

Draft Annual Governance Statement 2020-21

1. Executive Summary

- 1.1. Producing an Annual Governance Statement (AGS) complies with good practice for the reasons set out below. An AGS is required as part of the annual Statement of Accounts.
- 1.2. This draft AGS is being presented as part of the draft 2020-21 Statement of Accounts and is required to include significant events or developments up to the date the Statement of Accounts is signed. The AGS will be finalised after Nottingham City Council's (NCC's) external auditor has given his opinion on the 2020-21 Statement of Accounts.

Ministry of Housing, Communities and Local Government (MHCLG) Non-Statutory Review

- 1.3. A [Report in the Public Interest](#) (PIR) was issued by the Council's External Auditor in August 2020. As part of a continued dialogue, MHCLG commissioned a rapid non-statutory review (NSR) of the Council undertaken by Max Caller CBE. The review commenced on 27 October 2020 and was completed by the end of November 2020. The decision to carry out the review was taken by the Secretary of State for Housing Communities and Local Government following issues raised in the PIR. Important areas of consideration were the Council's ability to set a sustainable budget for next year, 2021/22, and into the medium term. The themes within the review were:
 - Governance
 - Culture and Leadership
 - Financial stability
 - Services
 - Capacity and/or capability to improve
- 1.4. The [Non-Statutory Review Report](#) by reviewer, Max Caller, outlined areas where the Council needed to improve. This has implications for the whole system of governance and accountability at the Council. Significant issues reported were:-
 - the Council would not be able to set a balanced budget for 2021/22 without significant external support
 - over 4 years the Council failed to act on the warnings, clearly stated by their Section 151 Officer to
 - manage budgets on a rolling 3 year basis
 - bring forward savings proposals which reduced core expenditure and transformed or re-imagined services
 - the Council relied on use of one-off measures and the increasingly risky concept of commercialisation and income generation
 - capital expenditure has been unconstrained leading to the highest debt to net budget of all core cities, meaning that debt repayments became a restriction on revenue flexibility
 - roles and responsibilities in managing and directing Council owned companies have not been understood in the past, and liabilities have been incurred without the returns justifying the risk

- the current Executive Member and top Officer structure was confusing and overlapping and is not fit for purpose in meeting current challenges
 - the Council needed to focus on reasonably affordable goals during the necessary recovery period to return to financial and operational stability
 - the Council needed to move quickly to change structures, culture and mechanisms at both Member and Officer level
- 1.5. As a result of the NSR the Council set out and agreed in January 2021 a Recovery & Improvement Plan. All the actions agreed as part of the PIR have been incorporated in the Recovery & Improvement Plan including to review lessons to be learnt from the Council's involvement with RHE, and significant progress has been made in this regard.
- 1.6. The Secretary of State responded by establishing an Improvement and Assurance Board, chaired by Sir Tony Redmond and supported by Sean Nolan and Robin Hughes.
- 1.7. The purpose of this Board is:
- To provide external advice, challenge and expertise to Nottingham City Council in driving forward the development and delivery of its three-year Recovery Plan;
 - To provide assurance to the Secretary of State on Nottingham City Council's progress in delivering this Plan.

Key Personnel

- 1.8. In September 2020 Melbourne Barrett commenced his duties as Chief Executive (statutory Head of Paid Services) to replace the Interim Chief Executive Katherine Kerswell. He brings significant experience of local authorities in Chief Executive and Executive Director roles.
- 1.9. In November 2020, the Council appointed Clive Heaphy as its Interim Strategic Director of Finance (Section 151 Officer) to replace the outgoing S151 Officer. Clive brings considerable experience of strategic financial management, including his previous role as Director of Finance at Birmingham City Council. Clive became the Council's interim Corporate Director of Finance and Resources on 1st April 2021 following an organisational restructure and continues to be designated as S151 Officer and Chief Financial Officer.
- 1.10. Malcolm Townroe is the Council's Director of Legal and Governance and Monitoring Officer. In his capacity as Monitoring Officer he has a direct dotted reporting line to the Chief Executive and attends the Council's Corporate Leadership Team together with the Chief Executive and Corporate Directors.
- 1.11. Corporate Directors are

People	Catherine Underwood
Growth & City Development	Wayne Bexton (Interim)
	Chris Henning was the Corporate Director until early May 2021 Sajeeda Rose will take on the role from September 2021
Residents Services	David Murray (Interim)

	Andy Vaughan was the Corporate Director (of Commercial & Operations) until August 2020 followed by Hugh White (Interim) until May 2021 Frank Jordan will take on the role from September 2021
--	--

1.12. Another key role is

Director of Public Health	Lucy Hubber
	Alison Challenger was Director until early April 2021 followed by David Johns (Interim) until June 2021

2. Significant Issues Summary

2.1. The following issues have been identified as significant for 2020/21 based on the CIPFA guidance and these are reported in section 4 of this report.

1. Medium Term Financial Strategy (MTFS)
2. Asset Management
3. Companies & Debt Management
4. Capital Programme
5. Governance and Decision Making, including Constitution
6. Organisation & Culture
7. Delivery Options
8. Policy Framework
9. A new Council Plan is in an advanced state of development, it will update the policy framework and operating model to meet statutory requirements and deliver services within the Council's Medium Term Financial Plan (MTFP)
10. Ofsted Focussed Visit & Improvement Programme
11. Protecting people from Covid-19
12. Energy & Waste Infrastructure

CIPFA Guidance	Financial resilience				Delivery Enablers	Transformation of Delivery	Council Plan Delivery Issues					
	1.MTFS	2 Asset Management	3 Companies	4 Capital Programme & Debt Management	5 Governance and Decision Making , including Constitution	6 Organisation & Culture	7 Delivery Options	8 Policy Framework	9 A new Council Plan is in an advanced state of development	10 Ofsted Focussed Visit & Improvement Programme	11 Protecting People from Covid-19	12 Energy & Waste Infrastructure
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.	✓	✓	✓	✓	✓	✓						

3. Action Plan: Governance Challenges for Future Years

The review of governance arrangements has identified the main areas where the Council will need to focus its efforts during future years, to address changing circumstances and the challenges identified. Areas 1-8 are set out in the Council's [Recovery and Improvement Plan](#) and for the Council Plan Delivery Issues the action plan below. Completion or substantial progress against these objectives is due by the dates shown against each action.

