AUDIT COMMITTEE – 19 SEPTEMBER 2014

Title of paper:	ANNUAL GOVERNANCE STATEMENT 2013/14	
Director(s)/ Corporate Director(s):	Glen O'Connell Acting Corporate Director for Resources	Wards affected: All
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 (AGS) 2013/14 set out at **Appendix 1.**	

1.   REASONS FOR RECOMMENDATIONS

This report presents the Annual Governance Statement 2013/14 (AGS). The publication of an AGS alongside the Statement of Accounts is required by the Accounts and Audit Regulations 2011.

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 2011 require the council conduct a review, at least annually, of the effectiveness of its internal control and prepare and prepare an AGS.

2.3 The 2007 CIPFA/SOLACE publication "Delivering Good Governance in Local Government Framework" provides the principles by which good governance should be measured. This was adopted as the Council's Local Code of Corporate Governance at the Executive Board meeting on 20 May 2008.

2.4 In 2012 CIPFA/SOLACE produced an updated guidance note covering the delivery of good governance in local government and how an authority's arrangements can be reflected in the AGS. The City Council has incorporated this guidance in both the evaluation of its governance arrangements and in the production of its AGS.

2.5 The Audit Committee has the delegated authority for the formal approval of the AGS. It is good practice to approve the AGS before, and as close to publication of, the final Statement of Accounts as possible. The timetable for production of the AGS was approved at the February 2014 meeting of this Committee. In accordance with the timetable an interim statement was presented to the July 2014 meeting the Committee. There are no significant changes made to the final statement attached as **Appendix 1**.

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) / Acting 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 has been conducted involving the Council's significant partners and groups.

2.8 In accordance with the Local Code of Corporate Governance this AGS will be signed by the Leader of the Council and the Chief Executive.

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, including:-

- 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 elements 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.

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

None.

4. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

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

- Audit Committee Papers February 2014 – Annual Governance Statement - Progress Made To Date On Issues Reported 2012/13 And Process For Producing 2013/14 Statement
- Audit Committee Papers July 2014 – Interim Annual Governance Statement 2013/14

Nottingham City Council

ANNUAL GOVERNANCE STATEMENT 2013/14

Scope of responsibility

Nottingham City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, this includes arrangements for the management of risk.

The Council approved and adopted a code of corporate governance consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* publication. A copy of the code is available on our website at http://www.nottingham.gov.uk/governance. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money
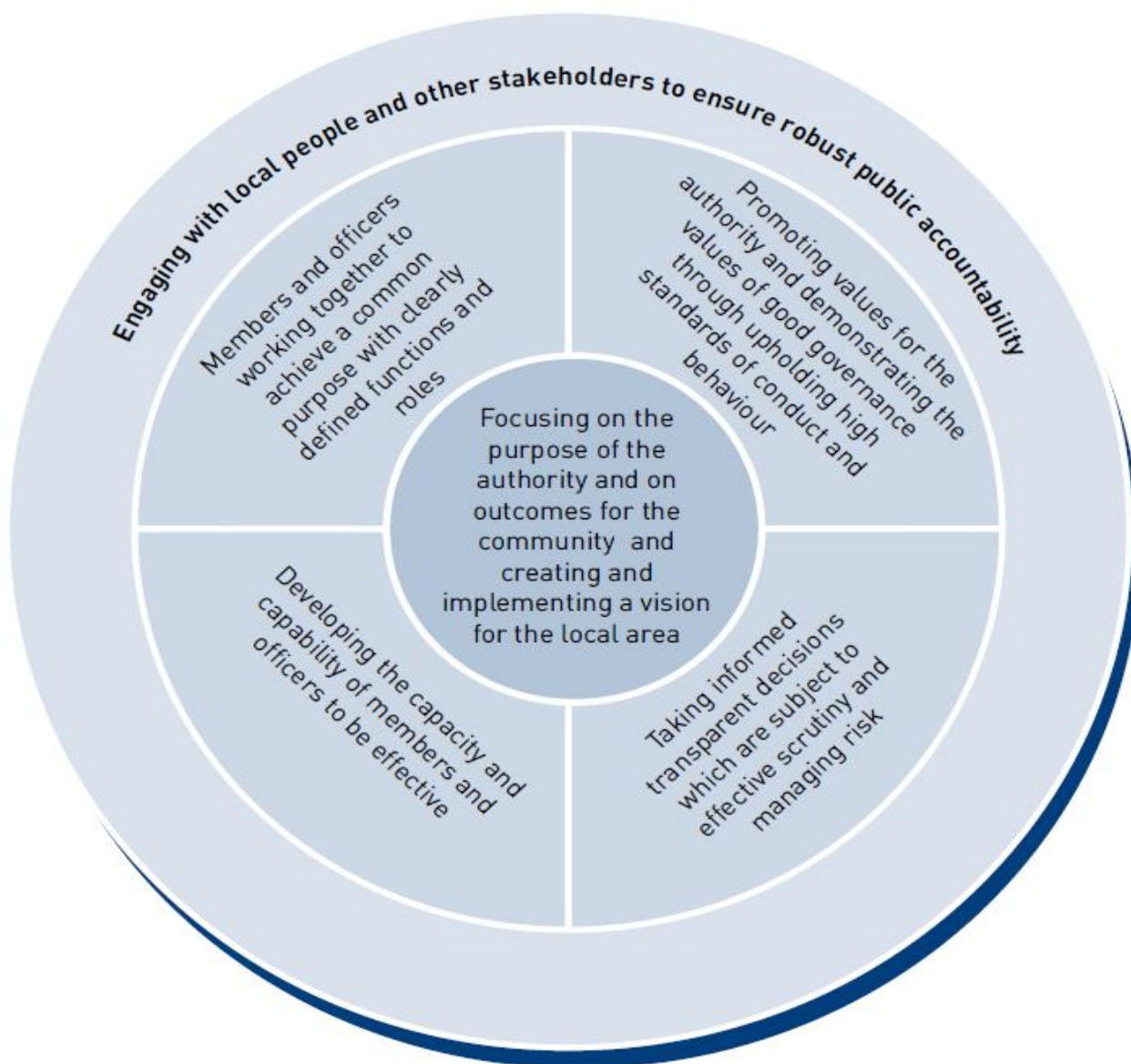
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework was in place at the Council for the year ended 31 March 2014 and up to the date of approval of the annual report and Statement of Accounts.

