

AUDIT COMMITTEE - 26 FEBRUARY 2016

Title of paper:	ANNUAL GOVERNANCE STATEMENT – PROGRESS MADE TO DATE ON ISSUES REPORTED 2014/15 AND PROCESS FOR PRODUCING 2015/16 STATEMENT	
Director(s)/ Corporate Director(s):	Geoff Walker Director of Strategic Finance	Wards affected: All
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Other colleagues who have provided input:		
Recommendation(s):		
1	Note the progress made to date in addressing the issues reported in the 2014/15 AGS, as detailed in Appendix 1	
2	Note the process and timetable for compiling and completing the 2015/16 AGS, as detailed in Appendix 2	

1. REASONS FOR RECOMMENDATIONS

This report sets out the current position in respect of those issues reported in the 2014/15 Annual Governance Statement (AGS), and the process for compiling the 2015/16 AGS.

1.1 Update of Issues Reported

Issues identified in the AGS have been revisited and an update of the latest position established. Issues not resolved are shown at **Appendix 1**. In Summary

- **Central Government Review of Local Government Funding & Balancing the Council's Budget:** 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 Council's priorities within the Council Plan:
 - 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 our determination to be efficient, improve performance and modernise our organisation
 - redirecting budgets to enable some resources to be targeted on the Council's current focus of supporting the most vulnerable, local jobs, and enjoying Nottingham.
 - continue to focus on regeneration and growth through its Capital Investment Strategy.

- **Children in Care:** The cost of funding children in care arrangements and associated budget pressures are key issues facing the service. There is a need to recruit and retain more of our own foster carers and Social Workers to maintain stable children in care

arrangements and reduce agency spend. Plans have been put in place to manage the numbers of children who remain in care

- **East Midlands Shared Service (EMSS)** : The Council's Accountancy and Audit services continue to closely monitor the activity and performance closely. Issues have been faced in terms of financial management since the implementation and delays have been experienced in making payments to certain suppliers. The causes of this issue have been addressed and the resulting payment backlog is being cleared. To provide clarity of responsibilities, a service level agreement has been set up between NCC and EMSS.
- **Nottingham Express Transit (NET)** : 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 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.
- **Information Governance** : Responsibility for information management risk and compliance rests with the Director of Resilience who acts as the Senior Information Risk Owner (Information governance within the Authority is managed and controlled by Information Management Services working to the Information Management Framework. The Authority recognises the operational and strategic benefits to improving information management practices. The current Information Matters Transformation Programme is looking to implement a range of key advancements, which include improvements to information rights and records management.
- **Nottingham Revenues and Benefits (NRB)** : The Council has entered into a partnership with Northgate Information Solutions for the provision of Revenues & Benefits Services. A unique element of the partnership is that Northgate are contractually-bound to sub-contract the work to Nottingham Revenues & Benefits Limited, a wholly-owned Nottingham City Council company. Accordingly appropriate governance arrangements have been developed and established
- **Information Technology** : The Council commissioned a report considering several key areas where the Council's IT Service has run installed infrastructure to the end of its useful life, with the view of identifying where investment is required to enable the Council to operate a technical environment that is fit for purpose. An improvement programme has been put in place to ensure that a continuing high level of IT service will be delivered. To date five of the seven major improvement projects have been implemented, with the remaining two projects targeted to be completed by April 2016 and December 2016 respectively.