Ref	Action	Responsibility		Proposed timeline
		CLT	Directors or Heads of Service	
1-8	As set out in the Recovery and Improvement Plan			
9	Executive to renew the Council Plan and submit to Council for approval	Executive & CLT		Sep 2021
10	Completion of Children's Improvement Programme plan and delivery of sustainable social work resource levels that deliver on the Council's statutory obligations in respect of children and families Continue to provide assurances to CLT, Leadership Group, Executive Panel, Executive Board and the Children's and Young People Scrutiny Committee	Corporate Director for People	Director of Children's Integrated Services	Ongoing Mar 2022 to Mar 2022
11	Continued monitoring of government guidance, assess impact on citizens and employees and complete detailed risk assessments for any reinstatement of services with particular regard for BAME staff and citizens. Implementation of Local Outbreak Control Plan if appropriate	Chief Executive & Leader	All Directors & Heads of Service	Ongoing
12	Review and develop future strategy including funding model for energy & waste infrastructure and long term district heating strategy for the city	Chief Executive	Corporate Director of City Development & Growth Corporate Director of Finance and Resources	Ongoing Mar 2022

4. Significant Issues position

Improvement Plan Theme 1 - MTFS

- 4.1. The S151 Officer continues to assess financial monitoring and forecasts and to update assumptions. The Council's Medium Term Financial Outlook and Medium Term Financial Strategy has been updated to take account of the significant changes and identify a pathway that might enable the Council to best manage the challenges ahead.
- 4.2. The September 2020 Executive Board and October 2020 Full Council approved a 2020/21 Interim Budget.
- 4.3. In February 2021 Executive Board approved the 2021/22 Budget and Medium Term Financial Outlook report. Full Council approved the Budget for 2021/22 on 8 March 2021.
- 4.4. The Chief Finance Officer (CFO) is required to make a statement as to the Robustness of the Budget and Adequacy of reserves. In this statement the CFO stated that the need to transform services is a key recommendation of the NSR and will be a key priority for the Council in 2021/22 to ensure the delivery of a balanced and sustainable long term cost base for the Council. However, without financial support from Government the Council would not be in a position to fund the transformation programme and maintain reserves to an adequate level to protect the Council against future risks.
- 4.5. In order to both maintain its resilience (and that of its wholly owned companies) in the face of ongoing and future financial pressures and to deliver a major change programme to transform its services, the Council will need to access additional financial resources. For these reasons, it was considered appropriate that a request for capitalisation of £35m of costs be made to maintain financial resilience (£20m) and fund a comprehensive change programme (£15m). Transformation will be critical in delivering on the Council's adopted Recovery and Improvement Plan, to ensure that the Council can deliver its policy priorities and statutory duties within a framework of sustainable medium term finances.
- 4.6. A capitalisation request to MHCLG was submitted on 23 December 2020 with the required Government approval subsequently received on 5 March 2021.
- 4.7. On 12 March 2021, Executive Board agreed to accept a Capitalisation Direction for 2020/21 of £20m and noted that the Secretary of State was minded to issue a Capitalisation Direction of up to £15m for 2021/22, later in the year, subject to conditions. The Capitalisation Direction was issued on 16 March 2021.

Improvement Plan Theme 2 - Asset Management

- 4.8. The Non Statutory Review in 2020 identified an ambitious vision for the City, with significant values of capital expenditure commitments funded mainly by borrowing but also to a more limited extent, by capital receipts. The Review also indicated that improvements needed to be made to the disposals programme to achieve a greater level of capital receipts. Work has been ongoing to strengthen the programme, implementing new governance arrangements and strengthening the process for identifying and disposing of surplus assets. An Asset Disposal policy has been drafted, the process defined and a strategy is being developed. Furthermore, the monitoring and reporting systems have been enhanced to

ensure an accurate and timely flow of information throughout the governance route and with Finance to ensure forecasting is more accurate. Project Management techniques have been applied that allow for the easy identification of risks and issues so that these can be dealt with appropriately. Work will continue to refine and improve these processes and achieve the milestones set out in the Recovery and Improvement Plan.

Improvement Plan Theme 3 - Companies

Group Governance Arrangements

- 4.9. During the 2018-19 audit the external auditor highlighted shortfalls in the company governance arrangements of the City Council, and has since issued a [Report in the Public Interest](#) . In particular Grant Thornton have been concerned about delays in putting effective control arrangements in place and the role of the shareholder representative. There was a lack of clarity on the shareholder representative's role and this led to the Council not achieving the best outcomes from its investments in companies, including some substantial losses. This is being addressed as part of the Report in the Public Interest Action Plan, and subsequent [Recovery and Improvement Plan](#).
- 4.10. The plan identifies three overarching projects for companies:
- Project 1: Commercial Strategy: Maximising the benefit of Council companies through an overarching commercial strategy.
 - Project 2: Company Governance: Review and revise the governance arrangements of Council-owned companies (split between this theme and the Constitution theme)
 - Project 3: Council-owned Company Review: Informed by CIPFA's independent analysis, making decisions on whether to maintain, revise focus, in-house or divest from Council companies.

Revised Governance arrangements are under review strengthening both the Shareholder Representative role, and broader Shareholder Unit capability and gaining assurance the Company Boards are applying Corporate Governance codes of practice effectively.

- 4.11. The [Report in the Public Interest](#) states that:

There was an insufficient appreciation within the Council (as a corporate body) of the risks involved in ownership of, and investment in RHE

There was insufficient understanding within the Council of RHE's financial position, partly due to delays in the provision of information by RHE and the quality and accuracy of that information

- 4.12. A strategic review was undertaken which indicated that the Council should dispose of its interest in Robin Hood Energy. As part of this process the customer base has been sold to British Gas and the company [entered administration on 5th January 2021](#) pending resolution of the remaining business affairs and the [latest position in respect of the administration is available on the Companies House website](#).
- 4.13. During 2020-21 the Council recognised impairment in the value of the Council's interests in the company.

Improvement Plan Theme 4 - Capital Programme & Debt Management

Capital programme

- 4.14. The value of the Council's Investment portfolio and income from rents has suffered substantially during the pandemic and a review is underway on the future strategy.
- 4.15. It is apparent that the Council cannot continue to place ever greater reliance on borrowing to fund capital and it must review the balance of spending on services versus spending to support debt, particularly in view of loans to Council owned companies, the reversion of the Broadmarsh Centre lease to the Council following the liquidation of Intu and the capital needs of the District Heating infrastructure. As a result, the Council is reviewing its Capital Programme, including proposed borrowing and use of reserves.

Broadmarsh shopping centre

- 4.16. The Broadmarsh West masterplan has been developed and will be reviewed in light of the outcome of the wider decisions over the development of the Broadmarsh Centre area. The former Castle College site is likely to be used for a 'meanwhile use' for the next 2 years, which means substantial marketing and regeneration of the area will begin part way through the lease to ensure a quick disposal.
- 4.17. The Broadmarsh Big Conversation has been successfully completed and reported, an Advisory Group is now appointed and activity ongoing. Local Enterprise Partnership (LEP) funding has been secured to support the initial demolition, the creation of a pedestrianised street between Lister Gate and Collin Street and site master-planning on the western part of the site. The construction of the new car park and bus station development is complete was handed back at the end of May 2021, though the contractor remains on site to correct snags. The creation of new public realm is progressing to programme. The procurement process for the fit out of the proposed new library is due to commence shortly.

