Annual Governance Statement 2017/18

1. NCC Responsibility for Implementing Good Governance

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

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

1.3. The Council approved and adopted a code of corporate governance consistent with the principles of the 2016 CIPFA/SOLACE Framework Delivering Good Governance in Local Government publication. A copy of the code is available on our website at http://www.nottingham.gov.uk/governance. This statement explains how the Council has complied with the code in 2017/18 and also meets the requirements of the Accounts and Audit (England) Regulations 2015, which require all relevant bodies to review their system of internal control and prepare an Annual Governance Statement.

1.4. In addition the CIPFA Code of Practice on Local Authority Accounting requires reference to and assessment of the effectiveness of key elements of the governance framework, including group activities where the activities are significant, and the role of those responsible for the development and maintenance of the governance environment such as the authority, the executive, the audit committee and others as appropriate.

2. Purpose of the Governance Framework

2.1. Good governance helps the Council to set good objectives and achieve them

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

3. The Governance Framework

Governance Principles & How NCC Aims to Meet Them

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

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

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

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

C. Defining Outcomes (decision making)	
2030 Vision	Constitution including • Responsibilities for Functions and Terms of Reference • Councillors' and Co-opted Members' Code of Conduct • Procedures and Standing Orders
Metro Strategy	
Council Plan	
Nottingham Plan to 2020	
Business plans	
Decision-making protocols & records	
D. Interventions	
Performance Management Framework	Budget Monitoring
Early Interventions	
E. Capacity and Capability	
Member Induction & Training	Officer Induction
Performance Appraisal	Learning Zone
Peer Review	
F. Risks and Performance	
Risk Management Framework	Medium Term Financial Plan
Financial Regulations	Counterfraud team
G. Effective Accountability	
Annual Financial Statements	Partnership Governance Framework
Nottingham Plan Annual Report	External Audit and Inspection

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

3.3. The Council's Code of Conduct and Standards Committee arrangements were reviewed to reflect national requirements in the light of national provisions. In advance of the local elections in May 2015 the Council agreed that its code of conduct should be amended to require all councillors to have a DBS check within one month of election and to maintain that check during their terms of office as a councillor or otherwise be in breach of the code and disbarred from all offices and appointments. In addition, attendance at safeguarding training has been made mandatory. These additional provisions in the Code are designed to strengthen the Code and public confidence in councillors.

3.4. Councillors were briefed in detail at induction by the Council's Monitoring Officer about the Code of Conduct and what its provisions mean in practice. The Code of Conduct forms part of the Council's Constitution and in addition there is a Member/Officer protocol which is included in the Constitution to which all colleagues and councillors are alerted and have access which defines how councillors and officers should work together appropriately and the standards of personal behaviour and conduct expected. There is no formal code of conduct
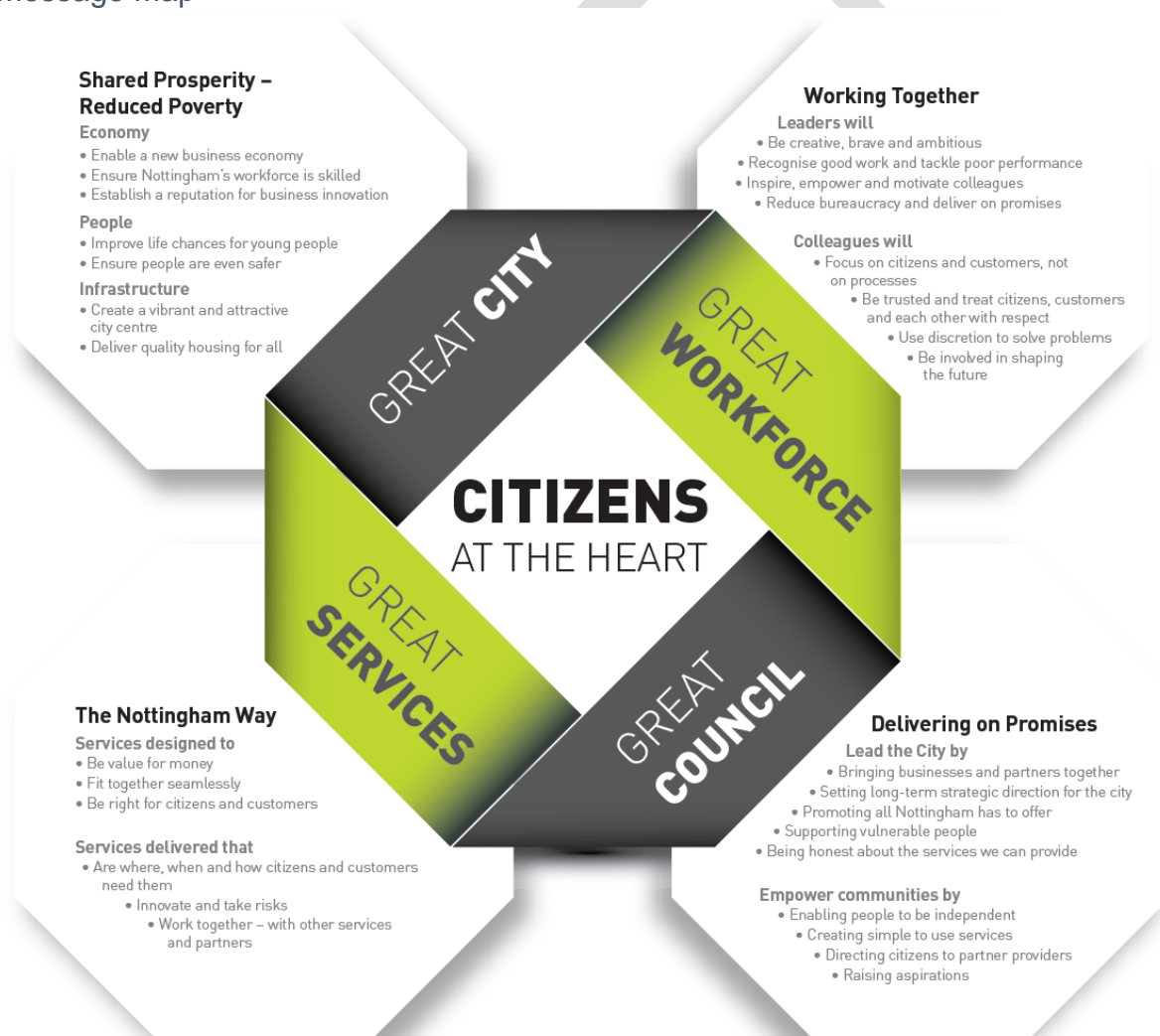
performance management system for councillors – but early, and initially, where appropriate, informal referral and discussion of any issues/ complaints either from colleagues or from citizens by the Head of Democratic Services, or the Monitoring Officer, to the relevant group whip or the individual councillor concerned is effective and adequate in most instances. More serious matters would be investigated formally if required and referred to the Monitoring Officer in the first instance and then to the Standards Committee if appropriate.