1.2 Process for the Production of the AGS 2015/16

- 1.2.1 It is intended that the production of the AGS 2015/16 will closely follow the process of previous years noted by this committee, and the timetable is given at **Appendix 2**. The process will be managed by the Corporate Governance Steering Group (CGSG) as endorsed by the Executive Board on 20 May 2008 and which consists of senior

colleagues representing Council services. A set of assurances will be obtained from the Leader of the Council, key colleagues including Corporate Directors, individuals with statutory roles, significant groups and significant partnerships

- 1.2.2 The assurance will come from a self assessment based on customised questionnaires targeted at the appropriate assurance givers, together with other information provided in support of the AGS. The questionnaires will be based on the Council's Code of Corporate Governance and will be based on the relevant best practice developed produced by CIPFA/SOLACE.
- 1.2.3 Support throughout the process will be given by Internal Audit and the Head of Internal Audit who will visit all departmental management teams to discuss audit plans and introduce the 2015/16 AGS.
- 1.2.4 Completed questionnaires will be supplemented by other governance related information extracted from Council policies and strategies, internal and external assurance providers, Council, Board and committee minutes, and the annual review of governance arrangements in significant partnerships.
- 1.2.5 The final AGS will be an account of the Council's governance arrangements in a format addressing the principle embodied in the Local Code of Corporate Governance. It will reflect the failings identified and note actions put in place to address them. This will be discussed by members of the CGSG and will be presented to the Audit Committee for approval, and the document when approved will be published with the City Council's Statement of Accounts.

2 BACKGROUND

- 2.2 The Council's governance arrangements aim to ensure that objectives and responsibilities are set out and met in a timely, open, inclusive, and honest manner. The governance framework comprises the systems, processes, cultures and values by which it 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.
- 2.3 The publication of an AGS is required by the Accounts & Audit Regulations 2015. The Council is required to conduct a review, at least annually, of the effectiveness of its internal control and prepare a statement in accordance with proper practices. The 2007 CIPFA/SOLACE (updated 2016 (effective for 2016/17 statement)) publication "Delivering Good Governance in Local Government Framework" provided 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 of 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 Included in this Committee's terms of reference is the core function that it should be "satisfied that the Authority's assurance statements, including the AGS, properly reflect the risk environment and any actions required to improve it."
- 2.6 In order to produce the AGS an annual timetable is required to ensure key tasks are undertaken in time to deliver it alongside the Council's Statement of Accounts. The timetable (**Appendix 2**) will be used to monitor the progress of the AGS.

- 2.7 The Committee has delegated authority for the formal approval of the AGS and approved the AGS for 2014/15 on 18 September 2015. It was signed by the Leader of the Council and Chief Executive and was published alongside the Statement of Accounts.
- 2.8 The AGS reflects the governance framework operating within the Council and its significant partnerships. The issues identified and the consequent plans for their mitigation are used to direct corporate resources, including those of Internal Audit.
- 2.9 Part of the 2014/15 AGS reported 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, CIPFA defines a series of factors to be considered, 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.
 - The 2014/15 AGS also reported on issues of note which do not merit categorising as significant but require attention and monitoring to maintain and improve the system of internal control. As with significant issues these may have been brought forward from previous statements if the issues have not been finally resolved.

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

None

4. **PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

Accounts & Audit Regulations 2015

CIPFA/SOLACE - Delivering Good Governance in Local Government Framework, 2007 (updated 2016)

Executive Board 20 May 2008 - Local Code of Corporate Governance

Nottingham City Council - Statement of Accounts 2014/15

Annual Governance Statement 2014/15

APPENDIX 1

AUDIT COMMITTEE – FEBRUARY 2016 – ITEMS TO FOLLOW UP.

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

As 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 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.

Final Position

The Government has implemented a rapid and extensive programme of policy change, accompanied by significantly reduced funding for the public sector. On current projections the Government's settlement funding for the Council will have reduced by circa £100m between 2010/11 and 2015/16 and in response, service and financial planning process has once again facilitated significant proposed movements in resources. Such changes include to:

- take account of the Council's priorities within the Council Plan;
- 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 our determination to be efficient, improve performance and modernise our organisation;
- recognise the very challenging financial landscape and future outlook and the impact on all sectors including the public sector.

Budgets have been redirected to enable some resources to be targeted on the Council's current focus of supporting the most vulnerable, local jobs, and enjoying Nottingham. Resources are proposed to be redirected by:

- reducing demand and reviewing the way we commission our services;
- reviewing and optimising income streams of all kinds;
- redesigning and modernising our service provision / identifying efficiencies.