Improvement Plan Theme 5 - Governance and Decision Making, including Constitution

- 4.18. The Council's Constitution is being reviewed and rewritten with the overarching aim of simplifying it and in order to place greater emphasis on the separation and independence required between Executive and Non-Executive roles within it. The revised Constitution will also seek to strengthen the roles of the Overview and Scrutiny and Audit Committees.
- 4.19. It is intended to take the revised Constitution to the September 2021 meeting of the full Council for formal adoption although it should be noted that revised terms of reference for the Overview and Scrutiny Committee were approved by full Council at its meeting in January 2021. Revised terms of reference for the Audit Committee were also approved by full Council at its meetings in March 2021.
- 4.20. In January 2021 a revised Councillor/Officer protocol was adopted by full Council with an intention to provide greater clarity to the differing roles of councillors and officers and how these should work together.

- 4.21. Individual Portfolio Holder responsibilities have been reviewed in order to create a structure that better aligns with the senior management of the Council and reduces overlap. Those revised Portfolio Holder responsibilities were noted by full Council at its AGM in April 2021.
- 4.22. The Council has also reviewed its Member Development Programme in order to ensure that there is appropriate councillor development activity which builds on their existing knowledge, community links and skills base. One element of this has been to ask the Centre for Governance and Scrutiny to undertake a review of the Overview and Scrutiny function with a report of their findings to be produced in the very near future.

Improvement Plan Theme 6 - Organisation & Culture

- 4.23. The Recovery and Improvement Plan contains a number of significant changes to the Council's processes and key documents. However, there is a recognition that these will only be effective if it is also accompanied by wider changes in the organisation's structure and culture. Theme 6 addresses this work and its scope includes:
- Setting a clear and updated performance management framework starting at the Chief Executive and cascading down across the Council.
 - Simplifying the officer structure
 - Creating and delivering an extensive culture and workforce development programme to ensure that the changes in the Recovery and Improvement Plan are embedded along with the new ways of working that are enshrined within them.
- 4.24. Progress has been made on all projects. At present all activity remains substantially on track.

Improvement Plan Theme 7 - Delivery Options

- 4.25. Theme 7 of the Recovery and Improvement plan is focused on the transformation of service models in order to achieve outcomes for citizens in an effective and efficient way. This theme requires the development of a programme of focused transformation projects which will be undertaken across the Council.

Progress in this theme has focused on:

- Establishment of a structure of governance of the transformation programme, with Councillor oversight and officer programme management and accountability structures
- Appointment of a programme manager to ensure a well-managed programme approach to secure transformational change
- Identification of transformation funding to enable delivery
- Initial scoping of a suite of priority projects by Heads of Service and Directors. A shortlist of projects will now undergo an outline business case phase, to determine which go forwards into the programme.
- The identification of projects will build into a 3 year programme which will be mapped as part of our MTFP

Improvement Plan Theme 8 - Policy Framework

Council Plan

4.26. This theme is centred on the delivery of a refreshed policy framework and a new Strategic Council Plan which sets out a clear vision for the city for the next three years. A public [consultation](#) on the Strategic Council Plan opened on 24th June and will run to 30th July. The new Strategic Council Plan will be affordable and deliverable within a reduced funding envelope. The scope of the theme is to create an updated Council Plan which includes:

- A clear vision for the City and Council and our strategic priorities for the next three years.
- A robust policy framework to deliver against our priorities within the available resources.
- A new Performance Management Framework that will provide effective internal controls and management arrangements to ensure the Council remains able to fulfil its statutory duties.

4.27. A first draft of the refreshed Council Plan has been completed that incorporates:

- A Renewed Vision and Outcomes
- Retained and Reviewed commitments from the previous plan (some removed or re-scoped for deliverability)
- A summary of statutory functions and which outcome they contribute towards
- How the plan will be performance managed

4.28. In ensuring that the Plan is approved, deliverable and costed its development is being integrated with development of Service Plans, the implementation of the Performance Management Framework and four-year Medium Term Financial Strategy and Plan (MTFS/MTFP).

Ofsted Focussed Visit & Improvement Programme

4.29. In November 2018, Ofsted undertook a full inspection of Nottingham City Council's children's services where Inspectors found that the service 'Requires Improvement to be Good'. In February 2020, Ofsted undertook a Focussed Visit to look specifically at the City Council's arrangements for children in need and those subject to a child protection plan, with a focus on children at risk of neglect.

4.30. There is no inspection rating given during a Focussed Visit, but inspectors concluded that the experience of children in need of help and protection in Nottingham had deteriorated since the last inspection. Given the issues they found in the service areas they looked at, Ofsted issued two Priority Actions:

- Address the systemic failures in social work practice to ensure that planning and intervention for children improve their experiences, and that new and emerging risks are identified and responded to.
- Stabilise the workforce and address the significant shortfall in capacity to enable social workers and first line managers to respond effectively to children in need of help and protection.

4.31. In response to the findings of the Focussed Visit, an improvement plan was developed and shared with Ofsted in March 2020. This includes the investment

of £1.5m, appointment of a Partner in Practice which recognises the seriousness of our position. The improvement programme is led by the Corporate Director of People and the Portfolio Holder for Children and Young People.