3.5. Nottingham City Council aims to ensure that personal information is treated lawfully and correctly. The lawful and correct treatment of personal information is extremely important in maintaining the confidence of those with whom the Council deals and in achieving its objectives. During 2017-18 the Council has been preparing to meet the changed requirements of data protection legislation which will be introduced from 25th May 2018 under the General Data Protection Regulation and Data Protection Act 2018.

3.6. The Local Government Ombudsman report presented to Audit Committee identified a reducing level of complaints. The most frequent areas for complaints reflect the national picture. The level of upheld complaints was less than in the previous year and proportionate to the levels in the best performing similar authorities. This provides some confidence in the new complaints process reported last year.

3.7. As Head of Paid Service, the Chief Executive is ultimately responsible and accountable to the Council for all aspects of operational management.

3.8. The Council's establishment incorporates all posts required by statute. Two key roles are performed by the Monitoring Officer and Section 151 Officer. Both of these roles were handed over successfully in 2017 as a result of retirement. The roles of these officers are clearly defined in their job descriptions and summarised below.

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

3.9. The Constitution and its appendices define the delegated roles and responsibilities of key post holders, the Leader and executive councillors and decision-making bodies of the Council in detail. NCC 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. The Leader approves and reports Changes to the Constitution including those to financial reporting for approval at a meeting of Full Council. The Monitoring Officer may make changes to the constitution to comply with the law.

3.10. The Council has set out budget and policy frameworks, which define how budget and policy decisions are made. These include setting each year's budget.

3.11. In order to ensure that the Council acts in the public interest at all times the Chief Executive has communicated expectations within a message map as part of the Council's Good to Great journey as follows

Message Map

Shared Prosperity – Reduced Poverty

Economy
- Enable a new business economy
- Ensure Nottingham's workforce is skilled
- Establish a reputation for business innovation

People
- Improve life chances for young people
- Ensure people are even safer

Infrastructure
- Create a vibrant and attractive city centre
- Deliver quality housing for all

Working Together

Leaders will
- Be creative, brave and ambitious
- Recognise good work and tackle poor performance
- Inspire, empower and motivate colleagues
- Reduce bureaucracy and deliver on promises

Colleagues will
- Focus on citizens and customers, not on processes
- Be trusted and treat citizens, customers and each other with respect
- Use discretion to solve problems
- Be involved in shaping the future

GREAT CITY

GREAT WORKFORCE

CITIZENS AT THE HEART

GREAT SERVICES

GREAT COUNCIL

The Nottingham Way

Services designed to
- Be value for money
- Fit together seamlessly
- Be right for citizens and customers

Services delivered that
- Are where, when and how citizens and customers need them
- Innovate and take risks
- Work together – with other services and partners

Delivering on Promises

Lead the City by
- Bringing businesses and partners together
- Setting long-term strategic direction for the city
- Promoting all Nottingham has to offer
- Supporting vulnerable people
- Being honest about the services we can provide

Empower communities by
- Enabling people to be independent
- Creating simple to use services
- Directing citizens to partner providers
- Raising aspirations

B. Ensuring openness and comprehensive stakeholder engagement

3.12. The Council has a Research, Engagement and Consultation team that leads on corporate engagement for example the annual Citizens Survey. They also provide detailed advice and guidance on all aspects of research, engagement and consultation for colleagues across the authority. The team aims to analyse and publish results from internal and external consultations.

