance | Failure to have in place robust processes that manage data in accordance with DPA requirement; to train staff and ensure all employees adhere to the policy. Failure to record near misses and take action to prevent actual misses. Failure to prepare and have in place policies that adhere to forthcoming GDPR regulations. Failure to contract manage the data of others whilst remaining the data owner. | Loss of sensitive and confidential data that adversely impacts on citizens. Fines for breaches of DPA. Loss of public confidence in the council. Potential of litigation and financial impact. | Colin Monckton | 30-Jun-2017 | 3=Possible | 3=Moderate | 9 |

| REFERENCE | | | | THE RISK | | | THE RISK EVALUATION | | | | |
|----------------|-----------|--------------|------------------|---|---|---|---------------------|--------------------|------------------|--------------|------------|
| Risk Reference | Risk Type | Service Area | Service Lead | The Event | Risk Description | The Impact | Owner | Date of Assessment | Likelihood Score | Impact Score | Risk Score |
| SR13 | Citizens | All | Alison Michalska | Social Care Sustainability (STP) | The Plan is not financially viable with funding gap moving to provider from commissioner; failure to properly integrate and collaborate with all partners; failure to maintain a sustained joint effort by the council and NHS counterparts on a shared focus and objectives; failure to align policies and have joint governance arrangements and a failure to deliver on the objectives set as an Accelerator Site. | Not achieving the desired social, health and wellbeing targets for our citizens; increase in financial cost; loss of confidence in our ability to meet the needs of our citizens; adverse impact on reputation. | TBC | 30-Jun-2017 | 3=Possible | 3=Moderate | 9 |

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Appendix B

| REFERENCE | | | | THE RISK | | | THE RISK EVALUATION | | | | |
|----------------|------------|---------------------------|------------------|---|--|---|---------------------|--------------------|------------------|--------------|------------|
| Risk Reference | Risk Type | Service Area | Service Lead | The Event | Risk Description | The Impact | Owner | Date of Assessment | Likelihood Score | Impact Score | Risk Score |
| SR01 | Financial | Children and Adults | Alison Michalska | Reduction in Government funding coupled with an increasing demand for services. | Lack of resources to support the funding of a competent workforce, to fund specialist external services and deliver proactive early intervention initiatives. | A failure to deliver the services required to citizens of Nottingham leading to an increased risk in the likelihood of harm to a citizen in need; an increase in risk of government intervention and a reduction in confidence in our services as a whole. | Alison Michalska | 01-Feb-2017 | 4=Likely | 3=Moderate | 12 |
| SR02 | Workforce | Children and Adults | Alison Michalska | The change to the Corporate Infrastructure and support services provided. | More responsibility placed on colleagues who have little spare capacity; diverts from delivery of core services; lack of understanding and skill of service managers in meeting support service requirements. | Increase in the risk of statutory failings leading to the increase in risk of harm to an employee (such as H&S breaches) resulting in financial penalty, risk to reputation and poor governance arrangements. | C&A DLT | 01-Feb-2017 | 3=Possible | 3=Moderate | 9 |
| SR03 | Citizens | Children and Adults | Alison Michalska | The shortage in qualified and experienced persons to deliver services to an increasing number of vulnerable citizens. | Increase reliance on agency workers; inability to recruit qualified and suitably experienced social workers; practitioners are allocated caseloads that are too high. | Statutory services are not provided or provided to a poor standard that leads to harm to a vulnerable citizen (adult or child). | Alison Michalska | 01-Feb-2017 | 3=Possible | 4=Major | 12 |
| SR04 | Financial | All | Geoff Walker | Changes of funding of services from national taxation to local taxation. Reliance on funding from council and business tax. | Failure to raise sufficient funds from local taxation to meet the needs of our citizens. | Services will be reduced, cut in their entirety or ineffectively delivered - adversely affecting the citizens of Nottingham; increasing the risk of harm to vulnerable citizens and resulting in the failure to deliver our statutory duties and the priorities contained within the Council Plan. | Geoff Walker | 01-Feb-2017 | 3=Possible | 4=Major | 12 |
| SR05 | Commercial | Commercial and Operations | Andy Vaughan | The changing structure of the Corporate Infrastructure | Lack of infrastructure to support Directors in future scoping of business strategy and long term visioning; Lack of joining up of resources and skills; Inability of support services to respond to the needs of the commercial growth agenda at the pace required; Lack of budget information in a format that supports business needs and commercial growth. | Commercial growth opportunities are missed, delayed or implemented with inadequate management data required to make sound business decisions; the commercial agenda fails to reach expected targets affecting the delivery of core services that rely on commercial funding for delivery; financial and reputation loss resulting from unprofitable commercial activity and failure to deliver the Council Plan priorities. | Andy Vaughan | 20-Feb-2017 | 3=Possible | 4=Major | 12 |
| SR06 | Commercial | Commercial and Operations | Andy Vaughan | Growth and Delivery of Commercial Activity. | Lack of agile and commercially astute management processes resulting in inability to quickly respond to business growth opportunities. Lack of empowerment in decision making at the lowest level delays decisions and quick turnarounds. | Commercial growth opportunities are missed, delayed or implemented with inadequate management data required to make sound business decisions; the commercial agenda fails to reach expected targets affecting the delivery of core services that rely on commercial funding for delivery; financial and reputation loss resulting from unprofitable commercial activity and failure to deliver the Council Plan priorities. | Andy Vaughan | 20-Feb-2017 | 3=Possible | 3=Moderate | 9 |

