

REPORT OF DEPUTY CHIEF EXECUTIVE & CORPORATE DIRECTOR FOR RESOURCES

ANNUAL GOVERNANCE STATEMENT 2010/11

1 PURPOSE OF THE REPORT

This is the second of two reports developing the Annual Governance Statement (AGS). Approval is now sought for the AGS which will be published with the City Council's Statement of Accounts.

2 RECOMMENDATIONS

To approve the AGS 2010/11 set out at **Appendix 1**.

3 REASONS FOR CONSIDERATION

3.1 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.

3.2 The publication of an AGS alongside the Statement of Accounts is required by the Accounts and Audit Regulations 2011. 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 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.

3.3 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. An Interim statement was brought to the 29 July 2011 meeting of this Committee.

4 OVERVIEW OF THE ANNUAL GOVERNANCE STATEMENT

4.1 The AGS reflects the governance arrangements operating within the Council and its significant partners. Responsibility for its production lies with the Deputy Chief Executive & Corporate Director for Resources.

4.2 Assurance used in compiling the final report was derived from several sources: Corporate Directors and other key colleagues including the Monitoring Officer, Chief Finance Officer (Section 151 Officer) and the Head of Internal Audit reviewed the governance arrangements according to their responsibilities and gave assurance and comment as to their effectiveness. A similar exercise was conducted with the Council's significant partners and groups. Information obtained from independent external reviews is also used to inform this assurance.

4.3 In accordance with the Local Code of Corporate Governance the final AGS will be signed by the Leader of the Council, Chief Executive, and the Deputy Chief Executive & Director for Resources and will contain the following information:

- an acknowledgement of responsibility for ensuring that there is a sound system of governance;
- an indication of the level of assurance that the systems and processes that comprise the Authority's governance arrangements can provide;
- a brief description of the key element of the governance framework, including those of significant groups or partners;
- a brief description of the processes undertaken to maintain and review the governance arrangements, including some comment on the work undertaken by the Council, Executive Board, Committees with governance remits and Internal Audit;
- an outline of the actions taken or proposed to deal with significant governance issues.

4.4 The final Statement contains no significant additions to the draft presented at the 29 July 2011 meeting of this Committee.

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

None

6 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- CIPFA/SOLACE - Delivering Good Governance in Local Government (Framework)
- Accounts and Audit Regulations 2011
- Local Code of Corporate Governance – Executive Board 20 May 2008
- Audit Committee Papers 25 February 2011 – AGS – Progress made to date on issues reported 2009/10 and process for producing 2010/11 statement

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Nottingham City Council

ANNUAL GOVERNANCE STATEMENT 2010/11

Scope of responsibility

Nottingham City 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, it is essential that proper arrangements are put in place to ensure sound governance and effective exercise of Council functions, including appropriate risk management.

The Council has approved and adopted a code of corporate governance consistent with the principles of the *Delivering Good Governance in Local Government*. This Statement explains how the Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011.

The purpose of the governance framework

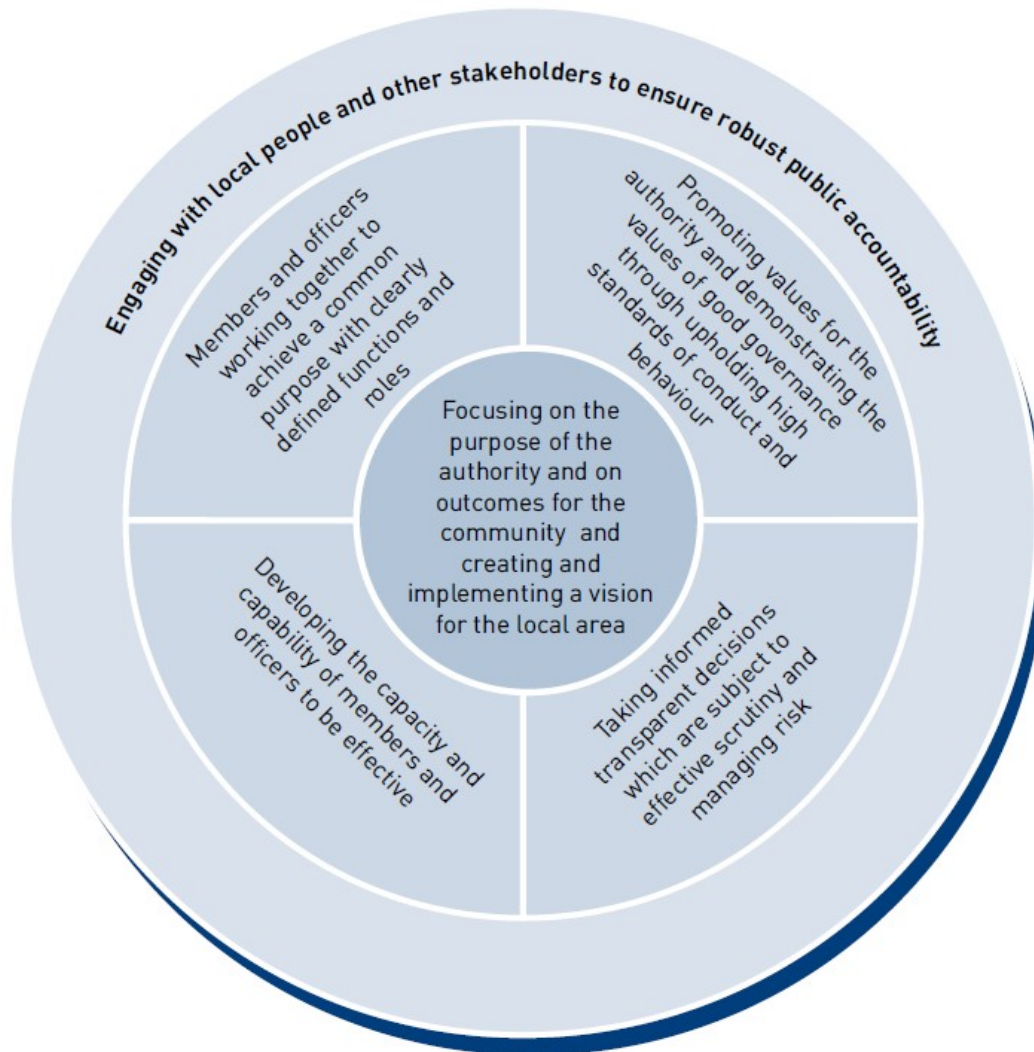
The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables monitoring of the achievement of strategic objectives and considers whether those objectives have led to the delivery of appropriate cost effective services. The core principles underpinning the CIPFA/SOLACE framework for delivering good governance are illustrated below.