3.13. The Engage Nottingham Hub brings together consultation activity undertaken by Nottingham City Council and its partners and provides stakeholders with an opportunity to have their say on the issues they consider important, including the Citizens' Panel, Have Your Say, and Consultations. The hub contains information about individual consultations and it highlights the key findings which have come out of consultation activities

3.14. The Neighbourhood Management concept has been developed in Nottingham since 2007. Locality working is based on the key tenets that the local level is the most effective level at which to engage citizens and service users and fixing local problems, however small, has a profound effect on citizen's quality of life. The city has 20 Neighbourhood Action Teams (NATs) (one in each ward) headed up by a dedicated Neighbourhood Development Officer working in partnership with key agencies. Each NAT is closely linked to its ward city councillors and the appropriate City Council area committee (which comprise of two-three neighbouring wards). The NAT model is based on early intervention aiming to reduce citizens' need to engage with costly Council or health services unnecessarily. They work with citizens to actively shape services and their neighbourhoods, supporting social cohesion. The service is currently under review to ensure the work it has done to date can be sustained and for it to leave a legacy with a high degree of co-production of activities and delivery with citizens and partners.

3.15. Key Strategies are published on the Nottingham Insight website.

3.16. The Chief Executive and Corporate Directors engage with all staff and specific groups through various channels including the council's intranet, email newsletters, information screens and through managers. The Council also engages with its staff through the Colleague Opinion Survey, which is managed and reviewed by the Transformation and Change team.

3.17. Complaints can be made in various open and transparent ways including through the internet, councillors, the Director of the service or office responsible. Have Your Say is now managed through a dedicated Customer Relationship Management (CRM) system. Access to the Ombudsman is well publicised.

3.18. The Council's performance in respect of Freedom of Information and Environmental Information Regulations requests remains above the statutory target.

3.19. One Nottingham (ON) has adopted a Voluntary Sector Strategic Reference Group at the Voluntary Community Sector infrastructure agencies. An additional position has been introduced on the ON Board to enable effective representation of this interest group. ON has also introduced a complaints procedure. ON Board meetings are open to the public.

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

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

3.21. 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 is not subject to annual review and the associated Nottingham Plan was reprioritised in 2016 and is subject to periodic refresh.

3.22. The Nottingham Plan to 2020 sets the overall strategic direction and long term vision for the economic, social and environmental wellbeing of the City of Nottingham and focuses on the following six themes (with three important cross-cutting aims of Aspiration, Green and Fairness):

- World Class Nottingham
- Neighbourhood Nottingham
- Family Nottingham
- Working Nottingham
- Safer Nottingham
- Healthy Nottingham

3.23. The One Nottingham Partnership has reprioritised the Nottingham Plan targets to make the reporting processes more streamlined. In the light of this exercise, the One Nottingham Board agreed to receive periodic management reports of the targets and to concentrate on some areas in which they, as members of the Board and partners, are able to make the best impact and to which they can make a unique contribution. Regular performance reports on the progress in delivering Nottingham Plan objectives are provided to ON Board to review performance.

3.24. The ON Board has begun to consider the successor to the Nottingham Plan to 2020 which it is planning to base around aspirations and fairness/ and system change. It will do this with the support of partners and the One Nottingham Chief Officer group. Partners are expected to agree to the terms of the code of conduct.

3.25. The Derby-Nottingham Metro Strategy 2030 is a partnership between Nottingham and Derby City Councils, recently joined by Gedling Borough Council. The partnership is not a constitutional arrangement. Its aim is to identify activities where the councils can combine, with the overarching objective of building a global reputation for both cities as exciting places to live, work and play. An example of this is the delegation of commercial waste services by Derby City Council to Nottingham City Council.

3.26. The latest Council Plan, approved by councillors, sets out the Council's ambitions for the city over the four years up to 2019. This includes the following 5 key objectives for the Council to deliver:

- Ensure that every child in Nottingham is taught in a school that is judged good or outstanding by Ofsted
- Build 2,500 new homes that Nottingham people can afford to rent or buy
- Cut the number of victims of crime by a fifth and continue to reduce anti-social behaviour

- Tackle fuel poverty by setting up a not for profit energy company, to sell energy at the lowest possible price to Nottingham people
- Guarantee a job, training place or further education plan for every 18-24 year old

3.27. The Council Plan underpins the council's wider Good to Great journey, with a continued emphasis on placing citizens at heart of everything the Council does to shape its service delivery going forward. It has clear priorities with associated performance measures supported by delivery plans containing the key milestones and measures for each Plan priority. On a monthly basis, the Corporate Leadership Team manages major changes, including all internal transformational projects and programmes, which together ensure that the Council is well placed to lead Nottingham and optimise what it does for and on behalf of its citizens.

3.28. A corporate template was developed in 2016, which is followed by the majority of services in constructing their business plans. Business plans capture how the Council delivers the Council Plan objectives. These in turn feature in colleagues' own Performance Appraisals to detail how the work they do contributes to the delivery of the council's key priorities. .

3.29. The 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. Financial statements are published annually and equally the Medium Term Financial Strategy (MTFS) is a publicly accessible document. Regular updates and reviews ensure consistency within plans and reflect national developments including the effects of reduced Government funding. Ultimately this means the Council's priorities and those of its key partners over both the short and long term, are in accord. The principles underpinning the Plan are summarised in the updated Council's 'Message Map' below, which illustrates the direction and focus for the Council.

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

3.31. Professional advice is taken when decisions have legal or financial implications; this is done in advance of decision-making. Advice on legal and financial matters is taken from internal, and where necessary, external sources. Portfolio Holders also have a common responsibility to promote and be accountable for their services nationally and internationally as required. They also represent the Council's views on matters of corporate or strategic policy within their portfolio. The Leader of the Council also has responsibility to promote the City, the Council and its core values and objectives.

