



**NOTTINGHAM CITY COUNCIL**  
**AUDIT COMMITTEE**

**Date:** Friday, 26 June 2015

**Time:** 10.30 am

**Place:** LB31 Loxley House, Station Street, Nottingham, NG2 3NG

**Councillors are requested to attend the above meeting to transact the following business**

A handwritten signature in black ink, appearing to be 'C. Pryor'.

**Acting Corporate Director for Resources**

**Governance Officer:** Catherine Ziane-Pryor **Direct Dial:** 0115 8764298

**AGENDA**

**Pages**

- |          |   |         |
|----------|---|---------|
| <b>1</b> | <b>APPOINTMENT OF VICE CHAIR</b>  |         |
| <b>2</b> | <b>APOLOGIES FOR ABSENCE</b>  |         |
| <b>3</b> | <b>DECLARATIONS OF INTERESTS</b>  |         |
| <b>4</b> | <b>MINUTES</b><br>Of the meeting held on 27 February 2015 (for confirmation).   | 3 - 10  |
| <b>5</b> | <b>FUTURE MEETING DATES</b><br>To approve the following future meeting dates:<br><br>07/08/15      26/02/16<br>18/09/15      06/05/16<br>27/11/15       |         |
| <b>6</b> | <b>KPMG EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE</b><br>Report of KPMG External Auditors   | 11 - 36 |
| <b>7</b> | <b>PROGRESS AGAINST RECOMMENDATIONS OF THE ACTICA REVIEW OF NOTTINGHAM CITY COUNCIL IT SERVICES</b><br>Report of Acting Corporate Director of Resources | 37 - 40 |

<b>8</b>	<b>TREASURY MANAGEMENT 2014/15 ANNUAL REPORT</b> Report of Acting Corporate Director of Resources	41 - 54
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<b>12</b>	<b>EAST MIDLANDS SHARED SERVICES (EMSS) ANNUAL REPORT 2015</b> Report of Director of Strategic Finance	117 - 118
<b>13</b>	<b>EXCLUSION OF THE PUBLIC</b> To consider excluding the public from the meeting during consideration of the remaining items in accordance with Section 100A(4) of the Local Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information by virtue of Paragraphs 1 and 3 of Part 1 of Schedule 12A of the Act.	
<b>14</b>	<b>EAST MIDLANDS SHARED SERVICES (EMSS) ANNUAL REPORT 2015 - EXEMPT APPENDIX 1</b> Exempt Appendix	119 - 148

IF YOU NEED ANY ADVICE ON DECLARING AN INTEREST IN ANY ITEM ON THE AGENDA, PLEASE CONTACT THE GOVERNANCE OFFICER SHOWN ABOVE, IF POSSIBLE BEFORE THE DAY OF THE MEETING

CITIZENS ATTENDING MEETINGS ARE ASKED TO ARRIVE AT LEAST 15 MINUTES BEFORE THE START OF THE MEETING TO BE ISSUED WITH VISITOR BADGES

CITIZENS ARE ADVISED THAT THIS MEETING MAY BE RECORDED BY MEMBERS OF THE PUBLIC. ANY RECORDING OR REPORTING ON THIS MEETING SHOULD TAKE PLACE IN ACCORDANCE WITH THE COUNCIL'S POLICY ON RECORDING AND REPORTING ON PUBLIC MEETINGS, WHICH IS AVAILABLE AT [WWW.NOTTINGHAMCITY.GOV.UK](http://WWW.NOTTINGHAMCITY.GOV.UK). INDIVIDUALS INTENDING TO RECORD THE MEETING ARE ASKED TO NOTIFY THE GOVERNANCE OFFICER SHOWN ABOVE IN ADVANCE.