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 2011 and up to the date of approval of the annual report and Statement of Accounts.

The following sections consider the various main components of the Council's governance framework and the activities within each of them.

CIPFA/SOLACE - Principles underpinning the delivery of good governance



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. Improving public involvement with the work of the Council has been identified as a priority.

The City Council's long term vision is "Go-ahead Nottingham: Safe, clean, ambitious and proud." This vision was developed through consultation with a wide range of citizens, businesses, community, voluntary and faith groups, and public agencies across Nottingham. It is shared by its partners and sets a common goal to be achieved whilst summarising the Council's objectives and priorities. These objectives are encapsulated in

the Council's 2030 Vision and the Sustainable Community Strategy. The Nottingham Plan to 2020 is the overall plan for the City, agreed in July 2009 and jointly owned by the Council and its key partners, providing clear strategic direction to 2020. It has three cross cutting themes of being environmentally sustainable, raising aspirations, and achieving fairness and equality of opportunity. The following table illustrates the inter-relationship of the Council's plans and the framework put in place to deliver them.

Strategic Planning	Aligning Plans	Performance	Governance
Objectives	Operational Plans	Monitoring	Audit and Inspection
<ul style="list-style-type: none"> • 2030 Vision • 2020 Nottingham Plan (SCS) • Medium Term Financial Strategy (MTFS) • Refreshed Council Plan 	<ul style="list-style-type: none"> • Medium Term Financial Plan (MTFP) • Corporate Directorate Plans • Strategic Service Plans (SSP) • Operational Plans • Performance Appraisals 	<ul style="list-style-type: none"> • Corporate Delivery Board • Corporate and Directorate Performance Reports/Boards • Risk Management Reports 	<ul style="list-style-type: none"> • External and Internal Audit • Transformation Programme • Annual Governance Statement(AGS)

The Council's key objectives for the next three years are contained in the Council Plan 2009-12. This plan is under regular review to ensure alignment with the Nottingham Plan to 2020 and to 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 a 'Message Map' which sets out the purpose of "Leading Nottingham" and gives direction and focus for the Council. The Council Plan 2009-12 has clear priorities with associated performance measures supported by delivery plans containing the key milestones and measures for each Council Plan priority. The Council Plan is currently being refreshed following adoption of the Labour Manifesto post election.

Message Map



The Council uses various media for communicating its vision. Examples are performance appraisals with colleagues, publications including 'Nottingham Arrow', the staff magazine 'Impact' and use of the Council's intranet and internet sites. The Nottingham Arrow is posted to all households in the City, making it an ideal platform to inform local residents about what the Council is doing. Nine special 'area' editions are published four times a year, with information local to the City's different neighbourhoods.

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 assess their effectiveness. Where appropriate the review mechanism should enable problems to be identified and corrective action to be taken. Progress against the City Council's strategic priorities is monitored and reported to the Executive Board each quarter.

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

Portfolio Holders are charged with the general responsibility to promote and be accountable for the services in their portfolio within the Council and the City as a whole, and a Portfolio Holder has specific responsibility for customer services and consultation.

An overview and scrutiny function is undertaken by the Overview and Scrutiny Committee, supported by standing panels. The Committee:

- contributes to policy development and helps to shape major plans and strategies,
- publicly holds the Executive to account for the decisions it makes,
- reviews issues of concern or particular interest to the people of Nottingham,
- examines matters of wider public interest which are not necessarily the responsibility, or sole responsibility, of the Council but which affect the well-being of the City and its people, and
- manages the call-in process in accordance with the Overview and Scrutiny rules in the Constitution.

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.