In addition the Council will continue its focus on regeneration and growth through its Capital Investment Strategy.

Children in Care

The Children in Care service exists primarily to work with children who are at risk of significant harm and have been brought into the care of the Council. Our priorities for children in our care are to ensure that they are safe, healthy, and achieving their full potential in education. Wherever possible we will work to return children to live with their birth or extended families when it is safe to do so. If returning to family is not achievable then

adoption and fostering are the next preferred options. For some children and young people residential care is the appropriate placement.

The cost of funding children in care arrangements and associated budget pressures are key issues facing the service. There is a need to recruit and retain more of our own foster carers and Social Workers to maintain stable children in care arrangements and reduce agency spend.

Latest Position

In a recent announcement the Department for Education have stated that nationally Children in Care numbers are at a 30 year high. Because of our early help preventative and support work with families the Council is performing well against similar Councils. Our Children in Care numbers have remained stable against the previous year; we currently (January 2016) have 583 children in our care this is 92 per 10.000 child population, similar Councils have 94 per 10.000 child population.

We have plans in place to manage the numbers of children who remain in care over the forthcoming year. Part of this work involves systematic use of various tools to help return young people to their birth families when possible, and having detailed exit plans for each child into adoption or other permanence arrangements, benchmarking all data against our statistical neighbours and ensuring a full complement of staff to deliver the business.

There is a renewed focus on recruiting local foster carers, and providing support to children on the edge of care driven through Big Ticket Projects.

A new payment scheme for our foster carers has been implemented, with improved financial rewards for those who care for teenagers, a new marketing strategy is in place, post graduate students from the Nottingham Business School have recently worked with the fostering service and produced a report that we will use to inform our marketing as we move forward.

Our web site and social media communication such as twitter and Facebook will be a new focus; a specific campaign to recruit 25 carers for 25 teenagers has taken place in December 2015, initial responses have been positive.

Performance in relation to placement stability for children in care for more than two years is better than the target. We continue to ensure the recording of the wishes and feelings of children and young people and ensure that these have influence within the care planning process.

Performance against children in care key performance indicators is strongly monitored and in some areas out performs against statistical neighbours. One area for renewed focus against key performance indicators is in ensuring the health of children in care is robustly monitored and action taken where appropriate to avoid delays in dental checks and health assessments.

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 of our children in care. Improving adoption timeliness and permanence and tackling delay is a key local and national priority area, we have reduced the time of entering care to adoption for children with an adoption plan from 101 to 83 weeks in the last year.

In the 2015/16 financial year to date 33 children have been adopted, 16 children have been discharged as a result of a Special Guardianship Order. 19 children have been discharged as the result of a Child Arrangement Order.

The reconfiguration of Nottingham City Council's Residential Services into Small Group Homes has served to support children and young people to have better placements and improved outcomes in a cost effective manner and ensured young people receive a quality service that keeps them safe. All of our registered children's homes have been inspected under a new tougher OFSTED framework in the second half of 2015; one is rated as outstanding and the other six homes are rated as good with outstanding features.

The leaving care team support 235 of our former children in care aged 18 - 21 into independence; we have a range of semi-independent settings that we use to assist young people during their transition, to their own accommodation.

Several of our Children in Care have obtained apprenticeships in the Council We currently have 10 care leavers at university; some young people are able to stay with their foster carer after their 18th birthday if they wish to do so we currently have 17 young people in so called staying put arrangements with foster carers that we fund.

There is strong collaboration between partners in Nottingham most notably between Health, Schools, Council, Police, Foster Carers and providers of residential accommodation. Levels of involvement in the criminal justice process of children in care aged 10-17 have fallen significantly in recent years and are now in line with similar Councils.

The Council has a strategy to support families and endeavours to ensure that children remain within immediate or extended family rather than entering Council care when it is safe to do so. The Edge of Care Intervention Hub, Targeted Family Support, Multi Systemic Therapy Team, and Priority Family Programme all work in a variety of ways to support children and families across the city.