- 4.32. As an immediate action, scrutiny of current Children in Need cases was undertaken to ensure that there was robust management oversight, decision-making was appropriate and that timely action had been taken to address any drift or delay identities.
- 4.33. Alongside the response to Covid, teams have been working hard to drive delivery of this action plan and to secure sustainable improvement which will make a real difference for children, young people and families. An Improvement Fund of £1.5m one-off funding has been identified to support short-term work force capacity and delivery of the improvement plan.
- 4.34. To drive delivery of this action plan, the Children at the Heart Improvement Board was established. The Improvement Board is chaired by the Chief Executive and membership includes both the Leader of the Council and the Portfolio Holder for Children and Young People, along with senior officers and Executive Board members of the Council. Key health, education and police partners are also members. The Board has met monthly since April 2020. The Board is tracking progress against this action plan.
- 4.35. We work closely with the LGA, DfE and Ofsted to keep them updated on our progress.
- 4.36. We had our annual engagement meeting with Ofsted in December 2020. Ofsted has been undertaking further inspection activity during late spring 2021 as part of their current programme of assurance visits.
- 4.37. Throughout our improvement journey we have continued to work closely with Ofsted and the Department for Education. To support our improvement, the Department for Education have enabled us to access support from the Partners in Practice (PiP) programme, which provides peer support from a partner local authority to support improvement. Our Partner in Practice is Essex County Council. The scope of the programme was co-produced between Nottingham City Council and PiP colleagues. In spite of an initial delay due to Covid-19 and the continuing restrictions, the PiP team began work with us during May 2020 to understand practice issues, undertaking sampling of case files as well as discussions, diagnostics and training sessions with senior managers, team managers and a range of practitioners, including those with specific case involvement.
- 4.38. In December 2020 Essex undertook a review of improvement progress using their Partners in Practice review framework. The review found:
 - Strong feedback that improvements are happening at pace, based on deep and genuine changes to culture.
 - A motivated workforce who are aligned to the organisation, understand the vision and the approach to practice, and feel supported and valued
 - Good partner relationships and buy-in
 - Positive impact felt by families (small sample)
 - Areas for development: staff stability, caseloads & allocations, interventions during assessment, working cases at lowest level

- Strong recognition that it is early days. Continued focus and investment is required if progress is to be sustained and produce better outcomes

4.39. We are currently exploring opportunities to continue our work with Essex and agree a further programme of support.

4.40. Assurances have been provided to CLT, Leadership Group, Executive Panel, Executive Board and the Children's and Young People Scrutiny Committee in July 2020 and again in March 2021.

Protecting people from Covid

4.41. The Council has prioritised protection of its citizens and employees during the COVID-19 recovery noting a disproportionate impact on BAME communities. The COVID work streams led the response and recovery to the pandemic. Risk assessments with mitigations were completed for Covid specific risks and departments identified and managed existing risks impacted by the pandemic through their established risk management processes. Regular communication was provided to citizens and employees to advise of the live situation and the Council continues to monitor government guidance, assess impact on citizens and employees and complete detailed risk assessments for any reinstatement of services with particular regard for BAME staff and citizens.

4.42. The Council is working closely with Nottinghamshire County Council and the District and Borough Councils to develop local arrangements, with aligned operating procedures and shared structures where possible, and is working with other partners and the Local Resilience Forum.

4.43. The Council has published a [Local Outbreak Control Plan](#) updating on how we will continue to prevent and respond to outbreaks of Covid-19 in Nottingham, learning from experiences over the last 12 months and looking ahead to ensure appropriate levels of ongoing activity over the longer-term.

4.44. In response to the presence of 'variants of concern' in Nottingham, we have been undertaking 'targeted testing'. We are driving uptake of both vaccination doses in Nottingham City, following a Public Health England (PHE) study which confirms the current vaccines remain highly effective against the more recent variants.

Energy and Waste Infrastructure

4.45. A business case and technical review to support a contract extension with the Eastcroft incinerator has been undertaken by the project team. Issues remain with the high cost and pressing need to maintain the existing network along with ongoing negotiations as to the possible development of a 3rd line at the plant. This is a key action to deliver in the Carbon Neutral Nottingham 2028 action plan. A fully independent corporate assurance process is about to commence to ensure that the option chosen is in the best interests of the city.

5. Post balance sheet events and developments

5.1. These events have had a significant impact on the Council and or its governance system including understanding of activities in 2019-20 and subsequently. The

reasons for this are detailed in the narrative to the financial statements as part of the Statement of Accounts.

6. Impact of the Covid-19 Health Emergency on the Governance Framework

- 6.1. The emergency was declared on 16th March 2020 and various legislation was brought in to regulate society and help the country weather the impact of the virus and lead to recovery. The emergency impacted on governance from March 2020 and remained a significant factor in relation to how the Council has done business and its priorities during the whole of 2020-21.
- 6.2. In the short term following the declaration of the emergency the majority of council staff and councillors were required to work from home, as they were not key workers. This enabled them to continue to support key workers and manage the situation as it developed. The Council was in a good position to achieve this because as part of its activity to get better value from its corporate headquarters at Loxley House and other buildings,
 - a significant level of working from home had been introduced,
 - the enabling work systems, communication and network tools were in place
 - the Council's IT services speedily made arrangements to increase the bandwidth available on the Council's VPN and rolled out new software and devices in order to deal with further operational needs.
- 6.3. Initially the Council was unable to follow its normal decision making processes as meetings of the Council and its committees were required by law to be in person. Executive arrangements and financial limits were extended to enable business to continue. The relative continuity of activities and ability to take on new functions effectively at this time has proved the resilience of certain aspects of the Council's governance systems and staffing.
- 6.4. In addition, to comply with government guidelines to ensure that businesses were provided with timely support, payments were released earlier than normal, and grant payments were subject to less stringent verifications.
- 6.5. Monthly returns were required by MHCLG to understand the cost to councils of Covid-19. In order that the financial impacts of the emergency could be better understood, the S151 Officer required additional financial monitoring to be undertaken from April.
- 6.6. By mid-May, once the government had enacted legislation enabling councils and their committees to meet and take decisions virtually, the Council implemented a system to enable those meetings to take place. Virtual meetings took place between May 2020 and 7th May 2021, when the legislative provision lapsed without extension by the government.
- 6.7. In October 2020 the [Council Plan Covid-19 Supplement](#) was agreed by the Executive Board, setting out how the Council had responded and further activities that would be taken forward during the period that the pandemic remained a key issue facing the city.