The Governance Framework

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

CIPFA/SOLACE - Principles underpinning the delivery of good governance

The diagram shows concentric circles with the following text arranged around them:

Outer ring: Engaging with local people and other stakeholders to ensure robust public accountability

Inner quadrants:
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Developing the capacity and capability of members and officers to be effective
- Taking informed transparent decisions which are subject to effective scrutiny and managing risk

Centre: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

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

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

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

The Council's vision is wholly aligned with that of the City as set out in the 2030 vision and Nottingham Plan to 2020. Accordingly this vision and the associated Nottingham Plan Strategic Priorities are set and are not subject to annual review and change. Consequently the Nottingham Plan is a route map for organisations in the city and for our citizens and communities and sets out what it should look like in the future and details our priorities of helping people get healthier; improving neighbourhoods; making Nottingham world class; making Nottingham a safer and cleaner place and bringing jobs and training opportunities to local people.

The Council Plan, which is aligned with the municipal electoral cycle, clearly sets out the Council's objectives and highest priorities.   The Nottingham Plan is the overall plan for the City, and is jointly owned by the Council and its key partners, providing clear strategic direction to 2020. The Nottingham Plan, Council Plan and other key plans such as the Children & Young People's Plan are published as appropriate and are available to all members of the public. Regular performance reports on the progress in delivering manifesto pledges are provided for councillors to review performance. Financial statements are published annually and equally the Medium Term Financial Strategy (MTFS) is a publicly accessible document.

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, illustrating the direction and focus for the Council.

The Council Plan has clear priorities with associated performance measures supported by delivery plans containing the key milestones and measures for each Council Plan priority. Major changes are managed by a Transformation Steering Group which is responsible for managing the overall Transformation Portfolio. The Portfolio comprises all our internal transformational projects and programmes (plus the externally facing Growth Plan Programme) which together seek to ensure that the Council is well placed to lead Nottingham and optimise what it does for and on behalf of its citizens.

Journey to… Great City – Great Council – Great Services Delivered by Great Leaders and Great Colleagues For Nottingham Citizens
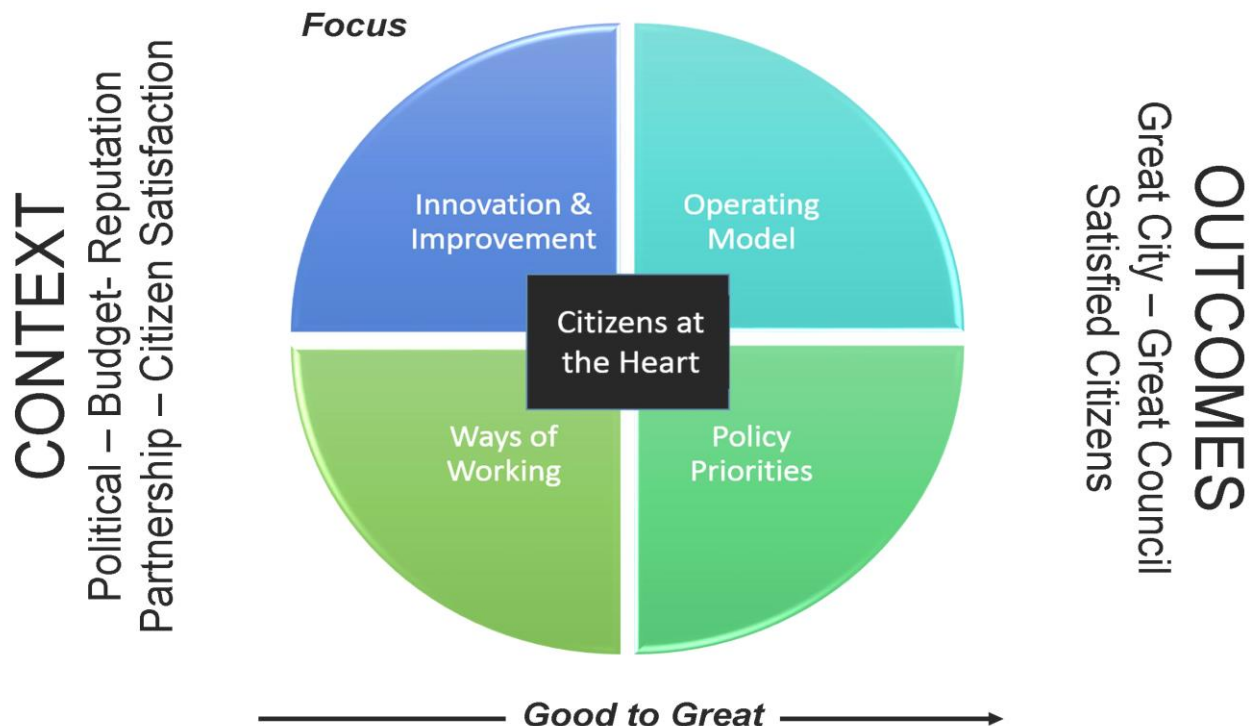
Arrangements for reviewing the authority's vision and its implications for the authority's governance arrangements

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

Portfolio Holders and the Executive Board make decisions based upon colleague recommendations and in response to changing legal or financial obligations. The reports containing recommendations to be considered clearly explain the technical issues and their implications and relate the recommended action to agreed policies and strategies. Where more than one course of action is possible the alternatives are analysed and justification given for the preferred choice.

Professional advice is taken when decisions have legal or financial implications, 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.

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.

An overview and scrutiny function is undertaken by the Overview and Scrutiny Committee, supported by standing panels. The Committee's functions contribute to policy development and help to shape major plans and strategies and publicly hold the Executive to account for the decisions it makes. As a consequence, the Committee plays an important role in supporting the programme of improvements to Council services. Councillors with an overview and scrutiny role work independently, openly and transparently, and the recommendations made are founded in the evidence received from experts in the fields being reviewed, service users and colleagues. The Committee and Panels seek to involve representatives of non-council organisations, interest groups and members of the public in their activities where it is considered that such involvement would bring new perspectives, expertise and/or specialist knowledge, to allow scrutiny to fulfil its role. An annual report on scrutiny activity is produced and reported to Full City Council, covering the vision for Overview and Scrutiny, its role and its method of working.