3.32. The advice given will usually be contained within the board papers and will be presented to the appropriate meeting to facilitate discussion. Reports are circulated with the agenda where possible, to allow consideration in advance of the meeting at which a decision is to be taken. Where applicable the

recommendation will be supported by appropriate external evidence or advice. Minutes of Council, Board and Committee meetings are available to the public.

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

3.33. The Corporate Leadership Team (CLT) manages major changes on a monthly basis, including all internal transformational projects and programmes, which together ensure that the Council is well placed to lead Nottingham and optimise what it does for and on behalf of its citizens.

3.34. Progress monitoring of the Council Plan is undertaken quarterly through a series of exception reports to both CLT and Council Executive. Business plans are in place for all key Council services and the actions and performance indicators are monitored quarterly, reviewed, and refreshed on an annual basis.

3.35. The Council's Early Intervention approach provides integrated support to children, adults and families as soon as a problem begins to emerge or where there is a strong likelihood that problems will emerge in the future. In addition by focussing on root causes there is an aim to prevent or reduce future demand for specialist services bringing down costs in the long term.

3.36. During 2018 a renewed focus was given to review of performance data and commentary at departmental level, to improve the contribution of performance management systems to achievement of intended outcomes.

3.37. The Council's budget monitoring arrangements exist to identify variance from the financial plan at an early stage allowing appropriate intervention to take place to understand and correct performance.

3.38. During 2017-18 the Council has continued to restructure its operations to meet its responsibilities within the resources available.

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

3.39. In May 2017, the Local Government Association were invited to conduct a Corporate Peer Challenge to help the Council validate its progress, review lessons learnt, identify improvements and help ensure it is on the right path to achieve this through its ambitious programme as set out in the Council Plan and transformation road map.

3.40. The Peer Team consisted of the Chief Executive of Leeds City Council, the Leaders of Newcastle City Council and Trafford Council along with other members of the Peer Challenge team the Local Government Association put together, interviewed a range of frontline staff, managers, Directors and Councillors over the course of the week. They also spoke to Leaders and Chief Executives from other councils and organisations who the Council works closely with.

3.41. The group looked at areas such as how the Council ensure it keeps citizens at the heart of our processes, how it supports older people in the city and whether the right systems are in place to continue the transformation to becoming a great council.

3.42. Initial feedback has been overwhelmingly positive, with the review team commenting that the Council clearly has a record of delivering priorities and innovating, and that Citizens at the Heart permeates the organisation. The full written report is expected late June 2017 and further details can be provided after then.

3.43. The Council holds all out elections every four years and the main councillor induction programme is delivered in the weeks following the election. Where a councillor is elected at a by-election an individual induction programme is held. Mandatory training as part of the induction includes training on safeguarding and on the Code of Conduct. The induction programme is developed by the Councillor Development Steering Group (CDSG) which is made up of cross-party Councillors and relevant colleagues. CDSG is currently planning an induction plan to be delivered after the next scheduled Council election in May 2019, basing it on the well-received programme delivered in 2015. As well as information/ training sessions the induction will also include an IT skills audit to support councillors in working electronically.

3.44. CDSG also manages the planning of in-year training for Councillors. Current planned training includes a range of 'on the front line' opportunities, training in GDPR and in the use of social media.

3.45. Following the adoption, in full, of the recommendations of the Independent Remuneration Panel in January 2017, a revised Members' Allowances Scheme was implemented from May 2017. Details of the scheme are published on the Council's website as part of the Constitution. Amounts paid to individual Councillors, including claims made under the scheme for the reimbursement of Travel, Subsistence and Carers' Allowances are checked on a monthly basis and payments are publicised in line with legislative requirements. A recent audit of Members' Allowances, conducted during March 2018, gave a rating of Significant Assurance (the highest awarded).

3.46. During 2017-18 the Council recruited to the key roles of Monitoring Officer and Section 151 Officer as a result of the retirement of both post holders. A handover process operated in both cases.

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

3.47. The Council's Risk Management Framework and associated arrangements were revised during 2016/17. Following roll out of the Framework and Strategy workshops were undertaken with the Departmental Leadership Teams to review their current risk registers using the revised Framework as the consistent standard. Work continues to develop the departmental risk registers. CLT are engaged with identifying and managing corporate risk and risk workshops have been undertaken with each department and Corporate Leadership Team (CLT) to refresh the corporate risk register. The escalation process is shown diagrammatically as follows.

Risk Reporting and Escalation Process
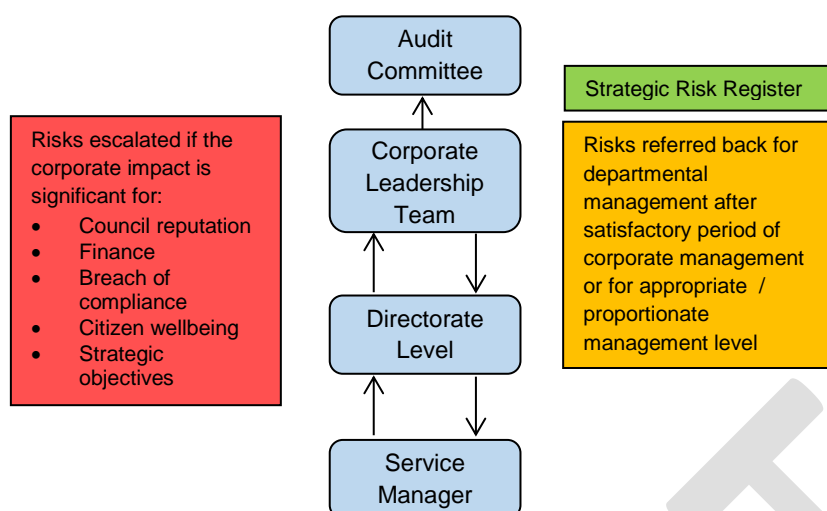
3.48. An essential element of good governance is the existence of sound arrangements for the management of financial resources.