7. Responsibility of NCC and Purpose of the Governance Framework

NCC Responsibility for Implementing Good Governance

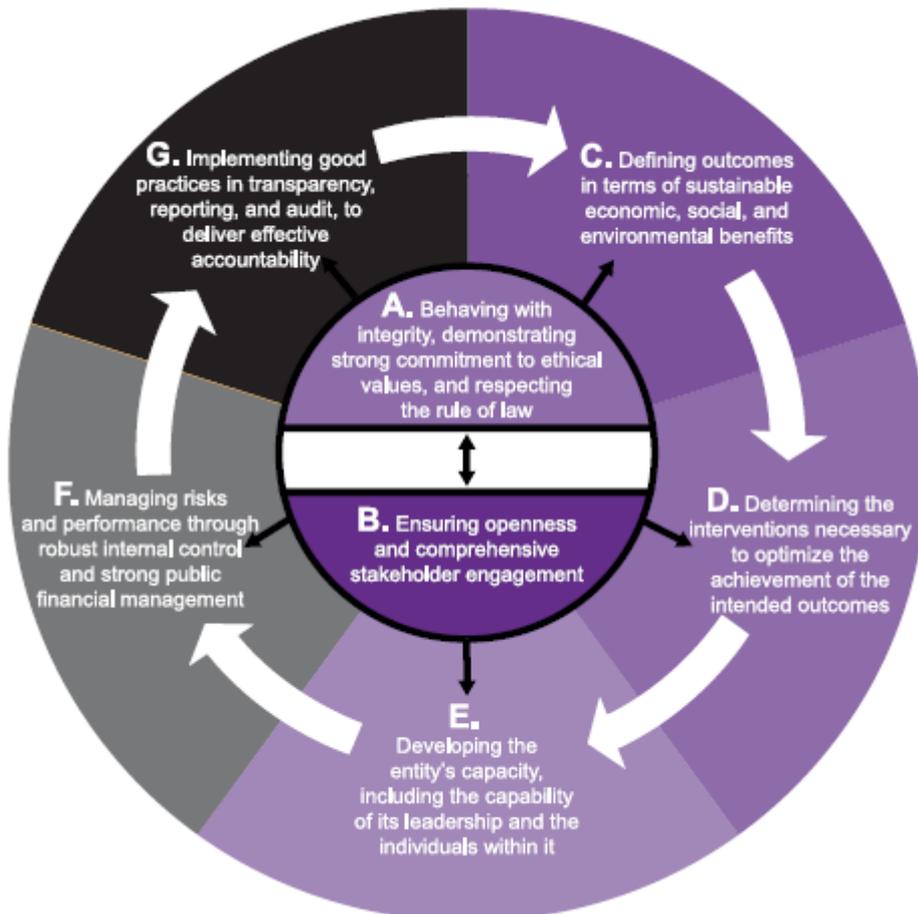
- 7.1. Nottingham City Council (NCC, the Council) is responsible for ensuring that its business is conducted in accordance with the law and standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a best value duty 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.
- 7.2. 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, and effective delivery of its powers and duties, this includes arrangements for the management of risk, and a sound system of internal control.
- 7.3. 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.
- 7.4. This statement explains how the Council has complied with the code in 2020/21 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. It reports on
 - The governance system as it applied during the financial year 2020/21 including group activities.
 - Significant events or developments relating to the governance system that have occurred between the year-end and the date on which the Statement of Accounts is signed by the responsible financial officer.
- 7.5. 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,
 - the role of those responsible for the development and maintenance of the governance environment such as
 - the authority,
 - the executive,
 - the audit committee
 - others as appropriate including shareholder representatives.
- 7.6. Good governance helps the Council to set its objectives and achieve them efficiently and deliver value for money for the tax payer.
- 7.7. The guidance for implementing good governance was updated in 2016 by CIPFA / SOLACE to reflect a revision to the International Framework in 2014.

8. The Governance Framework

Governance principles & how NCC aims to meet them

- 8.1. 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



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

<u>A. Behaving with Integrity</u>	
Councillors' and Co-opted Members' Code of Conduct	Employees' Code of Conduct
	Scheme of Delegation
Councillor / Officer Protocol	Performance Appraisal Process
Counter Fraud Strategy	Confidential Reporting Code (Whistleblowers' Code)
Registers of Interests, Gifts & Hospitality	
	Declaration of Related Party Transactions
<u>B. Openness and Engagement</u>	
Customer Charter	Consultations
Comments, Compliments and Complaints Policy (Have Your Say)	Citizens' Panel
Freedom of Information arrangements	
<u>C. Defining Outcomes (decision making)</u>	
2050 Vision	Constitution including <ul style="list-style-type: none"> • Responsibilities for Functions and Terms of Reference • Councillors' and Co-opted Members' Code of Conduct • Procedures and Standing Orders
Strategic Council Plan	
Business plans / Service plans	
Decision-making protocols & records	
<u>D. Interventions</u>	
Performance Management Framework	Budget Monitoring
Early Interventions	Responding to the Non-Statutory Review and Report in the Public Interest and implementing the Council's Action Plan (Recovery & Improvement Plan)
Council Plan Covid Supplement	
<u>E. Capacity and Capability</u>	
Member Induction & Training	Officer Induction
Performance Appraisal	Learning Zone
Peer Review	
<u>F. Risks and Performance</u>	
Risk Management Framework	Medium Term Financial Plan
Financial Regulations	Counter Fraud Team
<u>G. Effective Accountability</u>	
Annual Financial Statements	
Nottingham Plan Annual Report	External Audit and Inspection

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

- 8.3. The Local Government Association published a new model Councillor Code of Conduct in December 2020 following recommendations from the Committee for Standards in Public Life in a report dated January 2019. The Standards Committee considered the new model Code at its meeting on 5th February 2021, noting that Nottingham City Council had previously included issues in its Councillor Code of Conduct which the Council had agreed to be of particular local importance, such as safeguarding training and DBS checks. The Standards Committee also supported the incorporation of aspects relevant to co-opted members into the Code. The Council adopted a revised Councillor Code of Conduct in March 2021 with the addition of these local provisions.
- 8.4. Councillors are briefed in detail at induction by the Council's Monitoring Officer about the Councillor Code of Conduct and what its provisions mean in practice. The Councillor Code of Conduct forms part of the Council's Constitution and in addition within the Constitution there is a Councillor/Officer Protocol – a new version was adopted in January 2021. All colleagues and councillors are alerted to this Protocol and have access. This Protocol 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, where appropriate, early, and initially informal referral and discussion of any issues/ complaints either from colleagues or from citizens by 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.
- 8.5. The Council also has a Code of Conduct for Employees to give all employees guidance on how the City Council and the public in general expect them to behave. A number of associated policies about expected behaviour from all colleagues are set out together with the Code of Conduct for Employees on the Council's staff intranet.
- 8.6. 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. The Council has systems in place to monitor and maintain compliance with the General Data Protection Regulation and Data Protection Act 2018. This includes an appointed Data Protection Officer and updated privacy notice, policies and guidance pertaining to data protection for the City Council.
- 8.7. As Head of Paid Service, the Chief Executive is ultimately responsible and accountable to the Council for all aspects of operational management. The Council's previous permanent Chief Executive left at the end of April 2020 and was replaced by an Interim Chief Executive. She quickly assimilated the key issues faced by the Council and started to address urgent issues. The current Chief Executive, Melbourne Barrett, was appointed by the Council in September 2020 and continues to make good progress on the Council's Recovery and Improvement Plan.

8.8. The Council's establishment incorporates all posts required by statute. These include:

- Head of Paid Service
- Section 151 Officer
- Monitoring Officer
- Director of Adult Social Services
- Director of Children's Services
- Director of Public Health

8.9. 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.

8.10. The Council's Leader was elected at the full Council meeting on 20th May 2019 and subsequently confirmed in May 2020 and 2021.