- **East Midlands Shared Service (EMSS)**

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

Latest Position

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

- **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 complete. 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.

- **Information Governance**

Responsibility for information management risk and compliance rests with the Director of Resilience who acts as the Senior Information Risk Owner (SIRO). Information governance within the Authority is managed and controlled by Information Management Services working to the Information Management Framework. The Authority recognises the operational and strategic benefits to improving information management practices. The current Information Matters Transformation Programme is looking to implement a range of key advancements, which include improvements to information rights and records management.

Latest Position

The Authority’s Information Matters Transformation Programme, a corporate-wide transformation programme, entitled Information Matters has a number of work streams, which include;

- Culture and Governance
- Records Management
- Information Rights

Each of the work streams are looking to put in place robust governance structures and policies, along with assurance measures and Key Performance Indicators which will be reported in future Governance Statements.

The Authority has reviewed and restructured its corporate information management service to strengthen its ability to support the organisation to take forward and coordinate activities within the Programme. The restructuring of the corporate information management service, and of development of a dedicated Data Protection Team, will strengthen information management practices across the Authority.

Between February and April 2015 the Authority was monitored on its compliance with Freedom of Information Act and Environmental Information Regulations requests (non-personal information requests) by the Information Commissioners Office (ICO), the regulatory body for information rights. The ICO was pleased with the outcome of this monitoring where the Authority continued to exceed the statutory response rate expectations, as a result of the procedural and cultural changes that had been made with around these information requests.

The Authority is currently carrying out its annual self-assessment against the Department of Health's (DoH) Information Governance Toolkit which assesses performance against DoH information governance policies and standards. The Authority achieved level 2 score in each of the 28 requirements, attaining an overall compliance score of 69%, and a satisfactory overall grade last year. The Authority also achieved the Public Services Network Accreditation, and will reapply for accreditation in Spring 2016.

The management of information security and data breach incidents are carried out as per the Authority's information governance processes. All data breach incidents are reported to the SIRO and Caldicott Guardian where appropriate, and are investigated by the Information Management Services section, with a comprehensive action plan drawn up and the requirement for the business area to provide evidence of remedial actions carried out. In the first three quarters of 2015/2016 one data breach incident has been reported to the Information Commissioner, and after investigation no further action was taken by the regulatory body.

- **Nottingham Revenues and Benefits**

On 1st November 2014, Nottingham City Council entered into a 7-year partnership with Northgate Information Solutions for the provision of Revenues & Benefits Services. A unique element of the partnership was that Northgate are contractually-bound to sub-contract the work to Nottingham Revenues & Benefits Limited (NRB), a wholly-owned Nottingham City Council company.

Latest Position

Governance arrangements are now established, including meetings of the monthly Operations Board, monthly Transformation Board and quarterly Partnership Board. Furthermore new directors, to include three councillors nominated by the Portfolio holder are to be appointed to the NRB Board by the end of January 2016.

- **Information Technology**

The Council has commissioned a report considering several key areas where the Council's IT Service has run installed infrastructure to the end of its useful life with the view of

identifying where investment is required to enable the Council to operate a technical environment that is fit for purpose.

Latest Position

An improvement programme has been developed to ensure that a continuing high level of IT service will be delivered to support the work of the City Council, and help to ensure that services of sufficient quality are provided to citizens. To date five of the seven major improvement projects have been delivered, with the remaining two projects targeted to be completed by April 2016 and December 2016 respectively.

Action	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	Jul 2016	Sept 2016	Oct 2016	Feb 2017	Mar 2017
Take report to Audit Committee as the committee responsible for monitoring compliance with the Local Code										
Consider Issues from External Audit Annual Letter										
Report Final AGS to Audit Committee with Statement of Accounts										
Prepare / follow-up mid year report to Audit Committee for first meeting of new year										