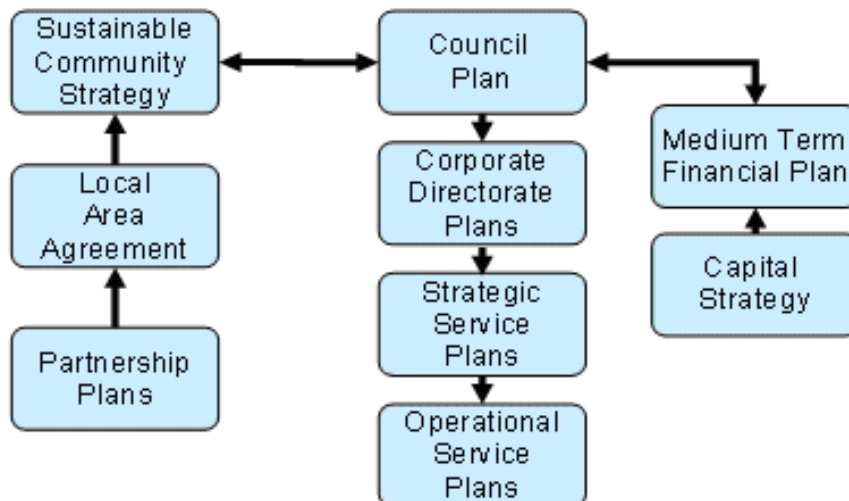
Councillors on the Committee keep an overview of the development of major Council plans and strategies such as the Council Plan, and may make suggestions for improvements. External inspection reports and the recommendations contained within are also considered by the Committee, in order to gain most benefit from the inspectors' recommendations and

help embed good practice in the area of inspection. 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. The scrutiny function work demonstrates that it is holding the Executive to account when considered necessary.

The Audit Commission’s last organisational assessment reflected the effectiveness of the Council’s arrangements, stated that the Council was performing well and noted improvements in planning and leadership.

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, which are translated into actions through strategic service plans and operational plans as illustrated below.



Effective performance monitoring systems are in place at all levels in the organisation, at City level via the Nottingham Plan Performance Board, at corporate level through the Corporate Delivery Board and at corporate directorate level via Directorate Performance Boards. The Corporate Integrated Planning and Performance Framework formats establish a clear relationship between corporate priorities and decisions taken, from the top down to individual level via service planning. The Nottingham Plan and Council Plan are all monitored using key national and local performance indicators. Absolute and comparative performance remains central to performance management. The roll-out of a strategic compass approach within service planning and the work undertaken to build a sustainable financial future in the MTFP has driven improvement based on the performance of priority deliverables.

Quality of services is also monitored by seeking the views and experiences of citizens, service users, and colleagues through residents’ surveys, consultation and focus groups, analysis of complaints and comments received, and staff surveys. The introduction of the Performance Management Framework has established a clear relationship between corporate objectives and strategic service plans. The Framework and departmental planning establish a clearer relationship between corporate priorities and decisions taken.

The Value for Money Framework assists in the delivery of the Council Plan, particularly in relation to the Transformation Programme. The Council has continued to make difficult decisions in the face of demanding reductions in resources to ensure actions are directed by the objectives set out in its 2030 Vision and associated plans. Affordability is a key driver for such future decisions.

The Council's budget process establishes the resources required to deliver its services and objectives, and 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 and which 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 the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Responsibility for decision making, the role of the City Council, Executive Board, Committees and the process for determining Key Decisions are defined in the 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 scheme is currently being updated and a mechanism is being considered to keep the details recorded up to date.

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. 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. 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.

An annual report on the scrutiny function activity is produced, which is both detailed and informative.

The Council has protocols in place to ensure communication between councillors and colleagues in their respective roles and which govern their relationship. These arrangements have been endorsed by the Corporate Leadership Team (CLT) and external expertise has been provided by the Leadership Centre for Local Government to develop councillor/colleague relationships.

Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behaviour for members 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 for Members are considered by the Standards Committee. Staff 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 complaints procedure. 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 City Council's Code of Conduct for Members. Under the Code all councillors are also required to register various interests. 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 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. 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.

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 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

for Members are considered by the Standards Committee. Members of the public are encouraged to report concerns through any of the routes included in the Confidential Reporting Code or via the Council's complaints procedure. This is less so in the case of the Confidential Reporting Code, particularly from an external perspective. Colleagues can report non conformity with appropriate ethical standards via the Confidential Reporting Code.

The Council has a Standards Committee, which meets roughly quarterly and reports to City Council. The Committee remains primarily focused on issues of councillors' conduct and its remit includes the requirement to:

- consider any matters referred to it by the Monitoring Officer, including the annual report of the Monitoring Officer;
- promote and maintain high standards of conduct by councillors and co-opted members;
- hear cases under the Council's procedure for dealing with complaints about councillors' conduct; and
- consider matters referred to it under relevant legislation.

It has had involvement in Government consultation regarding a new code of conduct. Councillors can raise issues of non compliance directly with the Standards Committee.

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 making decisions require support of appropriate systems, to help ensure that decisions are implemented and that resources are used legally and efficiently. Risk management is important to the successful delivery of public services. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective. 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 approved by the Audit Committee.

Risks are managed through a hierarchy of risk registers that are reviewed, updated and reported on according to the policy requirements of the RMF. The highest level is the Strategic Risk Register which is owned by CLT and the Executive Board. Further registers are managed at the departmental and service level. The RMF has the full support of Council members and Chief Executive, and the Audit Committee oversees the risk management process for the Council. There is a Corporate Risk Management Group

made up of representatives from all departments, which co-ordinate the Council's approach to risk. Embedding risk management, to make it a natural part of the decision-making process, is an on-going process championed by the Deputy Chief Executive. To support this aim training is given on risk management to both councillors and colleagues involved in decision making.