3.49. The Chief Finance Officer (CFO) is a professionally qualified accountant and has put in place mechanisms to ensure compliance with CIPFA's statement on the 'Role of the Chief Financial Officer in Local Government'. The CFO sits on the CLT and is able to contribute positively and influence decision-making affecting the delivery of the Council's objectives. The CFO is able to promote good financial management and in so doing makes sure effective use is made of City Council resources and ensures that the finance function continually develops and remains fit for purpose. The following illustrates the Financial Framework put in operation to support the delivery of the Council's objectives.

The Financial Framework

CATEGORY	OVERALL	REVENUE	CAPITAL	TREASURY MANAGEMENT	PROCUREMENT	RISK MANAGEMENT
Strategies	MTFS	Income Generation Strategy	Capital Strategy & AMP	Treasury Management & Debt Repayment Strategies	Procurement Strategy	Risk Management Framework
Guidance	IFRS LAACOP CIPFA & technical guidance HMRC Tax Regulations	Budget Guidelines	Capital Guidelines	CIPFA Prudential Code for Capital Finance in Local Authorities & 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 & Local Code of Corporate Governance		Prudential Indicators & Annual Report	Contract & Finance Procedure Rules	Risk Register reporting and regular review

CATEGORY	OVERALL	REVENUE	CAPITAL	TREASURY MANAGEMENT	PROCUREMENT	RISK MANAGEMENT
	Financial Regulations and Standing Orders					Audit Committee Reports & annual report

3.50. The Chief Finance Officer is responsible for providing guidance on setting up companies. Corporate Directors and the Director for Public Health must seek approval from the Chief Finance Officer and Head of Legal before setting up a company or establishing formal relationships with any external organisation. Group companies each have their own board, which is responsible for the direction and governance of the company. The Council as shareholder has rights to nominate directors to these boards.

3.51. During 2017-18 work has been undertaken to ensure companies align their financial closedown with the NCC timetable and to identify a framework of best practice for governance of companies.

3.52. The Internal Audit work plan is aligned to the Council Plan and as part of the process to determine the plan Internal Audit consults with Corporate Directors and key stakeholders within the Council and its companies. Internal Audit mainly conforms to the Public Sector Internal Audit Service revised in 2016 and 2017. The arrangements for Internal Audit are set out in the Internal Audit Charter and the Constitution.

3.53. One Nottingham (ON) has adopted a risk register and looks at risk management in partnerships as part of its Partnership Governance Health Checks.

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

3.54. The Council has a website on which it publishes key information about decisions made and performance, including the results of external assessments. The council is compliant with the Department of Communities and Local Government's Transparency Code 2015, and continues to lead in proactively making datasets available for re-use, via the Open Data Nottingham portal, thereby providing continued commitment to the council's value of being open and transparent. A recent internal audit identified a positive direction of travel in terms of how the Information Rights & Insight Team review and make non-personal information available.

3.55. The Portfolio holder for the ON Board is familiar with the way ON works having been active in the partnership previously and takes part in regular briefings with the chair of the Board and Director of ON.

3.56. The Register of Significant Partnerships, a mechanism of the Partnership Governance Framework, records the status of each significant partnership and is updated annually.

3.57. The annual partnership health checks which are carried out with support from Internal Audit include a section to enable the significant partnerships to assess the robustness and clarity of their decision making and accountability, including that authority and delegations are set out in governing documents, including

- Who can make what decisions
- Delegated responsibilities

3.58. A quarterly Statutory Officers meeting takes place to review key issues and arrangements. As highlighted in 3.9 above the monitoring Officer and Section 151 Officer are in place and fulfil their governance roles.

3.59. The Council complies with relevant statutory financial reporting processes and guidance including production of a published Annual Statement of Accounts.

3.60. Annual performance highlights are published in The Nottingham Arrow in the summer with quarterly summaries published on Nottingham Insight.

3.61. A data quality exercise was undertaken in 2016 on a small set of key performance indicators (that inform the Council Plan) and the intention is for all KPIs used in the Council Plan to be data assured by March 2019

Constitutional Bodies Dealing with Governance

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

Audit Committee

3.63. The Audit Committee regularly updates its programme of work in accordance with its terms of reference. It complies with CiPFA guidance on the role of Audit Committees. It monitors and approves arrangements for Internal Audit and Risk Management

3.64. The Audit Committee also receives external sources of assurance, departmental arrangements for assurance, risk management, key systems, governance audits, companies, partnerships, departmental audits, fraud

3.65. A regular programme of work is carried out by Internal Audit and additional scrutiny committees, external audit and external inspection contribute to compliance with Council policies, procedures, laws and regulations. The Council's arrangements for Internal Audit were externally assessed against Public Sector Internal Audit Standards in 2017 and the next external assessment is due in 2022

4. Review of Effectiveness

Review Process

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

Internal Audit

4.2. Internal Audit is an independent, objective assurance and consulting activity aiding the Council in accomplishing its objectives by bringing a systematic, disciplined approach directed to evaluate and improve the Council's control and governance processes. Using information and evidence collected during the year the Head of Audit & Risk (HoIA) produces an annual audit report and opinion summarising the effectiveness of the governance arrangements in place.