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

8.12. In order to ensure that the Council acts in the public interest at all times the Council is refreshing its performance management arrangements and appraisal process as part of the Recovery and Improvement Plan. In support of this a revised behaviour framework has been developed.

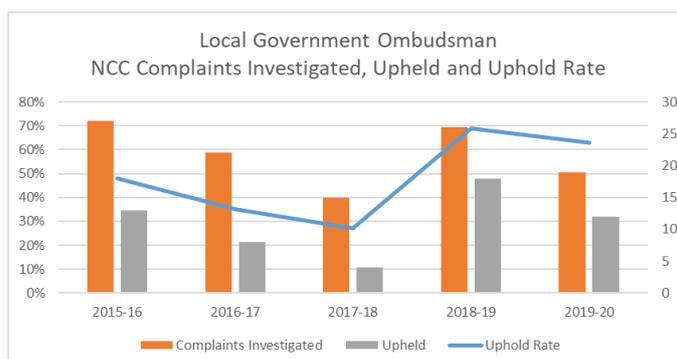
Nottingham City Council
New Behavioural Expectations



All colleagues are expected to demonstrate the high standards of integrity, honesty, fairness and equality expected in public service.					
	Vision, Strategy & Delivery	Leading People	Equality, Diversity and Inclusion	Change and Innovation	Collaboration
Strategic Leadership <ul style="list-style-type: none"> • Chief Executive • Corporate Directors • Directors 	<p>Create, drive and cascade the vision for Nottingham City Council and for the city.</p> <p>Provide strategic direction and translate this into clear goals and objectives to deliver outcomes which make a positive difference.</p> <p>Take ownership and be accountable for delivering what has been promised</p> <p>Support and ensure robust decision making and implementation through the promotion of good governance and effective approaches to the development of options, risk identification and management.</p>	<ol style="list-style-type: none"> 1. Communicate a clear vision and purpose to inspire others and secure commitment. 2. Role model visible leadership through engaging and empowering colleagues, demonstrating leader self-care to build resilience, and balancing performance, resilience and wellbeing. 3. Plan for the future capability and capacity needs of the organisation, cultivating a learning culture and positive workforce development. 4. Use evidence and positively consider options for empowerment and delegation to support the development of the workforce. 5. Builds and supports a high performing culture - drives accountability through effective support, challenge and regular feedback. 	<ol style="list-style-type: none"> 1. Understand, promote and demonstrate commitment to equality, diversity and inclusion at every level, including taking practical measures and being prepared to positively challenge others. 2. Bring to life fully inclusive services, demonstrating awareness of the diverse needs of our citizens. 3. Show commitment to attract, recruit and retain a workforce representing our citizens and city. 4. Create the conditions to release the full potential of all colleagues ensuring fairness, diversity and inclusion. 5. Recognise, respect and value individual needs and individual circumstances – creating a culture of inclusivity. 	<ol style="list-style-type: none"> 1. Lead and drive change in a political and challenging public finance context. 2. Champion innovation by challenging existing practices to find new ways to deliver our services with appropriate risk management. 3. Ensure rigorous project management approaches are in place to guarantee best value and effective use of resources, people and financial. 4. Where ambiguity exists; provide purpose and clarity of leadership, responding at pace to re-prioritise objectives in line with the organisation's changing needs. 5. Cultivates a culture of continuous improvement by encouraging our colleagues to share ideas, recognising and rewarding innovation. 	<ol style="list-style-type: none"> 1. Champion collaborative working across the Council, in pursuance of the Council's priorities, to achieve the best outcomes for the citizens of Nottingham. 2. Actively work to break down silos by working across boundaries to deliver benefits to the citizens of Nottingham. 3. Role model collaborative working internally and externally, working in partnership with citizens, other public services, the private sector and the local community, to achieve the best outcomes for Nottingham people 4. Use foresight to interpret and communicate the needs of strategic partners and to create opportunities for collaboration 5. Takes account of corporate context and priorities when negotiating and aligning the resources to do the job.
Service Leadership <ul style="list-style-type: none"> • Heads of Service • Managers Grades I-K 	<p>Translate and deliver the vision for Nottingham City Council and for the city, placing 'Citizens at the Heart' of all we do.</p> <p>Develop plans and the capability to deliver on responsibilities and promises.</p> <p>Take ownership and be accountable for delivering what has been promised</p> <p>Ensure effective governance by applying mechanisms of monitoring and control, following agreed project management principles.</p>	<ol style="list-style-type: none"> 1. Empower and motivate others by creating clarity and purpose of the organisations vision. 2. Be visible as a leader, role modelling and enabling a 'can do' culture for all, our values and balancing performance, resilience and wellbeing. 3. Develop workforce plans to ensure a talent pipeline and enable succession planning. 4. Empower others to make appropriate decisions. 5. Builds and supports high performing teams - drives accountability through effective support, challenge and regular feedback. 	<ol style="list-style-type: none"> 1. Actively promote equality, diversity and inclusion through all actions, demonstrating an understanding of the benefits of diversity and being prepared to positively challenge others. 2. Design and deliver fully inclusive services, actively celebrating diversity. 3. Show commitment to attract, recruit and retain a workforce representing our citizens and city. 4. Develop others to realise potential in a fair and transparent way, to the collective benefit of the organisation and city. 5. Recognise, respect and value individual needs and individual circumstances – creating a culture of inclusivity 	<ol style="list-style-type: none"> 1. Lead and drive change in the political and challenging financial public sector landscape. 2. Actively explore new and innovative ways of delivering services and managing risks – gathering market and benchmarking information to drive the performance of our services. 3. Using project management principles to organise work processes to deliver on time, on budget and to agreed quality standards. 4. Design and deliver resilient services re-prioritise objectives at pace in line with the organisation's changing needs. 5. Take accountability for leading and managing to embed change across services and drive continuous 	<ol style="list-style-type: none"> 1. Actively work to develop a culture of collaboration in order to deliver the best outcomes. 2. Lead a culture of collaboration by working across boundaries to resolve challenges and seize opportunities. 3. Be pro-actively in developing and create effective relationships to enable collaborative working, creating efficiencies in delivery of functions. 4. Foster and maintain partnerships to deliver joined up services. 5. Takes account of corporate priorities when negotiating and aligning the resources to do the job.