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

It is important that the Council uses available resources to provide the appropriate quality of services for its citizens in accordance with its objectives and priorities and to operate within its means. The Council Plan contains targets to be met in achieving these priorities. These are translated into actions through strategic business plans and operational plans, and the Performance Management Framework (PMF) illustrated below is in place to monitor and review the effectiveness of the actions put in place.

The PMF has a clear focus on outcomes. Comprehensive and effective performance management systems operate at all levels throughout the Council. Performance is managed at the City level through the Nottingham Plan performance board, at corporate level through the Corporate Delivery Board and the Corporate and Departmental Leadership Teams. The framework has been subject to positive review by both the Audit Committee and Overview and Scrutiny Committee. It establishes a clear relationship between corporate priorities and decisions taken from the top down to individual level via business planning. The framework was updated in 2013/14 so that it aligns with the Council's commissioning cycle and sits within the context of our developing 'Good to Great ' vision placing Citizens at the heart of everything we do. The PMF sets out the high level approach the Council will take to performance management, ensuring that all are:

- Clear about what to achieve, by when and by whom
- Focussing resources and action on the right outcomes
- Aware of how things are going
- Reporting on progress – to both internal and external audiences
- Able to quickly access effective support.

The Framework:
- Sets out the principles of our performance culture and how this can be sustained
- Applies to all levels of council activity
- Defines the roles, responsibilities and reporting arrangements for all involved
- Has a broad scope, which includes strategic business planning, risk management, workforce planning, performance appraisal (which has also been substantially refreshed) and performance monitoring and management at team, service, departmental and organisational levels
- Has wider links to the Council's Transformation Portfolio.

Performance Management Framework
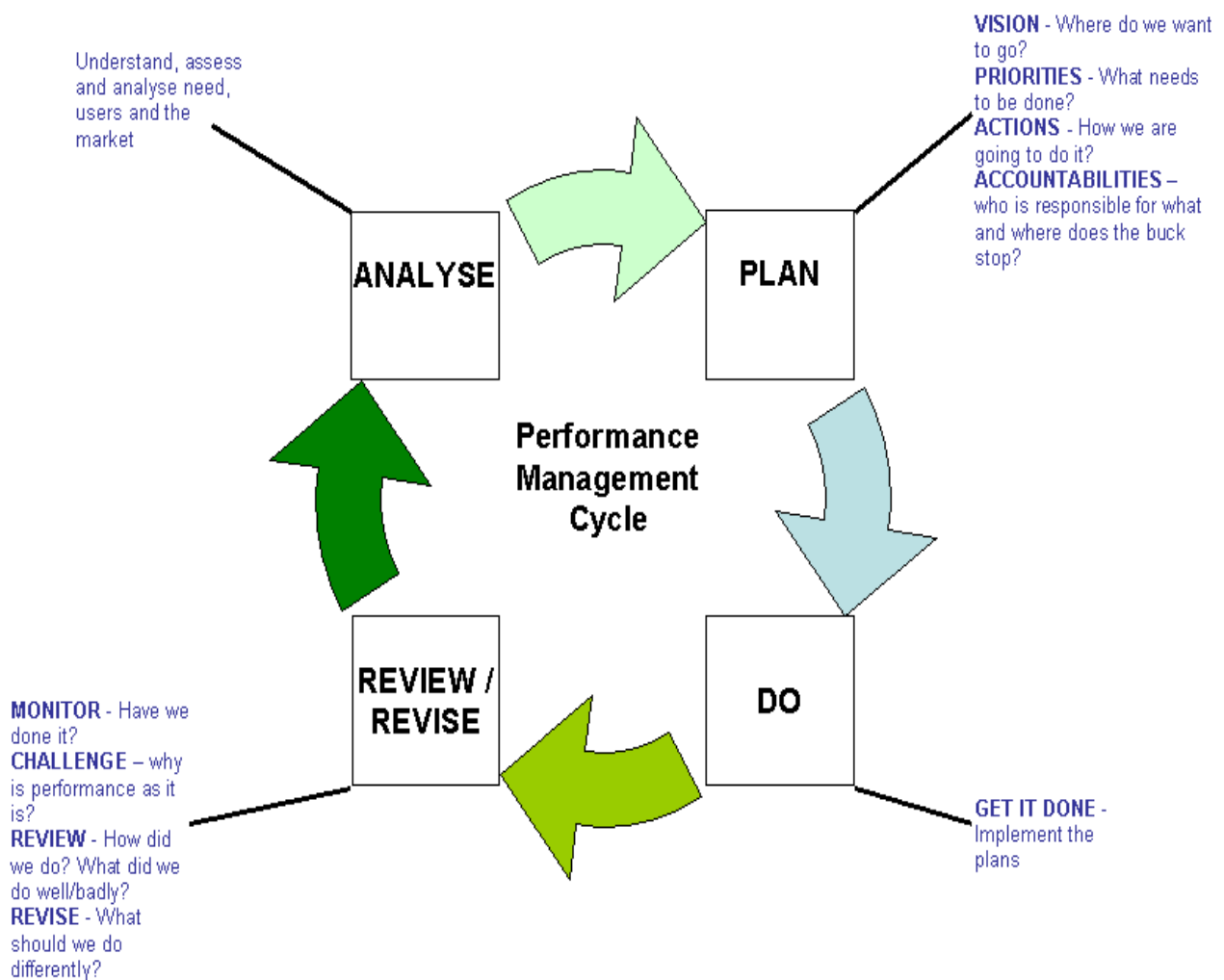
A full performance report is taken annually to the Executive Board with highlights reported in the Nottingham Arrow. Both the Nottingham Plan and Council Plan are tracked by a set of key performance indicators and some information is provided by external agencies such as the police. The removal of the National Indicator Set in 2010 has in many respects allowed the Council to focus on those measures that are most important and relevant for its local priorities. Efforts are underway with Core Cities and regional authorities to establish a set of indicators that are measured comparably. The Council's Corporate Delivery Board arrangements continue to drive the focus on continuous improvement.

Relative performance for a number of the Council's highest priorities remains in place. Although external assurance from bodies such as the Care and Quality Commission (CQC) and Ofsted currently remains in place, this is specific to certain service areas only. Further assurance is being sought, for example a Local Government Association Peer Challenge is planned for September 2015 following the local elections in May 2015, focussing on governance and practice in a range of key issues.

The Council has recently developed and implemented Covalent - a software tool for performance management and risk management used across the Council. Covalent is increasingly being used to monitor and manage performance at all levels and will help develop and improve the way performance information is collected, presented and used to improve service delivery. The quality of services provided is also monitored by seeking the views and experiences of citizens, service users and colleagues. This is achieved through surveys, consultation and focus groups, analysis of complaints and comments received.