**NOTTINGHAM CITY COUNCIL**

**AUDIT COMMITTEE**

**MINUTES of the meeting held at LB31 - Loxley House, Station Street, Nottingham, NG2 3NG on 27 February 2015 from 10.31 - 11.48**

**Membership**

Present

Councillor Mohammad Aslam  
Councillor Michael Edwards  
Councillor John Hartshorne  
Councillor Thulani Molife (Vice Chair)  
Councillor Sarah Piper (Chair)

Absent

Councillor Roger Steel  
Councillor Malcolm Wood

**Colleagues, partners and others in attendance:**

Glyn Daykin	- Finance Analyst, Nottingham City Council
Barry Dryden	- Senior Finance Manager, Nottingham City Council
Shail Shah	- Head of Internal Audit, Nottingham City Council
Sue Sunderland	- External Audit Lead, KPMG
Richard Walton	- External Audit, KPMG
James Welbourn	- Governance Officer, Nottingham City Council
Laura Wilson	- Governance Officer, Nottingham City Council

**36 APOLOGIES FOR ABSENCE**

Cllr Roger Steel	- other Council business
Cllr Malcolm Wood	- other Council business
Geoff Walker	- other Council business

**37 DECLARATIONS OF INTERESTS**

None.

**38 MINUTES**

The minutes of the meeting held on 28 November 2014 were confirmed and signed by the Chair.

**39 KPMG EXTERNAL AUDIT PLAN 2014/15**

Sue Sunderland, of external auditors KPMG, presented the External Audit Plan 2014/15, highlighting the following points:

- (a) the structure of the audit has followed the approach of previous years. The key audit risks are highlighted in the table on page 3 of the report, and a

number of one-off risks have been highlighted, such as the new Revenues and Benefits company;

- (b) there are ongoing issues over the transfer to EMSS (East Midlands Shared Services). There are improvements happening all the time.

Another risk highlighted was NET2 (tram).

- (c) the fee for the audit has slightly increased, and reflects a similar increase that was seen last year. The fee for 2015/16 will reduce by 25% to reflect the final contract that audit have put in place; the scope of the audit will stay the same;

Councillor's questions were responded to as follows:

- (d) CIPFA (Chartered Institute of Finance and Public Accountancy) was asked to give advice to Council's on particular issues, after the closedown of the Audit Commission. Value for money issues now full under the remit of the NAO (National Audit Office). Currently, it is likely that The National Fraud Initiative will remain with the Cabinet Office.

Full revaluation of HRA (Housing Revenue Account) properties is done on a 5 year cycle, and will affect right to buy calculations;

- (e) specific risks in the report are around direct impact on NCC, with some items in the report linked to academies, and Foundation schools. In relation to management, academies are accountable separately rather than to Nottingham City Council. If things go wrong, the LA has to step in and deal with the situation;
- (f) there are increasing risks as the resource base reduces. There have not been any risks around financial controls identified for Nottingham City Council, so there is no need for KPMG to come in and look at these particular issues;
- (g) there is an increasing reliance on the partnership with the Third Sector. KPMG have been undertaking work on the Better Care Fund;
- (h) a wide range of issues are discussed when talking to senior Nottingham City Council officers; KPMG work with a range of different authorities, so they can bring a wide experience of Local Government issues. For example, Combined Authorities were mentioned at a recent meeting with Nottingham City Council officers;
- (i) the way in which Shared Services are implemented differs from authority to authority, but the risks generally remain the same;

- (j) KPMG have staff that can specialise in certain areas where required by their clients. The NET project at Nottingham City Council is something that has required this specialist knowledge;

**RESOLVED to note the audit plan for 2014/15, and thank KPMG for their input;**

#### **40 KPMG CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT**

Sue Sunderland, of external auditors KPMG, presented the Certification of Claims and Returns Annual Report, highlighting the following points:

- (a) the format to this report has been done differently to previous years' reports. This year, as the number of claims that are audited by KPMG has reduced, the need for a full report was not there; a letter has been produced in its place;
- (b) overall message of the report is that the content is the nature of what we find every year in a LA (Local Authority); especially when that LA has a high caseload. KPMG have worked with City Council staff, and tested cases, as well as following up on the recommendations from the previous year. These recommendations have been addressed appropriately;
- (c) the Audit will become more straightforward with the setup of Universal Credit. 10 members of staff working at the Audit Commission will be transferring to NAO, although this could take quite a while as Universal Credit is rolling out in phases;
- (d) the estimated fee for certification work in 2013-14 is slightly up on the indicative fee due to additional testing on Housing Benefit; this issue is still a 'moving picture';