| REFERENCE | | | | THE RISK | | | THE RISK EVALUATION | | | | |
|----------------|-------------|---------------------------|-------------------|---|---|---|------------------------------------|--------------------|------------------|--------------|------------|
| Risk Reference | Risk Type | Service Area | Service Lead | The Event | Risk Description | The Impact | Owner | Date of Assessment | Likelihood Score | Impact Score | Risk Score |
| SR07 | Workforce | Commercial and Operations | Andy Vaughan | Corporate Pay, Terms and Conditions relevant to commercial activity, and increasing demand for services. | Cannot pay at levels required to attract the talent to deliver the commercial agenda; reduced level of services delivered within wholly owned companies affecting commercial income and growth due to inability to pay overtime requirements; failure to meet statutory obligations/reduction in ability to deliver front line services due to inability to recruit and retain staff. | Commercial growth opportunities are missed, delayed or implemented poorly; potential of closure or reduction in services (such as in the Heat Station) affecting customers and impacting on supply chain; failure to meet obligations to citizens and deliver front line services such as community protection, waste management and environmental health services. | Andy Vaughan | 20-Feb-2017 | 4=Likely | 3=Moderate | 12 |
| SR08 | IT | Strategy and Resources | Candida Brudenell | With the progress of the Fourth Industrial Revolution brings an increasing frequency and capability of criminals to infiltrate organisational IT systems to cause harm. | IT security (tools, process and people) is insufficient to protect against the council's IT system being hacked to steal highly sensitive or confidential personal information or to steal financial data on our citizens and customers. IT security systems are insufficient to quickly detect a malware attack; processes and supervision fails to detect employee negligence or malicious behaviour. Failure to adequately train employees on IT security to raise awareness and ensure adherence to policies. | Data is sold for criminal use adversely affecting our citizens; stolen data is published affecting the councils reputation; data privacy and regulatory fines are incurred; the council suffers severe business interruption to critical services both during and after a malware attack; physical loss of data and damage to property and cost of restoration. | Simon Salmon | 20-Feb-2017 | 3=Possible | 4=Major | 12 |
| SR09 | Operational | Strategy and Resources | Candida Brudenell | Loss of Services caused by catastrophic event such as flood, fire, power outage, terrorist act. | Lack of robust business continuity plans that are joined up, tested and adequate to respond to a business critical interruption; Budget cuts and rationalisation may challenge the ability of Category 1 responders to fulfil their statutory duty; Insufficiently prepared management leads to delay in the restoration of business critical activities and the control of the emergency plan. | Unable to provide critical services to vulnerable citizens; downtime is longer than necessary; reputation is adversely affected; cost escalates and the council is unable to deliver services to its citizens for longer than is acceptable. | Malcolm Townroe and Sarah Molyneux | 15-Feb-2017 | 3=Possible | 4=Major | 12 |
| SR10 | Legal | Strategy and Resources | Candida Brudenell | The creation and running of wholly owned trading companies. | Lack of transparent and robust governance arrangements that protect the interests of the council. | Failure of a wholly owned company has a financial cost and reputational impact; may adversely affect future trading for other council owned companies due to loss of confidence; disrupts services provided to citizens. | Glen O'Connell | 15-Feb-2017 | 4=Likely | 3=Moderate | 12 |
| SR11 | Citizens | All | Ian Curryer | Citizens at the Heart Agenda and increasing partnership working/reliance on communities and partners to deliver services. | Fail to develop and sustain relationships and formal arrangements with partners, other councils, academy schools, the community, NHS and key stakeholders. No common vision and consensus across all key partners. Failure to understand the drivers for demands and shape services accordingly. | Failure of local agreements impacting adversely on council reputation, services to citizens and wellbeing of community as a whole. Potential financial risk with increased costs and strain on council resources. Outcomes for young people does not reach council target and aspirations. | Candida Brudenell | 15-Feb-2017 | 3=Possible | 3=Moderate | 9 |
| SR12 | Legal | Strategy and Resources | Candida Brudenell | Information Security and Governance | Failure to have in place robust processes that manage data in accordance with DPA requirement; to train staff and ensure all employees adhere to the policy. Failure to record near misses and take action to prevent actual misses. Failure to prepare and have in place policies that adhere to forthcoming GDPR regulations. Failure to contract manage the data of others whilst remaining the data owner. | Loss of sensitive and confidential data that adversely impacts on citizens. Fines for breaches of DPA. Loss of public confidence in the council. Potential of litigation and financial impact. | Colin Monckton | 15-Feb-2017 | 3=Possible | 3=Moderate | 9 |