4.3. In 2017/18, the HoIA maintained processes complying with the governance requirements set down in the CIPFA Statement on the role of the Head of Internal Audit. The service met the requirements of the Account and Audit Regulations 2015 and associated regulations. An independent review in 2017 confirmed the service mostly conformed to the detailed principles contained in the Public Sector Internal Audit Standards (PSIAS). An annual self-assessment process operates to maintain and improve compliance with PSIAS.

4.4. The HoIA reports to Corporate Directors and stakeholders who are responsible for ensuring that proper standards of internal control operate within their areas of responsibility. Internal Audit has reviewed the controls and given an opinion in respect of the systems and processes found in place. The 2017/18 Audit Plan, as agreed by the Audit Committee and Corporate Directors and key stakeholders, was completed in accordance with the professional standards. The HoIA has also overseen those policies and procedures in place addressing the risk of fraud and irregularity, and is of the opinion that they align with best practice as described in the CIPFA Code for managing the risk of fraud and corruption. The HoIA has continued to develop the use of a corporate team to strengthen the counter fraud function.

Head of Audit & Risk (HoIA) Opinion

4.5. The mandatory Public Sector Internal Audit Standards require the HoIA to give an opinion and report to support the City Council's Annual Governance Statement. Corporate Directors are responsible for ensuring that proper standards of internal control operate within their directorates. IA reviews these controls and gives an opinion in respect of the systems and processes put in place. The audit work concludes with a report detailing the findings and giving an overall level of assurance.

4.6. The IA service works to a risk based Audit Plan agreed with Corporate Directors and agreed by the Committee. The 2016/17 Audit Plan has been completed in accordance with the PSIAS and other professional standards applicable to the service. The IA service has undertaken reviews of the internal control procedures in respect of the key systems and processes of the Council and its partners, where appropriate. The service has operated within professional standards as PSIAS.

4.7. Planned work has been supplemented by ad hoc reviews in respect of irregularities and other work commissioned by Corporate Directors or the partners of the City Council and the work undertaken by external review agencies. Reports in respect of all reviews have been issued to the responsible colleagues, together with recommendations and agreed action plans. Further, each quarter a list of reports has been sent to the Committee for consideration.

4.8. Throughout 2017/18, the HoIA has continuously reviewed the significant challenges and risks associated with the Council's operations and has allocated the necessary resources, via the audit plan, to form his opinion on the Council's governance arrangements. In forming his opinion, the HoIA has reviewed all the IA reports issued in 2017/18, which has included ICT work and drawn upon available external sources of assurance from independent review bodies and internal assurance mechanisms to help him identify and assess the key control risks to the Council's objectives. Other sources of assurance has included the AGS Statement, Ombudsman Report, KPMG the Council's external auditor, and the partnership health check review. External assurance sources such as OFSTED, Care Quality Commission and Competition and Markets Authority have been reviewed and where necessary further information sought in order to assess these assurances.

4.9. The HoIA has concluded that although no systems of control can provide absolute assurance, nor can IA give that assurance, he is satisfied that, on the basis of the audit work undertaken during the 2017/18 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 2017/18 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.

4.10. However, it is clear from the last 2 years' budget outturns that the financial control framework whilst it remains robust is under stress. We will prioritise additional activity in 2018-19 to identify issues within financial control to assist management in maintaining the effectiveness of the framework. As might be expected in an era of frequent change, reorganisations and cuts, our audits have highlighted system weaknesses in some areas and compliance issues. We will aim to review key areas of compliance during 2018-19.

Other Assurance Activities

4.11. Corporate Directors and statutory officers have provided an assurance statement supporting the AGS for 2017/18. These statements have been supplemented by assurance gathered from key colleagues responsible for Internal Audit, Risk, Human Resources, significant partnerships and group members, and have also been informed by independent external reviews, including those carried out by the external auditor. The assurance is based around questionnaires developed from the CIPFA/SOLACE Framework for Corporate Governance.

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

5. Significant Issues

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

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

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

6. Issues Worth Noting and Actions Taken

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

EMSS

6.2. The Partners (Nottingham City Council and Leicestershire County Council) created 'East Midlands Shared Services' (EMSS) to deliver back office services in 2011 and invested in Oracle e-business suite (EBS) as the enabling technology platform for both EMSS and the Partner's retained corporate functions. The Partners make use of a wholly owned shared service centre, the EMSS, which provides Finance, Procurement, HR and payroll services.

6.3. The Council has a positive relationship with EMSS and continues to work with them to identify system and process efficiencies for example, a new invoice scanning solution was introduced in 2017/18 which embraces developments in OCR (Optical Character Recognition) technology which has provided for a more efficient and effective Accounts Payable service.   However the current Oracle implementation has a number of deficiencies which, if addressed, would to deliver efficiency and effectiveness benefits to the partnership.