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 Deputy Chief Executive & Director for Resources is the Chief Finance Officer (CFO) and 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 City 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 is currently leading a Finance Change process which is designed to ensure that the finance function continually develops and remains fit for purpose. The following illustrates the financial framework in operation designed to support and deliver the Council's objectives.

The Financial Framework

CATEGORY	OVERALL	REVENUE	CAPITAL	TREASURY MANAGEMENT	PROCUREMENT	RISK MANAGEMENT
Strategies	MTFS					
		Income Generation Strategy	Capital Strategy & AMP	Treasury Management Strategy	Procurement Strategy	Risk Management Framework
Guidance	CIPFA & technical guidance	Budget Guidelines	Capital Guidelines	CIPFA Code of Practice for TM	CIPS & Procurement Toolkit	Risk Management Policy and Guidance
Plans	MTFP	Annual Budget	Capital Programme & AMP	Treasury Policy Statement	Procurement Checklist	Risk Responses
Governance	Constitution	Budget Management & Control statements & Annual Governance Statement		Prudential Indicators & Annual Report	Contract & Finance Procedure Rules	Risk Register reporting and regular review
	Financial Regulations and Standing Orders					Audit Committee Reports & annual report
	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. An 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 an exercise undertaken with other Core Cities shows it compares favourably with the best practice identified by CIPFA.

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 City 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 outlined in the following table.

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. The roles of the Leader and Chief Executive are laid down in the City Council's Constitution and in the relevant job description. As Head of Paid Service, the Chief Executive is ultimately responsible and accountable to the Council for all aspects of operational management.

The responsibilities of the Section 151 Officer include 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 responsibilities of the Monitoring Officer include 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 and arrangements have been put in place allowing them access and the right of complaint is well publicised. Complaints can be initiated by contacting the office or section responsible, writing to the Director of the section concerned, or by contacting local councillors. Guidance draws attention to the right of referral to the Ombudsman.

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 and minutes. 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.

Good governance means drawing on the largest possible pool of potential councillors to recruit people with the necessary skills. A colleague has been appointed to facilitate councillor development and in November 2010 the Council became the first City Council in the East Midlands to achieve the Councillor Development Charter. The Corporate Performance Scorecard helps evaluate the authority's performance on a quarterly basis. All councillors are encouraged to have an annual performance appraisal.

The Council has a policy of recruitment and promotion on merit, and recruits outside the Council where appropriate. Induction programmes for both councillors and colleagues are in place.

Role descriptions are in place for councillors and all established posts have detailed job descriptions and person specifications. Individual development requirements for colleagues and councillors are identified using a new performance appraisal process. 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. The Councillor Development Programme 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. 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 advertises courses and training available on a monthly basis. Any uptake is logged. All colleagues and councillors receive induction training upon taking up office, and are encouraged to identify their personal training requirements. The Member Development Steering Group together with Councillors' Services and the Overview and Scrutiny Team identify suitable learning opportunities for councillors, there are also councillor development briefings scheduled and policy briefings on current topics. Serving Nottingham Better has a specific work stream to enhance councillor development.

Corporate Directors are experienced in their respective fields and are assessed by the Chief Executive as part of their performance appraisals (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

Local Government is accountable in a number of ways. Elected local authority 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. All authorities are subject to external review through the external audit of their financial statements and some inspective regimes. They are required to publish their financial statements and are encouraged to prepare an annual report. Many are subject to national standards and targets. Their budgets are effectively subject to significant influence and overview by government, which has powers to intervene.

Both councillors and colleagues are 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 and 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. The consultation framework is intended to enable the Council to achieve co-ordinated consultation, use findings in its decision-making processes and feedback the outcomes to consultees. It is also intended to strengthen the Council's customer focus by promoting a structured approach to engaging customers / stakeholders and using their views in decision-making processes to improve services on a continuous basis.

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 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. Other methods used to engage with the community include the Customer Suggestion Scheme, "Your Choice Your Voice" events and the Council's Infopoint.

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.

Council colleagues and councillors are nominated as Council representatives within or when dealing with significant partner organisations and group companies, and an annual review of the associated governance arrangements is conducted.

Group companies, charities and trusts are required, where appropriate, to align their objectives the City Council's policies and deliver high quality, efficient and effective services which are in accordance their agreements with the Council. Organisations are set up with appropriate governance arrangements and expected to comply with all relevant laws and regulations. Financial statements and other published information where required are expected to be accurate and reliable.

The Council's Partnerships Governance Framework sets out our approach to managing work with significant partnerships. This includes an annual health check and annually updated register of all the partnerships of which the Council is a member and which are of strategic, reputational or financial importance to the Council. The Register contains information such as the partnerships' status, membership, aims and role in The Nottingham Plan/Council Plan.

The annual self-assessment health check of the governance of all the significant partnerships looks at issues such as decision making and accountability, performance management, risk management and evaluation and review. The most recent health check was in summer 2010 and found no significant issues. The next health check will be in summer 2011. Changes to the Register of Significant Partnerships and key findings of the partnership governance health checks are provided to Executive Board on an annual basis. The latest report was provided to the Executive Board in January 2011. Details of the health checks are available on request from the Partnerships Directorate.

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 Authority 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 looked 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.

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.