The Council's budget process establishes the resources required to deliver its services and objectives, it also involves a review of the overall use of resources. Appropriate limits have been approved in line with the Prudential Code for Capital Accounting. Budget performance is monitored regularly and senior management and councillors receive financial information which is relevant, understandable and consistent with underlying financial records.

Colleagues responsible for financial resources are required to sign Personal Accountability Statements in recognition of their responsibilities to use these resources effectively, and their success is monitored as part of the performance appraisal process. Financial reserves are kept under review and the Council maintains an adequate Internal Audit function. Financial procedures are identified in approved Financial Regulations. The Council also publishes its Statement of Accounts in accordance with statutory and professional guidance. The Council's accounts have been successfully subjected to a rigorous external audit.

Arrangements for defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

In local government the governing body is the City Council, which has overall responsibility for directing and controlling all the work undertaken in its name. The Constitution, approved by City Council, sets out how it operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Nottingham City Council has adopted the 'Strong Leader' and Cabinet model of Executive Governance as set out in the provisions of the Local Government Act 2000 (as amended), and this is reflected throughout the Constitution.

Responsibility for decision making, the role of the City Council, Executive Board, Committees and the process for determining Key Decisions are well documented and defined in the Constitution, and may be viewed by following the following link

http://www.nottinghamcity.gov.uk/article/24275/Nottingham-City-Councils-Constitution

The Constitution includes a scheme of delegations which is detailed so that the functions of City Council, Executive Board, Portfolio Holders, Committees and officers are specified.

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

The role of each Portfolio Holder is defined in terms of both general and specific responsibilities. Councillors who are not on the Executive may be members of one of the regulatory committees or undertake overview and scrutiny activities. Detailed terms of reference are in place for all committees.

There is a clear distinction between the Executive and Scrutiny functions within the Council and clearly defined roles for these functions which are understood by both bodies. The Council has protocols in place to ensure communication between councillors and colleagues in their respective roles and which govern their relationship. The role of Overview and Scrutiny is set out in the detailed terms of reference for the committee itself and for the panels which report to it.

Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behaviour for councillors and staff

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

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

At an individual level the Council has developed and adopted formal codes of conduct defining the standards of personal behaviour to which individual councillors and colleagues

are required to adhere. Under the Local Government Act 2000, all councillors have to sign a declaration to abide by and uphold the Council's Code of Conduct for Members. Under the Code councillors are also required to register interests. All councillors have signed and agreed to adhere to the Members Code of Conduct and training on the Code is provided as part of an induction programme. Support staff also had briefings about the Code.

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

In addition to their specific portfolio responsibilities all Portfolio Holders have a common responsibility to ensure that the executive functions within the portfolio are performed in accordance with approved Council policies and strategies and to the highest ethical standards. These values are also enshrined in the respective codes of conduct for colleagues, councillors and the councillor/colleague protocol. The need for disclosure of conflicts of interest is a standard agenda item at all meetings, and a review of the minutes of the Executive Board indicates that potential conflicts of interest are regularly disclosed. The Council has put arrangements in place to ensure that the associated procedures and operations are designed in conformity with appropriate ethical standards.

Arrangements for reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

Decision making within a good governance framework is complex and challenging. It must further the organisation's purpose and strategic direction and be robust in the medium and longer terms. To make such decisions councillors must be well informed.

The Constitution and its appendices clearly define those matters specifically reserved for collective decision of the Authority and those matters that may be delegated. The responsibility for updating the Constitution is set with the Monitoring Officer. Reports making changes to the Constitution including those to Financial Regulations are made to the Full Council for approval. Most reports are available for public inspection as are the results of deliberations recorded in meeting minutes.

Councillors and colleagues making decisions require the support of appropriate systems to help ensure that good decisions are made / implemented and that resources are most effectively deployed. Risk management plays an important role in supporting decision making processes and ensuring there are effective delivery mechanisms that underpin service provision. The Risk Management Framework (RMF) sets out the way in which the Council identifies, monitors and manages its strategic, operational and project/partnership risks. The RMF is regularly updated and is endorsed by the Corporate Leadership Team (CLT) and approved by Audit Committee annually. The RMF comprises a Risk Policy, Strategy, and a Process Guide covers risk management in terms of:

o   Purpose, principles and benefits
o   Decision making, projects and partnerships
o   Appetite, escalation and delegation
o   Roles and responsibilities
o   Detailed practical guide

. **The Risk Management Framework**

Council Risk Register

Risk Management (RM) arrangements are integrated to other key documents including the MTFS, Financial Regulations and Corporate Financial Procedures. The Deputy Chief Executive plays a lead role in risk management, championing its development and implementation. The Corporate Leadership Team takes an active role in reviewing strategic risks along with the Audit Committee through quarterly updates of the Strategic Risk Register (SRR). Work takes place to review the composition of the SRR and test alignment of risks to the Council's strategic priorities. Similarly a significant commitment is made to supporting effective risk management of the Transformation/Big Ticket programmes through the work of the Portfolio Office and the Corporate Risk Specialist.

RM training has been provided to the Audit Committee as part of the councillor induction process and has been well received. Wider training for colleagues is also now available supported by e-learning and revised guidance, consistent with the updated RMF. Risk workshops run by a Corporate Risk Specialist include basic risk management training to increase understanding and encourage active participation of attendees.

The Strategic Risk Strategy provides practical guidance on the management of the SRR and the risks within it, including escalation/delegation of risks, reporting arrangements and responsibilities. Risk strategies are developed for all risk registers, maintaining a rigorous risk and opportunity management approach while enabling flexibility in how risks are managed at different levels of the organisation. This reflects for example, departmental priorities, ways of working and activities, while complying with requirements of higher level risk strategies. The framework is available to colleagues through the Council's intranet site.

It is acknowledged that more work is required to embed understanding of operational risk management. The implementation of the Performance Management Framework seeks to explicitly link planning, performance and risk within the Service Planning process. Further more, Covalent provides a software environment in which to capture and link related performance planning and risk information aligned to organisational objectives.