AUDIT COMMITTEE – 22 September 2017

| | | |
|--|---|-------------------------------|
| Title of paper: | REVIEW OF BEST PRACTICE IN COMPANY GOVERNANCE – TERMS OF REFERENCE | |
| Director(s)/ Corporate Director(s): | Geoff Walker Director for Strategic Finance | Wards affected: All |
| Report author(s) and contact details: | Shail Shah - Head of Audit and Risk 0115-8764245 shail.shah@nottinghamcity.gov.uk | |
| Other colleagues who have provided input: | | |
| Recommendation(s): | | |
| 1 | Approve the proposed terms of reference for the review of best practice in company governance at Appendix 1. | |

1 REASONS FOR RECOMMENDATIONS

- 1.1 At the 14th July 2017 meeting of this committee councillors asked for Internal Audit to identify best practice in local authority company governance with a view to proposing a framework for City Council owned companies.
- 1.2 Good governance of those companies in which the Council has an interest is an integral part of the governance arrangements of the Council as these ventures involve the expenditure of public money and the stewardship of public resources.
- 1.3 Suggested terms of reference for the review have been prepared and are attached at Appendix 1.

2 BACKGROUND

- 2.1 The City Council has 7 main subsidiary companies and a further 4 joint ventures. These 7 subsidiaries have been created over many years, but
 - the pace of creation has increased recently as a result of imperatives for alternative delivery models and a commercial approach.
 - the potential size of these companies in relation to the Council as parent is increasing as the Council’s funding is restricted by measures introduced by the UK government.
 - the Council’s appetite for risk has increased and this should be reflected in the related control environment.
- 2.2 The Council recognises the importance of a good governance framework to underpin these arrangements. The timing of this review reflects the change in strategic context.

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

None.

4 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

None.

Terms of Reference: Company Governance Review

Purpose

This note outlines proposed terms of reference for the review of Governance of City Council Companies.

Recommendation

To accept the terms of reference for the review as set out below..

Context

The City Council has 7 main subsidiary companies and a further 4 joint ventures. These 7 subsidiaries have been created over many years, but

- The pace of creation has increased recently as a result of imperatives for alternative delivery models and a commercial approach.
- The potential size of these companies in relation to the Council as parent is increasing as the Council's funding is restricted by measures introduced by the UK government.
- The Council's appetite for risk has increased and this should be reflected in the related control environment.

The Council recognises the importance of a good governance framework to underpin these arrangements. The timing of this review reflects the change in the strategic context.

Terms of Reference

Scope

The review will identify good practice principles for governance of City Council Companies, and how these may be applied.

Method

We will carry out the following tasks to prepare the framework

- Review existing practice within the sector
- Identify good practice and guidance from UK Corporate Governance Code, National Audit Office etc.
- Consult with key partners

Timescales

September 2017 – Audit Committee to agree terms of reference

November 2017 – progress report to Audit Committee

February 2018 – final report to Audit Committee

Expected Outcome

The review will develop a model framework for companies that can be used as an assessment tool by the companies and the City Council.

Audit Committee can request and monitor the outcomes of these assessments.

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