City Council considered reports on the following issues relevant to keeping the internal controls of the organisation under review:

QUESTIONS TO EXECUTIVE MEMBERS AND CHAIRS OF NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY AND NOTTINGHAMSHIRE POLICE

APPOINTMENTS AND FIRST MEETINGS OF BOARDS, COMMITTEES, PANELS, JOINT BODIES

APPROVAL OF A PETITIONS SCHEME

NET PHASE TWO LAND ACQUISITIONS REPORT OF PORTFOLIO HOLDER FOR TRANSPORT AND AREA WORKING

URGENT ITEM - BUILDING SCHOOLS FOR THE FUTURE

TO CONSIDER A REPORT OF THE CHAIR OF THE AUDIT COMMITTEE ON THE AUDIT ANNUAL REPORT

TO CONSIDER A REPORT OF THE DEPUTY LEADER ON TREASURY MANAGEMENT - 2010/11 STRATEGY CHANGES

TO CONSIDER A REPORT OF THE DEPUTY LEADER ON THE BUDGET 2011/12

REPORT OF THE CHAIR OF THE OVERVIEW AND SCRUTINY COMMITTEE - ANNUAL REPORT 2010-11

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.

The Executive Board considered reports on the following issues relevant to keeping the internal controls of the organisation under review

FORWARD PLAN

REFORM OF COUNCIL HOUSING FINANCE : PROPOSALS FROM THE CONSULTATION - URGENT ITEM OF BUSINESS

PAY AND GRADING REVIEW - PROPOSED OPTIONS FOR IMPLEMENTATION OF THE SINGLE STATUS AGREEMENT

KEY DECISION - NOTTINGHAM LOCAL AREA AGREEMENT 2008-11: MINISTERIAL APPROVAL OF REFRESH

NOTTINGHAM CITY COUNCIL PARTNERSHIP GOVERNANCE FRAMEWORK - REGISTER OF SIGNIFICANT PARTNERSHIPS

PORTFOLIO HOLDER DECISIONS FROM 26 FEBRUARY TO 7 MAY 2010

TREASURY MANAGEMENT ANNUAL REPORT 2009/10

KEY DECISION - PRE AUDIT CORPORATE OUTTURN 2009/10

RISK MANAGEMENT: Q4 REFRESH AND UPDATE OF THE STRATEGIC ELEMENT OF THE COUNCIL RISK REGISTER

KEY DECISION - GOVERNMENT GRANT CUTS TO NOTTINGHAM CITY COUNCIL

COUNCIL PLAN AND LOCAL AREA AGREEMENT PERFORMANCE AS AT QUARTER 4 - 2009/10

CAPITAL PROGRAMME - PRIMARY SCHOOLS REORGANISATION

KEY DECISION - SINGLE STATUS IMPLEMENTATION

URGENT ITEM - KEY DECISION - NOTTINGHAM CITY HOMES - REVIEW OF MANAGEMENT AGREEMENT

NOTTINGHAM CITY HOMES COMPANY PERFORMANCE 2008/09 TO 2009/10

KEY DECISION - AMENDMENTS TO THE ALLOCATIONS POLICY

COUNCIL PLAN DEVELOPMENT

REVIEW OF 2010/11 REVENUE BUDGET AT QUARTER 1

KEY DECISION - CAPITAL MONITORING AT QUARTER 1 - 2010/11

KEY DECISION - EAST MIDLANDS SHARED SERVICES

PUBLISHED PORTFOLIO HOLDER DECISIONS FROM 14 JUNE TO 20 AUGUST 2010

URGENT ITEM OF BUSINESS - YOUR CITY - YOUR SERVICES CITIZEN ENGAGEMENT AROUND DEVELOPMENT OF THE 2011/12 CITY COUNCIL BUDGET

KEY DECISION - LOCAL INVESTMENT PLAN

KEY DECISION - SECTION 106 PLANNING OBLIGATIONS - INTERIM PLANNING GUIDANCE

PROGRESS IN DELIVERING COUNCIL PLAN PRIORITIES AS AT QUARTER 1 2010/11

RISK MANAGEMENT: STRATEGIC RISK REGISTER (SRR) - Q1 2010/11 UPDATE

FORWARD PLAN

TREASURY MANAGEMENT 2010/11 - HALF YEARLY UPDATE

REVIEW OF 2010/11 REVENUE AND CAPITAL BUDGETS AT 31 OCTOBER 2010 (PERIOD 7)

KEY DECISION - THE FUTURE INTEGRATION OF HEALTH AND SOCIAL CARE SERVICES

PUBLIC INTEREST REPORT - HOUSING ALLOCATIONS

PARTNERSHIP GOVERNANCE UPDATE

NOTTINGHAM AND NOTTINGHAMSHIRE LOCAL ECONOMIC ASSESSMENT
NOTTINGHAM LOCAL TRANSPORT PLAN 2011 - 2026

RISK MANAGEMENT: STRATEGIC RISK REGISTER - Q2 2010/11 UPDATE

KEY DECISION - NOTTINGHAM EXPRESS TRANSIT (NET) - COUNTY COUNCIL SETTLEMENT

KEY DECISION - COUNCIL TAX - DETERMINATION OF THE 2011/12 TAX BASE

PROGRESS IN DELIVERING COUNCIL AND CITY PRIORITIES

DRAFT MEDIUM TERM FINANCIAL PLAN 2011/12 - 2013/14 REPORT OF DEPUTY CHIEF EXECUTIVE/CORPORATE DIRECTOR FOR RESOURCES

MEDIUM TERM FINANCIAL STRATEGY 2010/11 +
REPORT OF DEPUTY CHIEF EXECUTIVE/CORPORATE DIRECTOR FOR RESOURCES

TREASURY MANAGEMENT 2011/12 STRATEGY

KEY DECISION - MEDIUM TERM FINANCIAL PLAN 2011/12 AND 2013/14
ANNEX 5 - ROBUSTNESS OF THE BUDGET

BUDGET CONSULTATION
JOINT REPORT OF DEPUTY CHIEF EXECUTIVE/CORPORATE DIRECTOR FOR RESOURCES, INTERIM
CORPORATE DIRECTOR OF COMMUNITIES AND DIRECTOR OF NEIGHBOURHOODS