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

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

The Chief Finance Officer (CFO) is a professionally qualified accountant. The CFO sits on the CLT and is able to contribute positively to decision making affecting the delivery of the Council's objectives. The CFO is able to promote good financial management and in so doing makes sure effective use is made of City Council resources. The CFO has led a Finance Change process designed to ensure 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 Statement		Prudential Indicators & Annual Report	Contract & Finance Procedure Rules	Risk Register reporting and regular review
	Financial Regulations and Standing Orders					Audit Committee Reports & annual report
	Internal & External Audit Plans and our response to inspection and audit reports					

Arrangements for undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The operation of an effective Audit Committee is an essential part of good governance. The Audit Committee was established in 2008/09 and annual reports of its achievements are sent to Full Council. The role of the Committee is developing and regular interaction with similar Committees in other Core Cities is undertaken to share best practice.

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

In order to demonstrate the highest level of stewardship of public resources it is important that all work undertaken on behalf of the Council is transparent, falls within legal powers and is in accordance with professionally recognised best practice. However, governance cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements.

This ethos of good governance can be expressed as values and demonstrated in behaviour. In England, the Local Government Act 2000 outlined ten principles of conduct for use in local government bodies built on the seven principles for the conduct of people in public life established by the Committee on Standards in Public Life (the Nolan principles). These principles are enshrined in the Council's Codes of Conduct and are summarised in the following table:

Local Government Act 2000 Ten Principles of Conduct

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

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

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

The role of the Monitoring Officer includes responsibility to the Council for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with. The Monitoring Officer is

responsible for arrangements for whistle blowing to which staff and those contracting with the Council have access; arrangements have been put in place allowing them access and the right of complaint is well publicised.

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

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

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

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

A comprehensive induction programme, developed in conjunction with the Councillor Development Steering Group (CDSG) and Corporate Directors, is delivered to councillors to enable them to function quickly and effectively in their roles. Evaluation information is assessed and good practice is reviewed as part of the planning for future induction training. An induction plan has been agreed by CDSG for the 2015 intake of councillors and the programme of development is now being prepared.

CDSG, aided by Councillor Support colleagues and the Overview and Scrutiny Team, identify suitable learning opportunities for councillors. There are also councillor development and policy briefings on current topics. In addition, a Councillor Resource Centre provides easy access for councillors to key documents and development materials. Councillors' learning and development needs are reviewed by CDSG and there is greater emphasis now on the political groups being able to tailor and drive their own development programmes.

The Council has a policy of recruitment and promotion on merit (People Plus and Project People), and recruits outside the Council where necessary. Induction programmes for both councillors and colleagues are in place. The Constitution contains clear details of the roles and responsibilities for councillors including the Leader and Portfolio Holders. All colleagues have detailed job descriptions and person specifications, and individual development requirements for colleagues are identified using a Performance Appraisal

process. This process has recently been refreshed. Consultation with key customers is also used to understand the development needs for the Council.

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

The role of senior colleagues is to support councillors and this includes offering training courses to them via Councillor Services, which commissions, or advertises training and records development activity undertaken.

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

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

In order to understand the needs and demands of the community it is essential that appropriate procedures and processes are in place to ensure the relationships between the council, its partners and its citizens are clear so that each knows what is expected of the other.

The Council is accountable in a number of ways. Councillors are democratically accountable to their local area and this gives a clear leadership role in building sustainable communities. All councillors must account to their communities for the decisions they have taken and the rationale behind those decisions. The Council is subject to external review through the external audit of its financial statements and some inspection regimes. Similarly the Council budget is subject to significant influence and overview by government, which has powers to intervene. The Council is required to publish its financial statements and to prepare an annual report.

Councillors and the most senior managers are clearly identified on the Council's internet site and periodically in the Arrow. The Council is committed to the creation of sustainable and democratic communities, encouraging active citizenship and democratic engagement by developing the role of area committees; wide consultation on matters of local concern; events such as those that take place in Local Democracy Week and the promotion of councillors and their key roles within their communities. A range of media is used to let local people and employees know about progress on the Council's plans. For example, the "Contact Us" section of the internet site allows citizens to find out about initiatives, register interest in future consultations and make observations. The Council officially welcomes and positively encourages public involvement in the way in which business is conducted.

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

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

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

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

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

The Council engages with all sections of the community whilst working with partnerships. A variety of mechanisms are used to ensure the engagement is appropriate to the diverse communities. The Council and partners in One Nottingham and other significant partnerships, have an excellent understanding of its diverse communities and their needs (see Nottingham Insight, Citizens Survey 2013, Joint Strategic Needs Assessment, State of Nottingham Report, Crime & Disorder Needs Assessment, Ward Report 2013 and wealth of ward and mosaic data) which is used to shape our engagement.

The Nottingham Plan to 2020 (One Nottingham Sustainable Community Strategy) provides the overarching vision, objectives and priorities for the Council and the One Nottingham family of partnerships. The Nottingham Plan to 2020 has full commitment across the Council, partners and community. Given the significant political and economic changes since the plan's launch, the One Nottingham Board and the leadership of Nottingham City Council requested a refresh of the Nottingham Plan targets in 2013/14, to ensure that the right areas of work are prioritised, partnership resources are targeted in the most efficient way and the best target measures are used to ensure the plan is effectively delivering for the citizens of Nottingham. The refresh of the Nottingham Plan to 2020 is not a full revision. Targets were revisited to make sure they are appropriate, credible, robust and measurable going forward, whilst maintaining the ambition that was established when the

plan was launched in 2009 as a contract with citizens. It also considered possible areas within the plan which would most benefit from dedicated partnership focus. Recommendations were developed by Nottingham Plan lead officers and have been through a challenge process with peers and performance colleagues, taking account of performance to date.

The Research, Engagement and Consultation function within the Chief Executive's Policy Team supports all services across the Council to effectively consult and engage with citizens and make the best use of the findings. This includes providing advice and support on planning, designing and undertaking consultations (including surveys, event evaluations, focus groups, polling, internal focus groups) and engagement activity. As part of this, the team advises colleagues as to the most appropriate ways of consulting and engaging, depending upon the intended audience. It also ensures that colleagues think about using alternative formats and interpretation services when necessary. The Research, Engagement and Consultation Team also manage large-scale corporate research projects (e.g. Citizen's Survey, budget consultation) and the recently recruited Citizens' Panel, which consists of 1,000 citizens from across the city, and has been designed to be broadly representative of the city on a range of demographic and geographical factors. Members receive regular surveys, but can also be called upon to be part of discussion groups or to test new services.