**RESOLVED to thank KPMG for the annual report;**

#### **41 TREASURY MANAGEMENT 2015/16 STRATEGY**

Glyn Daykin, Finance Analyst presented the Treasury Management Strategy for 2015/16, highlighting the following points, and addressing questions posed by Councillors:

- (a) the latest inflation figures have dampened down expectations of the base rate being increased anytime soon. Changes in UK legislation mean an increased risk of Council taking losses on its investment;
- (b) minimum credit rating has been reduced to BBB+. This change allows for some flexibility, although the overall risk hasn't changed; 75% of close clients have reduced minimum risk criteria for this reason. Less, more secure investments are sought overall;
- (c) net borrowing cost has reduced, with overall treasury risk also being reduced. Nottingham City Council expects to borrow up to £15million, although there could be some requirements for additional borrowing. Nottingham City Council is considering taking a forward starting loan, a product that fixes a

loan rate now and allows cash to be taken at a later date (details are contained within Appendix 9 of the agenda pack). LA's are starting to look at these types of loans, but they are not common in the public sector. This would hedge against rates going up, especially if you have large schemes that need funding;

- (d) if we took lots of new loans now to obtain money whilst rates are lower, this money would have to be invested; there is a higher risk on deposits at this moment. In addition to this, interest would have to be paid on this money up until the point where the money was needed for a project.

Projects such as NET are ideal for a Forward Starting Loan, as they have fairly certain expenditure. The risk of rates going up in the future is reduced by using such a loan;

- (e) due to the current state of the economy, there is a risk in holding onto money. Banks cannot be trusted as they once were, due to a lack of Government support. If a bank gets into trouble, new legislation says that it cannot be bailed out. As an example, if a bank made 5% losses, the loss to the council could be 25-30%;
- (f) Forward Starting Loans are a new product for LA's, but have been used regularly outside of this area. The only risk encountered so far was in the initial stages, when Legal had to investigate whether it was possible for LA's to use this product;
- (g) Bond agency is a potential source of taking new debt, although it is still being established, and is not an option available to the council now. Some of the bigger authorities have looked at creating their own bond and putting it into the market. This carries a significant cost, and requires a lot of work on credit rating. Nevertheless, it can be considered as an option in the future;
- (h) a business case and feasibility studies are required as standard protocol for any major new schemes or investments. This catches all big ideas coming through the council. The cumulative risk to the authority for all schemes is kept under review by the Acting Chief Finance Officer;

**RESOLVED to:**

- (1) ask Glyn Daykin to write a memo to Councillors of this committee to assess the risks/benefits involved with Forward Starting Loans;**
- (2) bring a report on all capital schemes and values to the next meeting, so that Councillors can pick schemes that they would like to look at in more detail. This can be provided by a Capital Accountant;**

## **42 REVIEW OF ACCOUNTING POLICIES**

Barry Dryden, Senior Finance Manager presented the Review of Accounting Policies, highlighting the following points:

- (a) there are no significant changes to this review from last year. If KPMG recommend any significant changes to this review, Councillors can be notified at a future meeting;
- (b) KPMG interim visit is due week beginning 2 March. Items requiring scrutiny by KPMG are done during this interim visit, although slight tweaks can be performed outside of this visit if necessary;

### **RESOLVED to:**

- (1) agree the Statement of Accounting Policies for inclusion in the 2014/15 annual accounts;**
- (2) agree the proposals where International Financial Reporting Standards (IFRS) allow a degree of choice;**

## **43 ANNUAL GOVERNANCE STATEMENT- PROGRESS MADE TO DATE ON ISSUES REPORTED 2013/14 AND PROCESS FOR PRODUCING 2014/15 STATEMENT**

Shail Shah, Head of Internal Audit, presented the Annual Governance Statement, updating the Committee on progress made to date on issues reported in 2013/14, and the process for producing the 2014/15 statement. The following points were discussed:

- (a) progress is being made across all areas. The issue with Icelandic banks is now coming to a conclusion, with no further payments expected by the Local Government Association;
- (b) risks around the WPL (Workplace Parking Levy) remain, and these will be continually updated;
- (c) procedural issues, such as with EMSS (East Midlands Shared Services) pose some of the more significant risks. With EMSS specifically, the Oracle system is still evolving, which can cause problems. There are other significant risks around value for money; the Budget goes to Full Council on Monday 9 March. The future beyond March is hard to predict at the moment, as it depends on the outcome of the election in May;
- (d) risks experienced through EMSS cannot necessarily be copied across to other new products. For example, the new Revenues and Benefits contract is a completely different risk, and indeed, it was thought initially that the risks

associated with it are quite low, as it is not a big logistical move. The main risks encountered so far have been in relation to the Oracle software;

- (e) lessons can be learned from other organisations, and applied to Nottingham City Council. It is almost inevitable that new schemes will have 'teething' problems; these problems are picked up by the in-house Major Projects group, who lead on such issues;
- (f) there are ongoing meetings with departmental leadership teams and corporate directors around the 2014/15 statement. Findings will be reported in either the June, or July meeting;

**RESOLVED to:**

- (1) note the progress made to date in addressing the issues reported in the 2013/14 AGS (Annual Governance Statement), as detailed in Appendix 1;**
- (2) note the process and timetable for compiling and completing the 2014/15 AGS, as detailed in Appendix 2;**

**44 INTERNAL AUDIT QUARTERLY REPORT 2014/15 (THIRD QUARTER) AND INTERNAL AUDIT PLAN 2015/16.**

Shail Shah, Head of Internal Audit, introduced the Director of Strategic Finance's report which outlined the work of the Internal Audit (IA) service for the third quarter of 2014/15, and the proposed Internal Audit Plan 2015/16:

- (a) at the previous meeting of the Audit Committee, the external consultant's report on the IT department had been requested for review. Simon Salmon, Head of IT will present this report at the next meeting;

**RESOLVED to:**

- (1) note the performance of Internal Audit during the period;**
- (2) select the IT consultants report, and housing rents audit for examination at the Committee's next meeting;**
- (3) approve the Internal Audit Plan for 2015/16;**

**45 INTERNAL AUDIT REPORT SCHEDULED FOR EXAMINATION**

Shail Shah, Head of Internal Audit, introduced the Director of Strategic Finance's report which outlined the Internal Audit report on Bank reconciliations:

**RESOLVED to note the Internal Audit report in Appendix 1;**



**46 AUDIT COMMITTEE TERMS OF REFERENCE AND ANNUAL WORK PROGRAMME**

Shail Shah, Head of Internal Audit, introduced the Director of Strategic Finance's report which outlined the core functions of the Committee, the benefits that will arise for the City Council and an outline annual work programme.

- a) the Committee were informed by Shail that the work programme will be kept updated and brought back to further meetings;

**RESOLVED to:**

- 1) **note the functions of the Audit Committee and the benefits arising from its existence;**
- 2) **endorse the outline work programme at Appendix 1 and the terms of reference at Appendix 2;**

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# External audit progress report and technical update

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Nottingham City Council

June 2015

Agenda Item 6

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

- High impact
- Medium impact
- Low impact
- For info

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PROGRESS REPORT					
External audit progress report					3
KPMG RESOURCES					
KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years					5
Governance Arrangement work over the Better Care Fund					6
Better Care Fund Support Programme					7
Audit Committee Institute: Local Government Seminar Series – Winter 2015					8
TECHNICAL UPDATE					
CIPFA and HFMA guidance on the Better Care Fund and S.75 budgets	●	10	The Accounts and Audit Regulations 2015	●	17
LAAP bulletin 101: accounting for non-current assets used by local authority maintained schools	●	11	LAAP Bulletin 103: closure of the 2014/15 accounts and related matters	●	18
NAO report: Public Health England's grant to local authorities	●	12	CIPFA Treasury and Capital Management Panel bulletin – April 2015 update	●	19
Transfer of Audit Commission responsibilities from 1 April 2015	●	13	NAO Code of Audit Practice 2015/16	●	20
Audit Commission VFM profile: Update	●	14	Audit Commission VFM briefing: Council tax and business rates collection.	●	21
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APPENDIX					
Appendix 1 – 2014/15 audit deliverables					24