B. Ensuring openness and comprehensive stakeholder engagement

- 8.13. 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.
- 8.14. 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
- 8.15. The city has Neighbourhood Action Teams (NATs) working in partnership with key agencies. Officers work with citizens to actively shape services and their neighbourhoods. Each NAT is closely linked to its ward city councillors and the appropriate Community led Area Partnership hubs.
- 8.16. Key strategies are published on the Nottingham Insight website.
- 8.17. 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. To ensure key corporate messages reach the entire workforce in May 2021 a monthly team brief cascade process was launched with clear expectations that the messages will be shared by every manager in the Council with their team. The Council also engages with its staff through a range of mechanism such as focus groups, the employee support networks (representing employees with protected characteristics) and global and targeted surveys of the workforce.
- 8.18. 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.
- 8.19. The Local Government Ombudsman (LGO) report presented to Audit Committee in 2020 identified a slightly lower level of complaints referred to Ombudsman to the previous year. The most frequent areas for complaints to the Ombudsman reflect the national picture. The level and number of LGO upheld complaints was less than in the previous year. The rate at which the Ombudsman upheld complaints in the last 5 years is shown in the chart below. The national rate of complaints upheld was 61%.



8.20. The Council aims to meet the Information Commissioner's Office targets for performance in respect of Freedom of Information and Environmental Information Regulations. A searchable disclosure log of these requests is published on the Council's website at

<http://open.nottinghamcity.gov.uk/InformationGovernance/disclosurelog.aspx>

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

8.21. Over the period 2015-2020 the Nottingham Plan to 2020 set the overall strategic direction and vision for the economic, social and environmental wellbeing of the City of Nottingham. A final Report on the Nottingham Plan to 2020 was presented to City Council in March 2021, having been discussed and agreed by the One Nottingham Board in December 2020.

8.22. Following MHCLG's Non-Statutory Review, Nottingham City Council has adopted a comprehensive Recovery and Improvement Plan (R&IP). A key theme of the R&IP is the creation of a new Strategic Council Plan that delivers a revised policy framework for the City Council that a) articulates our priorities and b) sets out a clear vision for the city which is both affordable, and deliverable within the context we find ourselves operating within.

8.23. The draft Strategic Council Plan commits the Council to: work with businesses, the public and the voluntary sector to write and implement a vision for Nottingham to 2050, built on the wishes of local people.

8.24. The current Council Plan, was approved by councillors on 11th November 2019. It set out the Council's ambitions for the city over the 4 years up to 2023. A new Council Plan is due to be presented to Council for approval in September.

8.25. On economic issues, the Council works in partnership with many other organisations across administrative boundaries. This includes Nottingham Growth Board (a strategic advisory board comprising Nottingham's major employers and business support organisations); Nottingham and Nottinghamshire Economic Prosperity Committee (a formal joint committee of the city, county and districts); D2N2 Local Enterprise Partnership and the Midlands Engine.

8.26. A robust system of regular monitoring and reporting on performance against priorities and targets is in place, with Portfolio Holders receiving progress reports on performance throughout the lifetime of the Plan. The detailed performance of the Plan will be reviewed and updated. This will allow achievements, revised improvement targets and new activities to be incorporated and ensure alignment with the annual budgeting cycle.

8.27. Underpinning our new Strategic Council Plan will be a new comprehensive Performance Management Framework (PMF), which incorporates the commitments from the draft SCP, as well as a representative selection of statutory duties and strategic indicators. This collection of performance metrics will be reported on through the Council's online performance system, Pentana, and will be discussed monthly at Directorate Leadership Team (DLT) meetings. A smaller number of the indicators, deemed key performance

indicators for each directorate, will be reported each quarter to the Corporate Leadership Team (CLT), Portfolio Holders and Exec Panel by exception. Narrative will also be provided to give context to the data, to provide better understanding of the reason for the RAG ratings.

- 8.28. Services prepare business plans and these capture how the Council delivers the Council Plan objectives including statutory services. 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.
- 8.29. The Council Plan and other key plans such as the Children & Young People's Plan are agreed by Full Council and published 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 behaviour expectations, as part of officer performance appraisals, supporting delivery of the Council Plan have been refreshed as part of the Recovery and Improvement Plan.
- 8.30. Portfolio Holders and the Executive Board make decisions based upon Chief Officer professional policy 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.
- 8.31. The Report in the Public Interest action plan includes an action to enhance the effectiveness of the Overview and Scrutiny Committee and the Audit Committee. Updated terms of reference have been approved for both these committees during 2020-21
- 8.32. Professional advice is taken in advance of decision-making, this is a key safeguard in protecting the Council and the decision-makers, and where possible professionals should be able to explain this advice publicly. 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.
- 8.33. The advice given will be contained within the decision 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. These meetings were not webcast before May 2020 nor after 9th May 2021.
- 8.34. The Council is reviewing its governance arrangements and part of this review will look at how well the formal advice arrangements work.

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

- 8.35. The Corporate Leadership Team (CLT) 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.
- 8.36. 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 Council services and are directly linked to strategic objectives and the associated performance indicators which are monitored quarterly, reviewed, and refreshed on at least an annual basis.
- 8.37. 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.
- 8.38. During 2019-20 the corporate performance system was updated for the new Council Plan, including measures, performance data and commentary at directorate level to improve the contribution of performance management systems to the achievement of intended outcomes. A further update is expected as part of the Council Plan renewal in 2021.
- 8.39. 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.
- 8.40. During 2020-21 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

- 8.41. 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. As well as information/ training sessions the induction will also include an IT skills audit to support councillors in working electronically. A member development programme has been rolled out over the last two years and will be supplemented by further training arising from the review of the Constitution.
- 8.42. 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. Councillors also take advantage of LGA training.
- 8.43. 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 both allowances and claims are published in line with legislative requirements.

- 8.44. There have been a number of changes to senior officer posts during 2020-21. The Council continues to recruit successfully and if there is a delay in making permanent arrangements, it puts in place interim arrangements either through development opportunities for Directors or through external interim appointments.
- 8.45. Further arrangements continue to be developed with regard to company governance with a view to strengthening the Council's resilience and levels of control. This will be achieved through the [Recovery and Improvement Plan](#).
- 8.46. Theme 6 in the Recovery and Improvement Plan focusses on organisation and culture and within this workstream a leadership development programme will be put in place to support skills development of the Council's managers and employees. Alongside that a specific programme will run focussed on accelerated development for employees with protected characteristics
- 8.47. Theme 6 also includes a review of the Council's management structure supported by and using the LGA's Decision Making Accountability Model. This will play a significant part in providing clarity around responsibilities for specific services and their managers.