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

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

- The Nottingham Plan to 2020 provides the overarching vision, objectives and priorities for the One Nottingham family of partnerships. The Nottingham Plan to 2020 has full commitment across the Council, partners and community.
- The Derby, Derbyshire, Nottingham, Nottinghamshire Local Enterprise Partnership (D2N2 LEP) has agreed a common vision and priorities which will be developed and refined. This is understood and agreed by all parties.
- Joint Leadership Board (JLB) and Core City Board (CCB) have common vision and mutually interdependent objectives related to promotion of economic prosperity for the sub-regional area. The JLB and CCB are linked with the LEP ensuring a common vision across the areas they cover.
- Nottingham Regeneration Ltd (NRL), Nottingham Development Enterprise (NDE) and Experience Nottinghamshire. Their visions and objectives are set out in their governance documents and they are working closely together to deliver the objectives of the JLB and CCB.

- The Core City area partnerships have visions and objectives related to their purpose and funding.

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

In 2013/14 two additions were included in the health checks for partnerships to confirm that the Council lead officer is actively engaged and that, where applicable, for the most recent financial year, the partnership had an 'unqualified audit opinion' and that recommendations are actioned. The annual health checks have previously been updated to ensure that the partnerships were able to assess whether those making decisions are provided with information that is fit for the purpose, relevant, timely and give clear explanations of technical issues and their implications. This contributes to the assessment for the 'decision making and accountability' capability. The checks also enable each partnership to assess that it has a clear set of values and guiding principles against which decision making and actions can be judged. These are set out in the partnerships' constitution, policies and procedures. The register of significant partnerships includes the status of the partnerships, its membership, and a summary of how its aims and roles are aligned with the Council's strategic plans. Each year a random sample of health checks are scrutinised to verify the quality and accuracy of response. The register, and an overview of the health check results, including proposed actions where remedial work is needed, are reported to the Audit Committee. The checks include a section for lead officers and chairs to self-assess the governance of partnership risk management (called "partnership risk management") and a section for "overall headline risks". The contents of these are shared with the Corporate Risk Specialist. The most recent health checks found no significant issues.

Other organisations where the Council holds a substantial interest, include its group companies, charities and trusts. In every such interest the Council endeavours to ensure they are set up with appropriate governance arrangements and are expected to comply with all relevant laws and regulations, and their financial statements and other published information are expected to be accurate and reliable.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The

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

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

The purpose of the Constitution is to set out how the Council conducts its business, how decisions are made and the procedures that are followed to ensure that these decisions are effective, efficient and transparent so that the Council remains accountable to citizens.

Some of these procedures are required by law while others are a matter for the Council to determine. The Council exercises all its powers and duties in accordance with the law and its approved Constitution.

Nottingham City Council has adopted the 'Strong Leader' and Cabinet model of Executive Governance as set out in the provisions of the Local Government Act 2000 (as amended), and this is reflected throughout the Constitution. Portfolio Holders share responsibility with the Leader, Deputy Leader and other members of the Executive for the Executive business of the Council.

The principle bodies with responsibility for governance and their terms of reference are included in the Constitution and are summarised below, together with some of the topics considered during the year. All the associated reports and agendas are publicly available and may be found at the following website:
http://www.nottinghamcity.gov.uk/article/23479/Council-Meetings-and-Decisions

Principle Constitutional Bodies Dealing With Governance

Body	Summary of Governance role
City Council	City Council, comprising all 55 councillors, is the foremost public decision making forum of the Council that sets the policy framework and budget. The policy framework consists of the most important plans and strategies adopted by the Council. The Council meeting is chaired by the Lord Mayor and normally meets ten times per annum. Topics Considered by the Council • Petitions from Councillors on behalf of Citizens • Proposed amendments to the Constitution • Executive appointments, remits and first meetings • Appointments and first meetings of Committees, Boards, Panels, Joint Bodies, Etc • Decisions taken under the Urgency Procedures • Appointments Corporate Directors • Overview and Scrutiny Annual Report 2012/13 • Executive Scheme of Delegation • Proposed amendments to the Constitution • Audit Committee Annual Report 2012/13 • General amendments to the Constitution • The Treasury Management 2014/15 Strategy • The Budget 2014/15
Executive Board	The role of the Executive Board is to take key decisions as delegated by the City Council. The work also encompasses receiving performance and financial information which determines the strategic direction of the Council. Additionally constituted sub Committees of the Board are listed below. • East Midlands Shared Services Joint Committee • Executive Board • Executive Board City Centre Committee • Executive Board Commissioning Sub-Committee • Leader's Key Decision - Notice • Leader's Key Decision Meeting • The City of Nottingham and Nottinghamshire Economic Prosperity Topics Considered by the Board • Key decisions • Record of transactions with a value of £25,000 or greater and Portfolio Holder decisions • Reports of Portfolio Holders • Risk Management: Strategic Risk Register - quarterly updates • Treasury Management Strategy, annual report and half yearly update

Body	Summary of Governance role
	• Pre-Audit Corporate Financial Outturn 2012/13 • Nottingham Plan to 2020 Annual Report 2012/13 Year 3 • Risk Management - Strategic Risk Register quarterly updates and • Annual review • Engagement and consultation on the Council's budget 2014/15 • Nottingham City Council Procurement Strategy • Medium Term Financial Plan 2014/15 - 2016/17 • Refreshed Nottingham Plan
Overview and Scrutiny Committee	The scrutiny of Executive decisions is an essential element in the effective governance of the Council, and the scrutiny function has wide-ranging powers under the Local Government Act 2000 to examine policy development, executive decisions and matters of wider local concern. The Committee consists of Councillors who are not on the Executive, who are charged with keeping an overview of Council business and City concerns and scrutinising areas of particular interest or concern. Their role is to hold the Executive to account when deemed necessary in the business they undertake, and also to assist in the development and review of Council policy. Tasks involve looking in detail at areas of service delivery or issues of general concern in the Council, external partnerships and organisations. The Committee makes recommendations to the Executive or to the whole Council and on occasion, to outside organisations, on issues which might include suggestions for improvements or different ways of doing things. The Council also has a statutory responsibility to scrutinise substantial developments or variations in NHS services and this is undertaken by the Health Scrutiny Panel or by the Joint City / County Health Scrutiny Committee. Additionally constituted Panels and Sub Committees of the Board are listed below. • Health Scrutiny Panel • Call In Panel • Personal Budgets • Rehabilitation and Resettlement Of Offenders • Allotments • Ash Die Back • Changing Educational Landscape • Communication and Enforcement - Wheelie Bins on Pavements • Congestion Around Educational Establishments • Flood Management and Gully Cleansing • Homelessness Prevention Strategy Consultation • Irresponsible Dog Ownership • Responsibility and Management of Local Public Waterways • Tree Management