BUDGET CONSULTATION
APPENDIX 3 - YOUR CITY YOUR SERVICES DATA REPORT - 7 DECEMBER 2010
BUDGET CONSULTATION
APPENDIX 4 - YOUR CITY YOUR SERVICES SURVEY TWO DATA REPORT 20 DECEMBER 2010

BUDGET CONSULTATION
APPENDIX 5 - BUDGET PROPOSALS HAVE YOUR SAY

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.

The Overview and Scrutiny Committee considered reports on the following issues relevant to keeping the internal controls of the organisation under review.

MEMBERSHIP - TASK AND FINISH PANEL - ALCOHOL-RELATED HARM

LEADING NOTTINGHAM -SERVING NOTTINGHAM BETTER: TRANSITION TO OUR TRANSFORMATION PROGRAMME

ONE NOTTINGHAM GOVERNANCE UPDATE

EXECUTIVE FORWARD PLAN

TO NOTE TERMS OF REFERENCE AND MEMBERSHIP

OVERVIEW AND SCRUTINY COMMITTEE AND SELECT COMMITTEES

INFORMATION GOVERNANCE PERFORMANCE UPDATE

PERFORMANCE TO 4TH QUARTER 2009-10 (APRIL TO MARCH) - COUNCIL PLAN AND LOCAL AREA AGREEMENT

ASSET MANAGEMENT AND CORPORATE LANDLORD

YEAR-END PERFORMANCE 2009/10 - COUNCIL PLAN AND LOCAL AREA AGREEMENT (LAA)

NOTTINGHAM'S COMMISSIONING FRAMEWORK - UPDATE REPORT
GRANTS - BUDGET UPDATE
EQUALITY FRAMEWORK FOR LOCAL GOVERNMENT - SELF ASSESSMENT - APRIL 2010
APPOINTMENTS TO OVERVIEW AND SCRUTINY CALL-IN SUB-COMMITTEE
UPDATE ON FORTHCOMING COALITION GOVERNMENT PROGRAMME OF LEGISLATION AND REVIEWS
ECONOMIC RESILIENCE - 6TH REPORT
COMPREHENSIVE SPENDING REVIEW 2010 - UPDATE FOR OVERVIEW AND SCRUTINY
MEDIUM TERM FINANCIAL PLAN 2011/12 - 2013/14 COVER REPORT
PROGRESS IN DELIVERING COUNCIL AND CITY PRIORITIES
ANNUAL REPORT - EVALUATION 2010/11

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.

The Audit Committee Considered reports on the following issues.

ANNUAL GOVERNANCE - BRIDGE ESTATE 2008/09
CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT 2008/09
AUDIT FEE LETTER 2009/10
PROGRESS REPORT 2009/10
AUDIT OPINION PLAN 2009/10
IT SERVICE MANAGEMENT DIAGNOSTIC - FEBRUARY 2010
INDICATIVE FEE 2010/11 LETTER
GOVERNANCE POSITION IN RESPECT OF ICT SECURITY ISSUES
INTERNAL AUDIT REPORT SELECTED FOR EXAMINATION
INTERNAL AUDIT ANNUAL PLAN 2010/11
CORPORATE INTEGRATED PLANNING AND PERFORMANCE FRAMEWORK (CIPPF) - HOW IT WORKS IN PRACTICE
STRATEGIC RISK REGISTER (SRR) - Q4 2009/10 UPDATE
ROLE OF THE AUDIT COMMITTEE AND ANNUAL WORK PROGRAMME
STATEMENT OF ACCOUNTS 2009/10 - Presentation by Ms T Channell and REPORT OF DEPUTY CHIEF EXECUTIVE/CORPORATE DIRECTOR FOR RESOURCES
INTERNAL AUDIT ANNUAL REPORT 2009/10 AND INTERNAL AUDIT CHARTER
TREASURY MANAGEMENT ANNUAL REPORT 2009/10
OMBUDSMAN ANNUAL REPORT
RISK MANAGEMENT - ANNUAL REPORT 2009/10