Replacement of Oracle

6.4. Currently Leicestershire County Council and Nottingham City Council share an Oracle e-business platform to support a range of functions. These include

procurement and payments to suppliers, billing and income from customers, financial budgeting and reporting, general ledger, HR processes, employee contract management, payroll and a range of statutory and business reporting capabilities.

6.5. It is well recognised across both Councils and within EMSS that the current Oracle implementation has a number of deficiencies which, if addressed, would be likely to deliver efficiency and effectiveness benefits to the Councils. A tender was concluded in 2017-18 to purchase the Oracle Cloud solution and it is expected that the system will be operational no later than April 2020.

6.6. The expected key benefits are:

- Be able to report from one single source of information, reliably, quickly and without manual intervention;
- Improve the user experience, reduce the need for manual, paper-based processes and enable managers to have greater visibility of their financial and workforce information on-line;
- Eliminate duplicate data processing;
- Be accessible and easy to use;
- Support a mobile and diverse workforce;
- The ability to meet the Councils' ambition to commercialise the shared services operation.
- Reduction in time to perform specific tasks and functions;
- Reduction in external spend;
- Reduction in the total cost of ownership (TCO) of the IT estate;
- An improvement in management information; and,
- A reduction in the risk of loss, error or fraud.

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

6.7. The Government has implemented a rapid and extensive programme of policy change, accompanied by significantly reduced funding for the public sector. In response, service and financial planning processes have changed to

- take account of the priorities within the Council Plan 2015-2019;
- address demographic and service pressures through investment;
- reflect the significant reductions in external funding (especially general and specific Government grants) by reducing expenditure on those activities;
- support the Council's determination to be efficient, improve performance and modernise the organisation;
- recognise the very challenging financial landscape and future outlook and the impact on all sectors, including the Public Sector.
- Continue to focus on regeneration and growth through capital investment

6.8. In addition, the Council's approach to setting recent budgets has, where possible, been guided by the following principles:

- to pursue commercialisation opportunities to generate income for the Council; and help offset a proportion of the impact of grant reductions;

- reducing demand and reviewing the way we commission our services;
- redesigning and modernising our service provision / identifying efficiencies;
- to protect frontline services and minimise the impact of service reductions and changes on vulnerable citizens

6.9. The City Council, like all other local authorities across the country, has seen a substantial and sustained reduction in Government funding because of austerity policies and continues to operate in a challenging financial environment; with the full consequences of Brexit yet unknown.

6.10. Whilst the Spring Statement announced on 13 March 2018 was the first fiscal announcement in recent years to show an improvement in the public sector finances there is still likely a long way to go before the end of fiscal austerity. We will have to wait for the Autumn Budget later in the year to see if local government will benefit from any additional future funding.

6.11. Consultations are continuing with local government with regard to policy areas such as Fair Funding Review and business rates retention. The likely implementation date will be 2020/21 but to date no firm proposals have been announced by MHCLG.

6.12. By 2018/19 Nottingham will be in the third year of a 4-year settlement agreed with the Ministry of Housing, Communities and Local Government (MHCLG) which has seen the continuation of significant reductions in Revenue Support Grant (RSG) as a proportion of the Council's total revenue funding. RSG will have fallen from £126.8m in 2013/14 to £35.0m in 2018/19, with a further reduction to £25.3m agreed for 2019/20.

6.13. Alongside the 4-year RSG agreement the Local Government Finance Settlement (LGFS) announced on 6 February 2018 also increased the council tax referendum criteria for authorities such as Nottingham to 3% and provided an additional one-off adult social care grant of £1.0m.

6.14. These items were both reflected in the Medium Term Financial Plan (MTFP) agreed by Full Council in March 2018 but do not fully address the rising demand and funding gaps for Adult Social Care and Children's services. These increasing care costs, alongside continuing funding cuts, will have a significant impact on the Council's ability to fund other local services.

6.15. In the period from 2010/11 to 2017/18 the Council made annual savings totalling £232.7m and will continue to have to make difficult decisions about the services it provides in 2018/19 with a further £28.4m new savings.

6.16. Saving proposals have been made in accordance with NCC budget strategy and many of these have been achieved by finding alternative and more cost-effective ways to deliver the same level of service, or by improving efficiency without any detriment to service delivery, as well as generating more income. However, the options for achieving further budget reductions in this way are becoming more limited.

6.17. The 2018/19 budget is predicated on sustainable solutions being found to address the budget issues behind recent revenue overspends for 2016/17 and 2017/18. The 2017/18 monitoring has been reported to Executive Board and

the outturn position is currently projecting an overspend of £4.2m, work is being undertaken to mitigate this overspend.

Housing Revenue Account – HRA

6.18. The HRA is balanced in medium term but there is a long-term gap on capital investment requirement. Following the tragic events at Grenfell, the Council has approved new fire safety works in high rise block. We are waiting confirmation from central government to provide funding for this work.

6.19. The Welfare Reform and Work Act 2016 requires that social rents are reduced by 1% per annum for four years from 2016, with 2018 being the third year the Council has had to reduce rents. There is uncertainty over future rent policies after the four year period

6.20. The roll out of Universal Credit, originally envisaged for 2018, has been delayed until at least October for Nottingham. Universal Credit will replace 6 existing benefits and merge them into one payment will be paid monthly in arrears. This is an unquantified financial impact on collection values and debt recovery.

Children In Care

6.21. The cost of funding children in care arrangements continues to be a key issue facing the Council as numbers of children in care both nationally and locally remain at historical highs.