Body	Summary of Governance role
	Topics Considered by the Committee • Establishment of Committees and appointment of Co-optees • Nottingham Plan Year 3 performance • Nottingham Growth Plan • The state of the Voluntary and Community Sector and streamlining investment to the Voluntary Community Sector • Have Your Say, Citizen First and the Customer Access • Programme for Scrutiny Panels and Sub-Committees • Joint City and County Health Scrutiny Committee • Joint Health Emas Sub Committee • Health Scrutiny Panel • Call In Panel • Personal Budgets • Rehabilitation and Resettlement Of Offenders • Allotments • Ash Die Back • Changing Educational Landscape • Communication and Enforcement - Wheelie Bins on Pavements • Congestion Around Educational Establishments • Flood Management and Gully Cleansing • Homelessness Prevention Strategy Consultation • Irresponsible Dog Ownership • Responsibility and Management of Local Public Waterways • Tree Management
Standards Committee	The Council has a Standards Committee constituted in accordance with the Standards Committee (England) Regulations 2008 that oversees the Code of Conduct and other governance matters. The Committee meets as and when required and there was no meeting called in the year.
Audit Committee	The Audit Committee has responsibility for the development of risk within the Council and is the designated body for the overview of the Council's Internal Audit function. An annual report is produced by the Chair of the Committee, reflecting the work undertaken and the associated linkages it has to improving governance. This report is received at Full Council. Topics Considered • External Audit Plan 2013/14 • Counter Fraud Strategy and Protecting the Public Purse 2013 • Audit Committee member's training • A revised Performance Management Framework for Nottingham City

Body	Summary of Governance role
	Council
	• Treasury Management Strategy, Annual Report and half yearly update
	• Internal quarterly reports 2013/14
	• Audit Committee Terms of Reference and Annual Work Plan
	• Review of accounting policies
	• Internal and external audit protocol
	• External audit - Audit Committee progress reports
	• Internal Audit Annual Work Plan 2013/14 and Three Year Strategic Plan
	• Strategic Risk Register quarterly updates and annual review
	• Annual Governance Statement, progress reports reported and process for producing statement
	• Statement of Accounts and report to those charged with governance
	• Annual Audit Letter
	• Audit Committee Annual Report 2012/13
	• Internal Audit Annual Report 2012/13 and Internal Audit Charter
	• Ombudsman Annual Letter
	• Partnership governance, Health Checks and update to Register Of Significant Partnerships
	• Internal Audit Work Plan for East Midlands Shared Services

Head of Internal Audit (HoIA)

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 HoIA produces an annual audit report and opinion summarising the effectiveness of the governance arrangements in place.

In 2013/14 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 substantially complied with the principles contained in the Public Sector Internal Audit Standards (PSIAS) and met the requirements of the Account and Audit Regulations 2011 and associated regulations.

The HoIA reported that Corporate Directors are responsible for ensuring that proper standards of internal control operate within their departments. Internal Audit reviews these controls and gives an opinion in respect of the systems and processes put in place. The 2013/14 Audit Plan, as agreed by the Audit Committee and Corporate Directors, was completed in accordance with the professional standards. The Internal Audit service has undertaken reviews of the internal control procedures in respect of the key systems and processes of the Council and where appropriate, its partners. The work was planned using a risk based model of the Council's activities. It has been supplemented by ad hoc reviews in respect of irregularities and other work commissioned by Corporate Directors or the

partners of the Council and the work undertaken by external review agencies. Reports in respect of all reviews have been issued to the responsible officers, together with recommendations and agreed action plans. Each report issued included a level of assurance that could be assessed from its findings. Each quarter, a list of reports was sent to the Audit Committee for scrutiny and a number of audits were selected for in depth review at the Committee.

HoIA Overall Opinion

2013/14 saw significant change, challenges and risks experienced by the Council, including the operational commencement of its significant partnership for the delivery of HR and financial services with Leicestershire County Council (EMSS). The HoIA has continuously reviewed the 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 2013/14 and drawn upon external sources of assurance from independent review bodies and internal assurance mechanisms to identify and assess the key control risks to the Council's objectives. Consequently 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 2013/14 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 2013/14 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 mechanisms

All Corporate Directors and statutory officers provided a signed assurance statement supporting the AGS for 2013/14. These statements have been supplemented by assurance gathered from key colleagues responsible for Internal Audit, Risk, Human Resources and partnerships, and have also been informed by independent external reviews, including the external auditor. The assurance is based around a questionnaire developed from the CIPFA/SOLACE Framework for Corporate Governance.

In summary, the Council has reviewed its systems of internal control and taken a comprehensive approach to considering and obtaining assurance from many different sources. The Council has been informed on the implications of the result of the review of the effectiveness of the governance framework, and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed, and those to be specifically addressed with new actions planned, are outlined below.

Issues reported

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

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

Issues worthy of note are issues that are not categorised as significant but which require attention to ensure continuous improvement of the system of internal control. New or outstanding issues are as follows:

ISSUES WORTHY OF NOTING

Single Status

As part of Central Government's Single Status initiative to deal with equal pay issues, a major change in the remuneration structure for schools based support staff is in progress. "Single Status", a new harmonised set of terms and conditions and pay and grade structure, was introduced for the majority of centrally based employees in November 2010 and the current exercise is designed to bring schools staff in line with this. There is a prospect of potential disruption and legal challenge to the decisions made to implement the new pay structure in schools (grading appeals and backdating of awards).

Updated Position

The issue has now been resolved. Single Status has now been implemented for all Nottingham City Council schools based staff, including casual workers in schools. This means that central and school based NCC employees on Local Government Service (LGS) terms and conditions are now on one harmonised set of terms and conditions and one pay and grade structure.

Central Government Review of Local Government Funding & Balancing the Council's Budget)

The coalition Government has undertaken a fundamental review of public spending which has reduced the level of funding available to the Council from 2010/11 onwards.
The combination of the impact of the global recession and the need for a significant investment in some services placed severe pressure on the Council's financial resources. The 2009 budget process, through the in-depth analysis of spending requirements and the opportunities to generate income, highlighted the need to reduce net expenditure across the City Council.