AUDIT COMMITTEE ANNUAL REPORT 2009/10
STATEMENT OF ACCOUNTS 2009/10 -
ANNUAL GOVERNANCE REPORT: NOTTINGHAM CITY COUNCIL - AUDIT 2009/10
EXTERNAL AUDIT PROGRESS REPORT AND BRIEFING
INTERNAL AUDIT REPORTS SELECTED FOR EXAMINATION
COUNTER FRAUD STRATEGY
INTERNAL AUDIT QUARTERLY REPORT 2010/11 - 2ND QUARTER
TREASURY MANAGEMENT STRATEGY 2010/11 - HALF YEARLY UPDATE
2009/10 AUDIT OPINION PLAN - BRIDGE ESTATE
CHARITABLE TRUSTS 2009/10
CHARITIES AND PUBLIC BENEFIT - SUMMARY AND GUIDANCE FOR TRUSTEES
AUDIT COMMISSION ANNUAL AUDIT LETTER 2009/10 REPORT OF DEPUTY CHIEF EXECUTIVE/CORPORATE
DIRECTOR OF RESOURCES
ANNUAL GOVERNANCE REPORT - BRIDGE ESTATE REPORT OF DISTRICT AUDITOR, AUDIT COMMISSION
ANNUAL GOVERNANCE STATEMENT - PROGRESS MADE TO DATE ON ISSUES REPORTED 2009/10 AND
PROCESS FOR PRODUCING 2010/11 STATEMENT
CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT
INTERNATIONAL FINANCIAL REPORTING STANDARDS - REINSTATEMENT OF 2009/10 FINANCIAL
STATEMENTS
PROPOSED AMENDMENTS TO THE ACCOUNTS AND AUDIT REGULATIONS 2003

Standards Committee

The Council has a Standards Committee that oversees the Code of Conduct and other governance matters. The Standards Board for England is responsible for promoting high ethical standards and receiving allegations that councillors' behaviour may have fallen short of the required standards.

The Standards Committee has received reports including:

ANNUAL REPORT TO STANDARDS COMMITTEE 2009/10
APPOINTMENT OF ASSESSMENT AND REVIEW SUB-COMMITTEES
CASE 2009/01 - APPOINTMENT OF A HEARING SUB-COMMITTEE
FUTURE OF THE STANDARDS BOARD REGIME
COALITION GOVERNMENT CONSULTATION ON CODE OF RECOMMENDED PRACTICE ON LOCAL AUTHORITY
PUBLICITY
CASE 2009/001 REPORT OF THE MONITORING OFFICER

Head of Internal Audit

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 service operates within professional standards as laid down by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The 2010/11 Audit Plan, as agreed by the Audit Committee and Corporate Directors, has been completed in accordance with the professional standards set for the service. 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. Further, each quarter, a list of reports has been sent to the Audit Committee for consideration.

2010/11 saw many changes in the risks faced by the City Council and at the same time resources available to Internal Audit were reduced. The Head of Internal Audit has continuously reviewed these risks and allocated resources where necessary in order to deliver the assurance embodied in the Audit Plan. Internal Audit has continued to improve its focus and provide value added recommendations. Consequently the Head of Internal Audit has been able to conduct a review of all Internal Audit reports issued in 2010/11, external sources of assurance given by independent review bodies, and internal assurances from Corporate Directors and key colleagues in respect of measures in place to identify and control key risks to the Council's objectives.

In conclusion, although no systems of control can provide absolute assurance, nor can Internal Audit give that assurance, on the basis of the audit work undertaken during the 2010/11 financial year, there have been no significant issues (as defined in the CIPFA Code of Practice) reported by Internal Audit. Furthermore, on the basis of the audit work undertaken during the 2010/11 financial year, covering financial systems, risk and governance, the Head of Internal Audit is able to conclude that a reasonable level of assurance can be given that the internal control system is operating effectively within the Council and within its associated partners.

Other assurance mechanisms

All Corporate Directors and statutory officers provided a signed assurance statement supporting the AGS for 2010/11. The CFO (Section 151 Officer) and Monitoring Officer provided signed assurance statements in respect of their personal responsibilities. 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 Audit Commission. The assurance is based around a questionnaire developed from the CIPFA/SOLACE Framework for Corporate Governance. The Statement has also drawn on information included in the Council's Risk Register.

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 advised on the implications of the result of the review of the effectiveness of the governance framework by Performance and Resources Standing Panel and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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 which are not categorised as significant but require attention to ensure continuous improvement of the system of internal control.

Issues previously reported regarding management development, colleague/councillor relations, Children's Services and the comprehensive improvement programme were resolved at the time of the last AGS. New or outstanding issues are as follows:

ISSUES WORTHY OF NOTING, REPORTED IN PREVIOUS AGS

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 staff is in progress. There is a prospect of potential disruption and legal challenge to the decisions made to implement the new pay structure (grading appeals and backdating of awards).

Updated Position

Phase 1 implementation is beginning to settle down with a lower number of grading appeals received than anticipated. The process for agreeing exceptions to the pay policy is operating robustly and there have been no significant issues raised by the Trade Unions in relation to Phase 1 colleagues. The first Phase 2 cohort JNC Youth and Community colleagues, implemented on 1 April 2011 and the second cohort, Craft Workers, was implemented on 1 July 2011. The next phase, casuals, is scheduled for autumn 2011.

The position remains unchanged in relation to the most significant cohort in Phase 2, non-teaching school based employees, in that there are some particular equal pay challenges around some of the school based terms and conditions (most notably relating to teaching assistants). Implementation for this group is planned for the summer term of 2012. Consultation with the Trade Unions will be ongoing through out the implementation period.

Balancing the Council's Budget

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

Savings and the redistribution of financial resources to priority areas were identified through the 2010 budget process and have been monitored closely through the Council's financial reporting procedures. The overall level of the Council's spending is being managed through the Corporate Leadership Team and the Executive Board. A similarly robust approach has been adopted in the development of the 2011/12 detailed budget. A number of in-year pressures have been identified in demand led services and these are consistent with the risks identified as part of the budget process. Appropriate management action is being taken to manage expenditure within Resources. The MTFP is being reviewed to reassess pressures in future years as part of the 2012/13 budget process.