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

- 8.48. A refreshed Risk Management Framework and Strategy was rolled out in 2019/20, workshops took place in 2019/20 with the Directorate Leadership Teams to review their risk registers using the revised Framework as the consistent standard. Work has continued to develop the corporate risk registers. A further refresh of the Framework and Strategy was agreed by CLT in November 2020 and has been reviewed by Audit Committee in March 2021. The Framework sets out the Council's approach to risk management and includes a policy, a strategy and a detailed risk management toolkit, which provides guidance to managers to assist them in undertaking any risk management activities. This information and access to training is made available to officers through the staff intranet.
- 8.49. At the outset of Covid-19, a large number of risks were rapidly entered on to the Corporate Risk Register (CRR). This became unmanageable and CLT requested that a high level register be created, containing risks with a rating of 16 or above. It contained 12-14 risks and was reviewed by CLT on a quarterly basis and Leadership Group on a two monthly basis. CLT last reviewed corporate risks on 6 July 2021. Risks are also presented to members of the Audit Committee every 6 months.
- 8.50. Risk registers are used across the Council to record the risk exposure (the risks and their characteristics) and the decisions taken as a result of that knowledge (e.g. new mitigations) related to the relevant Council plan. Risk registers are reported regularly to Service, Project, Divisional, Directorate and Corporate Leadership Teams and the Corporate Register is also presented to Audit

Committee to provide assurance of the effectiveness of the Council’s risk management processes.

8.51. Risks can move between registers based on seriousness and required oversight and support. Major Projects and Divisional Risk Registers are used to inform Directorate Risk Registers which then inform the Corporate Risk Register. The escalation process during 2020/21 is shown diagrammatically as follows.

Risk Reporting and Escalation Process



8.52. An essential element of good governance is the existence of sound arrangements for the management of financial resources. Local authorities are required to apply CIPFA’s Financial Management Code with effect from 1st April 2020 and are expected to demonstrate that they are working towards full implementation of the Code during 2020-21. The first full year of mandatory compliance will therefore be 2021-22. Many of the principles within the code have been referred to in the 2021-22 Interim Budget and [Recovery and Improvement Plan](#).

8.53. 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.

8.54. To promote good financial management the Council will fully adopt the principle-based approach and standards set out in the CIPFA Financial Management Code as illustrated below. Compliance with this code is the collective responsibility of elected members, the CFO and colleagues in the Corporate Leadership Team. CIPFA expected 2020/21 to be a shadow year where councils worked towards compliance, with full implementation in 2021/22. A self-assessment has been carried out and we consider that the Council is substantially compliant, with a few areas where we are working towards compliance. An action plan is being developed aligned to the [Recovery and Improvement Plan](#), and it will be aligned to the new Council Plan.



8.55. 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.

8.56. The [Recovery and Improvement Plan](#) includes a theme dedicated to the Council's companies.

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

- 8.57. 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 Ministry of Housing, 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.
- 8.58. A quarterly Statutory Officers meeting, chaired by the Head of Paid Service, takes place to review key issues and arrangements. The Monitoring Officer and Section 151 Officer are in place and fulfil their governance roles.
- 8.59. The Council complies with relevant statutory financial reporting processes and guidance, including production of a published annual Statement of Accounts.
- 8.60. Annual performance highlights are published in the Nottingham Arrow in the summer with quarterly summaries published on Nottingham Insight.

Constitutional Bodies Dealing with Governance

- 8.61. The Report in the Public Interest and Non-Statutory Review set out the need for an overarching governance review. This is incorporated in [Recovery and Improvement Plan](#).
- 8.62. The 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.
- 8.63. The Audit Committee's core role is to consider governance, assurance and risk and to manage the external financial reporting and review process. It also reviews and recommends to Council, proposals for non-executive amendments to the Constitution.
- 8.64. Both these bodies have updated their Terms of Reference during 2020-21 in response to the [Report in the Public Interest](#).
- 8.65. The Standards Committee's main functions concern promoting and maintaining high standards of conduct by Councillors and co-opted members, including in relation to the Code of Conduct, Confidential Reporting Code and issues referred to it by the Monitoring Officer. It can also make recommendations regarding the settlement of cases of maladministration.
- 8.66. The Companies Governance Executive Sub-Committee was established by the Leader during 2019-20, and deals with the Council's activity as shareholder in its companies, and aims to support the good governance of those companies.
- 8.67. 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
- 8.68. The Audit Committee also receives a summary of external sources of assurance in the Internal Audit Annual Report, and during the year receives information

about departmental arrangements for assurance, risk management, key systems, governance audits, companies, departmental audits and fraud.

9. Review of Effectiveness Review Process

- 9.1. 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 group members and significant partnerships.

Internal Audit & Head of Audit & Risk (HoIA) Opinion

- 9.2. In 2020/21, 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 the Public Sector Internal Audit Standards (PSIAS).
- 9.3. 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.
- 9.4. The Internal Audit service works to a risk based Audit Plan agreed with Corporate Directors and agreed by the Committee. Reports in respect of all reviews have been issued to the responsible colleagues, together with recommendations and agreed action plans. Report summaries have been provided to Audit Committee.
- 9.5. Throughout 2020/21, the HoIA has continuously reviewed the significant challenges and risks associated with the Council's operations and has allocated the necessary resources, to form his opinion on the Council's governance arrangements. In forming his opinion, the HoIA has reviewed all the Internal Audit reports issued in 2020/21, and he has 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 have included the AGS Statement, the Ombudsman Report, the rapid non-statutory review (NSR) of the Council undertaken by Max Caller CBE, and Grant Thornton (the Council's external auditor). External assurance sources such as OFSTED, and the Care Quality Commission have been reviewed, and where necessary further information has been sought, in order to assess these assurances.
- 9.6. The HoIA has given an overall limited level of assurance for this AGS. No systems of control can provide absolute assurance, nor can IA give that assurance. Internal Audit experience, covering financial systems, risk and governance, and the concerns raised by Max Caller in the NSR, and by the External Auditor in his Report in the Public Interest leads the HoIA to conclude that whilst many internal control systems are operating effectively within the Council, its significant partners and associated groups – the areas of weakness

identified under significant issues (section 2) lead to an overall limited level of assurance.

External Audit

External Audit of 2018-19 Statement of Accounts

- 9.7. The external audit for 2018-19 is now complete and Grant Thornton has regularly reported on its conclusions to the Audit Committee. A link to their report is included below.

[Independent Auditor's Report to the Members of Nottingham City Council](#)

- 9.8. The external audit of the 2019-20 Statement of Accounts was ongoing as this report went to print.
- 9.9. The external auditor continues to provide regular reports to Audit Committee.

10. Conclusion

- 10.1. The Council has reviewed the effectiveness of its governance framework including the system of internal control as outlined above and considers it needs improvement, particularly in respect of the significant issues set out in section 2 above.
- 10.2. We propose over the coming year to take steps to address the above matters as indicated in the Action Plan presented in section 3 of this statement and the [Recovery and Improvement Plan](#) to make our governance arrangements robust and effective. 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:

Chief Executive

Signed:

Leader of the Council