Updated Position

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

The Medium Term Financial Plan has been reviewed to reassess pressures in future years as part of this process and reflects the culmination of the extensive work of Councillors, colleagues and other stakeholders to fulfil a legal obligation to enable the setting of a balanced budget. Resources have been redirected by Identifying cost reductions arising from both efficiencies and policy issues, especially:

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

Children in Care

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

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

Updated Position

A plan is in place to reduce the numbers of children who remain in care over the forthcoming year. Part of this work involves systematic use of tools to help return young people to their birth families, having detailed exit plans for each young person, benchmarking all data against our statistical neighbours and ensuring a full complement of staff to deliver the business. Work is underway to match children and young people to adopters at an earlier point in the adoption process to ensure a stable and permanent family home for all our children in care. The renewed focus is the subject of a Big Ticket Project regarding reducing the numbers of children in care and speeding up the adoption process by tackling delay. Work in 2012 was undertaken to realign the children in care placements budget and to ensure that the use of a regional framework for all care registered and 16 plus accommodation was robust. This has resulted in some continued net savings on placement costs. Performance against placement stability and recording the wishes and feelings of children and young people continues to be strong.

There is strong collaboration between partners in Nottingham city, most notably between Health, LA, Police, Foster Carers and providers of residential accommodation. The Council has created a 'permanence team' which is the Children in Care Team. This became operational in April 2012. Further resources have since been agreed to support the effectiveness of the team to place children in permanency placements in a more timely

way, and ensure delays are kept to a minimum. This is central to the strategy of ensuring better outcomes for our children in care population.

Performance against children in care targets is strongly monitored and in some areas out performs against statistical neighbours. An area for growth and development against key performance targets is in ensuring the health of children in care is robustly monitored and action taken where appropriate. Speeding up adoptions and tackling delay is the second priority area. NCC does better than its statistical neighbours (with the exception of Middlesbrough) in the recently published adoption scorecard. There was a significant increase in the number of adoptions in 2012/13 compared with the previous year. Resources have been realigned to build on that progress, based on evidence of what works well. The authority secured 43 adoptions and 43 Special Guardianship Orders for the financial year 2013/2014.

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

The Council has embarked on a further strategy to reduce the numbers of children coming into care. The Edge of Care Intervention Hub was launched in September 2013 which was for an initial 6 month pilot project, located and managed within the Targeted Support Team that has now been extended. To date, the Hub has supported 18 families that include 53 children. Of those 53, the Hub has worked directly with 46, of which it is felt that 36 have been directly at risk of being accommodated. 6 children have been accommodated. This amounts to an estimated budget relief of between £276k and £549k (based on placement type) over the 8 month period.

East Midlands Shared Service (EMSS)

In September 2010, both Nottingham City Council and Leicestershire County Council agreed to the establishment of a shared services entity (EMSS) that would deliver transactional activities for Finance, Human Resources and Payroll. Agreement was also given to the implementation of the Oracle e-Business Suite as the new Enterprise Resource Planning (ERP) system for NCC.

Latest Position

Both the EMSS organisation and the new Oracle system have been progressing through a period of stabilisation and this has required significant changes in both system and processes. In turn, this has necessitated the review of the overall development plan and, as is usual with this type of extensive system implementation, a great deal of focus has been applied to the financial control processes. Reporting tools are being reimplemented and this will improve internal control processes, both in terms of effectiveness and efficiency. Much of the risk associated with this implementation has been mitigated by the fact that the Council was migrating to an existing LCC platform.

Nottingham Express Transit (NET)

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

Latest Position

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

Workplace Parking Levy (WPL)

The WPL is a levy which applies to all employers within the Nottingham City Council administrative boundary. Employers that provide any workplace parking places are required to get a WPL licence and those with 11 or more chargeable places, to pay a charge, from 1 April 2012. An important issue focuses on the ability of WPL to raise revenue to meet the Council's contribution to the NET Phase 2, the HUB and Link Bus network. The scheme was introduced on 1st October 2011 and charging commenced in April 2012.

Latest Position

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

SIGNIFICANT ISSUES REPORTED

Icelandic Banks

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

Recovery of monies

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

Following a series of court cases in Iceland, the Council was confirmed as a priority creditor, with sufficient funds being identified within Glitnir and Landsbanki banks to enable, in principle, full repayment, albeit over a number of years and subject to foreign currency exchange rate fluctuations and future legislation changes.

Separately, the administration of the London-based Heritable Bank has been managed within the UK, with regular dividend payments to all creditors being made over the last 5 years.

Latest position

Since the banks went into administration in 2008, the Council has received a series of dividends from the administrators of the individual banks. The latest position in respect of the Council's deposits with each bank is:

a) *Heritable Bank*: *original deposit £15.600m*. Dividend payments to date total £14.982m, including interest. The administrators are not anticipating any further payments to be made.

b) *Glitnir Bank*: *original deposit £11.000m*. Dividend payments received to date total £9.210m, including interest. The balance of the monies paid was made in Icelandic krone and is currently in an interest-bearing escrow bank account in Iceland, pending the relaxation of currency controls by the Icelandic government. The final sum to be recovered, including interest is currently estimated as £11.324m.

c) *Landsbanki Bank: original deposit £15.000m*. The banks administrators have made dividend payments totalling £8.197m to date, including interest. The balance of the monies is scheduled to be paid to all priority creditors over the next 5-6 years, although uncertainties exist regarding actual timing, currency exchange rate fluctuations and future Icelandic legislation. To mitigate these risks, the Council participated in a group auction of UK local authority creditor claims in January 2014 which resulted in the sale of the balance of its creditor claim. The payment received was £6.127m, giving a total receipt of £14.324m, including interest.

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

BANK	ORIGINAL DEPOSIT	TOTAL RECOVERED TO DATE			ESTIMATED FINAL RECOVERY		
		PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
	£m	£m	£m	£m	£m	£m	£m
Heritable	15.600	14.667	0.315	14.982	14.667	0.315	14.982
Landsbanki	15.000	13.689	0.635	14.324	13.689	0.635	14.324
Glitnir	11.000	8.694	0.516	9.210	10.690	0.635	11.324
	41.600	**37.049**	**1.466**	**38.515**	**39.026**	**1.583**	**40.610**

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