International Financial Reporting Standards (IFRS)

The introduction of IFRS within local government for accounting periods from 1 April 2010 will require the redesign of certain accounting statements and the adoption of new accounting and management processes in certain areas. This will most significantly affect record keeping within Property Services and Human Resources, as well as the accountancy functions.

Updated Position

The Corporate Accounting team has developed detailed plans that will allow the delivery of IFRS within the required timescale. These plans, supported by training and advice from CIPFA, have been tested through comparison with other local authorities and Audit Commission expectations. The associated timetable is being monitored closely and progress is in line with that schedule. The detailed approach towards the delivery of specific IFRS requirements continues to be reviewed by Audit Commission colleagues, who have been able to confirm that it is compliant and have acknowledged our progress in this area.

Children in Care

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 year.

Updated Position

A plan is in place to reduce these numbers over the forthcoming year. Part of this work involves systematic use of tools to help return young people to their families and the formulation of a family support strategy that will ensure better early intervention work takes place to reduce the number of children entering/re-entering care. Additionally work is underway to achieve better value for money for the placements procured for children in care.

The adherence to timescales for actions is often dependent on corporate resources to support Service Managers. Due to capacity issues these are not always consistent or timely, resulting in slippage. Significant budgetary pressures remain in Children's Social Care, including Placements, due to demographic changes. Additional grant funding fall out is and will continue to cause significant financial pressures in Children and Families.

Housing and Council Tax Subsidy Claim

The housing benefit and council tax benefit subsidy claim 2008/09 was qualified by the Audit Commission. Their qualification letter extrapolated financial errors found in the claim to calculate that there was potential for the subsidy claim to be overstated by £2.1m. The DWP wrote to the City Council requiring a response to the qualification letter.

Updated position

Additional work was undertaken to challenge the potential impact of the qualification letter for the 2008/2009 subsidy claim. The Council agreed a position with the Audit Commission on the statistical extrapolation calculations used to derive the final figure. The DWP consequently required the Audit Commission to review the work undertaken by the Council and where appropriate re-state original audit findings accordingly.

The DWP has issued its final decision on the Housing Benefit and Council Tax Benefit 2008/09 on 11 March 2011. The total recovery was £0.409m, £0.015m less than the submission agreed with the Audit Commission and £1.691m less than the original qualification calculated by the Audit Commission.

The Council manages the financial risk associated with the subsidy grant and has sufficient provision in the budget.

Accounts Payable (AP)

The centralisation of the AP function took place in August 2009. This was undertaken to release savings of £0.3m, to introduce more modern working practices and to ensure greater financial control. However, there were significant problems in the first three months of implementation, involving processes and resources, which created a significant backlog in the payment of invoices.

Updated Position

Following a detailed review of the whole procurement process, an improvement programme has been designed and scheduled for the period May to August 2011. Although it is clear that AP is improving processes in line with best practice, there are some significant benefits that can be obtained through clearer standardisation of process, clearer understanding of roles and responsibilities and a closer adherence to corporate requirements.

Significant progress has been achieved during the period of the improvement plan, mainly through allowing experienced colleagues to review, correct and standardise AP processes. There has also been a striking improvement in the relationships between the AP team and other colleagues, achieved through better communication, and this has had an additional beneficial effect on performance.

As the service prepares for the introduction of the finance shared service, with Leicestershire County Council, there has been no let up in the drive to achieve complete compliance with the requirement to raise orders for all appropriate transactions. The year-end target for payments made on time remains at 90%, while current performance has risen to 77% from 52% in April.

Central Government Review of Local Government Funding

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.

Updated Position

The financial settlement for 2011/12 and 2012/13 has been based on a limited review of the funding formula and this has then been overlaid with a crude 'floors' mechanism, designed to limit the overall impact within different classes of local authority. The consequent reduction in funding for Nottingham was close to that predicted and detailed preparations had already been made to deliver the level of savings that this reduction requires.

The Government's intention is for the local government funding system to be fundamentally reformed for 2013/14 onwards. Colleagues within finance and policy are working to identify how the details of this review may be influenced and contacts are already being made directly with DCLG, through the Core Cities group and CIPFA.

This approach and the intelligence it provides will be kept under constant review during the financial planning process in order to ensure that the financial forecasts applied are accurate, both in terms of value and timing.

SIGNIFICANT ISSUES

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, at the time of the collapse.

A review of the Treasury Management Strategy was immediately undertaken. As a consequence of this review, the strategy was amended in respect of future investments to: reduce the number of eligible investment counterparties: reduce the maximum period of investments: and reduce the maximum sum placed with individual counterparties. The new strategies were implemented with immediate effect, and were subsequently approved by Executive Board in November 2008 and January 2009.

Updated Position

The treasury management process was further strengthened during 2010, in line with reported intentions, and a further amendment to the strategy has allowed an increase in investment returns within closely managed parameters. The Council continues to work closely with the Local Government Association in seeking the repayment of the sums deposited in the failed Icelandic Banks. Although differing legal approaches are required for each of the three banks involved, latest information continues to indicate that the majority of the funds will be returned in due course. A total of £9.4m had been returned by the end of July 2011 and in accordance with CIPFA guidelines the accounts contain full provision to cover any anticipated impairment.

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 will monitor their implementation and operation as part of our next annual review.

Signed:
Leader of the Council

Signed:
Chief Executive

Signed:
Deputy Chief Executive & Corporate Director for Resources / Section 151 Officer