6.22. In March 2018 we had 621 children in care, 30 of whom were unaccompanied asylum seekers, whose placements are funded by the Home Office. Work continues to scrutinise plans for children in order to ensure that safe exits from care are expedited and admissions into care only take place where there is no viable alternative.

6.23. We continue to work hard to recruit local foster carers despite the aggressive competition from private agencies. The additional capacity established to facilitate this work has been maintained and we saw a net increase in foster carers at the end of 2017/18. In March 2018 45% of children in foster care were placed with City Council carers. At the start of the year this figure was 39%

6.24. The position at year end was that 88% of our care leavers aged 19 – 21 were in suitable accommodation, which is slightly higher than the last reported performance in other similar authorities of 84%. 59% of care leavers aged 19 – 21 were in education, employment or training, which is again higher than the rate in other similar authorities of 52%.

6.25. Our residential Children's homes continue to perform strongly when visited unannounced for inspection by Ofsted. Our seven Ofsted registered homes have unannounced inspections at least annually. In March 2018 two were rated as outstanding, one was rated as good with outstanding leadership. The remaining four were rated as good.

Workplace Parking Levy (WPL)

6.26. The overall NET/WPL financial model is regularly updated to reflect the actual WPL income received each financial year together with the latest projections of future income. It is proposed that the financial model be extended to 2037/38, four years after the end of the Concession Agreement, to include continued

WPL income and re-profiling of the Prudential Borrowing repayments (subject to external auditor approval) in respect of the £100m capital contribution paid to Tramlink in 2015/16

Information Governance

6.27. The role and responsibilities of the Senior Information Risk Owner (SIRO) have been expanded to include; overall ownership of information risk management across the council, acting as champion for information management activities in order to mitigate against potential risks, and realising greater operational efficiencies and improved customer services. An Information Management Assurance Board is established, led by the SIRO to ensure information is managed in an holistic manner across the whole organisation with a focus on compliance, transparency, and efficiency.

6.28. Performance associated with requests under Freedom of Information and Environmental Information Regulations continue to remain above the recently increased statutory target. Previous challenges associated with managing and processing personal information requests under the Data Protection Act (DPA) have been addressed and performance is now routinely in line with statutory expectations.

6.29. The council is compliant with the Department of Communities and Local Government's Transparency Code 2015, and continues to lead in proactively making datasets available for re-use, via the Open Data Nottingham portal, thereby providing continued commitment to the council's value of being open and transparent. A 2017 internal audit identified a positive direction of travel in terms of how the Information Rights & Insight Team review and make non-personal information available.

6.30. In May 2018, the EU General Data Protection Regulation (GDPR) replaced the Data Protection Act 1998. The GDPR imposes new, and significantly more stringent, requirements for the handling of personal data. New procedures have been put in place to deal with the provisions of the GDPR associated with transparency and individuals' rights. Internal Audit were commissioned to carry out a gap analysis as part of the Council's ongoing preparations for the implementation of the GDPR, focusing on actions required to ensure compliance and to identify areas where additional work was required before May 2018. In addition, the GDPR places greater emphasis on the explicit design of organisational and technical measures to secure compliance with its principles (privacy by default and design). Significant associated budgetary, I.T., personnel, governance and communications implications were recognised. The internal audit report findings, and the ICO's 12 step GDPR checklist, were being used to develop the Council's GDPR action plan.

Information Technology

6.31. In February 2017, Actica Consulting reviewed the IT Service upon completion of the IT Service Improvement Programme. They noted a

"significant shift in user perception of the service"

and cited the service as

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

Robin Hood Energy

6.32. The Council wholly own this private limited company licensed to supply gas and electricity to domestic and non-domestic customers in England, Scotland and Wales. It is a not-for-profit company and began offering credit tariffs in May 2015 followed by prepayment tariffs and commercial tariffs. Governance arrangements are now established including weekly management meetings and bi-monthly Board meetings. The Chief Executive Officer also meets with shareholder representatives on a quarterly basis to review company performance and management accountability, alignment of business and operating principles, forward planning, and other activities conducted under the governance framework. The Board comprises 8 Directors, of which 4 are councillors, 3 are executive managers (Chief Executive Officer, Finance Director and Operations Director) and 1 Non-Executive Director from EBICO (White Label Partner).

Enviroenergy

6.33. The Council wholly own this private limited company, which both generates heat and power and sells heat and power to commercial and domestic customers in Nottingham. The company has launched additional commercial services, billing provision for a number of housing associations outside Nottingham and the development and sale of a heat monitor. The Board comprises 4 Directors (all Councillors) and meets on a bi-monthly basis.

6.34. 2017/18 has been a very challenging year for the company with an extended shutdown over the summer coming out of the planned maintenance programme and changes within the management arrangements since November 2017. Enviroenergy continues to work closely with the Council (as shareholder) in the development of a sustainable long term financial strategy to ensure investment obligations and scheme longevity are deliverable and affordable to the company.

Blueprint Limited Partnership

6.35. PfP Capital has replaced the Igloo Fund as the private sector partner in Blueprint. The Igloo Fund had been working towards a deadline of 31st December 2018 to realise its investment.

7. Conclusion

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

7.2. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed: ………...................……………….…………………………………………

Leader of the Council

Signed: ………...................……………………………………………….…………

Chief Executive