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# Progress report

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

Area of responsibility	Commentary
<b>Financial statements</b>	<p>We have completed our interim review and gained an understanding of the operation of your key controls. We have met with your finance team and Internal Auditors to update our knowledge in regard to the latest position concerning the control issues we raised last year operated by EMSS – we will have to revisit this in the summer.</p> <p>Our final accounts visit is planned for July and August and we have agreed the timing of our visit with the finance team. We have discussed the key risks and judgements made by your finance team in advance of this visit and agreed in principal approaches for some key areas of the financial statements.</p>
<b>Value for Money</b>	<p>We have carried out an initial review of your arrangements to provide value for money including a review of the budgeting process and discussions with finance staff and internal audit. We have no issues which we wish to raise at this stage however we are revisiting our work as part of the final accounts visit.</p>
<b>Certification of claims and returns</b>	<p>We have held a planning meeting in regard to the Housing Benefit Subsidy claim certification and have agreed a timeline for the audit work required to enable us to meet the November deadline.</p> <p>Over the next period we will work with your finance team to identify which other grant returns you wish us to review in relation to the 2014/15 financial year.</p>
<b>Other work</b>	<p>We have introduced a KPMG expert from our Cities team to members of your finance team to offer some insight in regard to how other cities are prioritising capital projects. This will enable you to follow best practice in this area.</p>



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# KPMG resources

Area	Comments
<p data-bbox="66 325 252 476"><b>Governance Arrangements work over the Better Care Fund.</b></p> <p data-bbox="95 582 128 705">Page 16</p>	<p data-bbox="292 325 1984 476">The £3.8 billion Better Care Fund (BCF) (formerly the Integration Transformation Fund) was announced by the Government in the June 2013 Spending Round, to ensure a transformation in integrated health and social care. The BCF is a single pooled budget to support health and social care services to work more closely together in local areas. The BCF not only brings together NHS and Local Government resources, but also provides a real opportunity to improve services and value for money, protecting and improving social care services by shifting resources from acute services into community and preventative settings.</p> <p data-bbox="292 496 1949 591">The governance arrangements for the BCF will therefore have to meet the requirements of all partners to achieve economy, efficiency and effectiveness in their use of resources. Each partner will also need to satisfy itself that the pooled budget complies with the requirements of its appropriate code of governance and annual governance reporting guidance.</p> <p data-bbox="292 611 1960 733">Each partner must also satisfy itself that all other regulatory requirements are met – for example, that discrete funding streams are only spent appropriately at a local level. Partners therefore need to make arrangements to ensure that that is happening. Additionally, there will be a requirement for an audit certificate on this expenditure and arrangements need to be in place to ensure appropriate records are kept to provide sufficient audit assurance.</p> <p data-bbox="292 753 1976 811">With this in mind, CCG governing bodies and Local Authority Executives are now considering whether governance arrangements and structures are fit for purpose and will ensure the effective management of the BCF and the pace of development and implementation.</p> <p data-bbox="292 831 1804 859">We are currently carrying out reviews of these governance arrangements and structures using the following Key Lines of Enquiry:</p> <ul data-bbox="292 879 727 1145" style="list-style-type: none"> <li>■ Governance arrangements.</li> <li>■ Engagement and communication.</li> <li>■ Hosting arrangements.</li> <li>■ Signed agreement.</li> <li>■ Performance management.</li> <li>■ Financial management.</li> </ul> <p data-bbox="292 1165 1984 1222">Nottingham City CCG were learning partners as part of our pilot project in this area and we have held a workshop to help with benefits realisation for the Better Care Fund in place with the CCG.</p> <p data-bbox="292 1242 928 1270">For more information, please contact Sue Sunderland.</p>



Area	Comments
<p data-bbox="64 322 269 539"><b>KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years</b></p> <p data-bbox="95 722 126 843">Page 17</p>	<p data-bbox="292 322 1991 415">Without a radical programme of house building, average house prices in England could double in just ten years to £446,000 at current prices, according to research. In twenty years they could quadruple, with the average house price estimated to rise to over £900,000 at current prices by 2034 if current trends continue.</p> <p data-bbox="292 434 1991 494">The research from KPMG and Shelter also reveals that more than half of all 20-34 year olds could be living with their parents by 2040, as soaring housing costs caused by the shortage of affordable homes leave more and more people priced out of a home of their own.</p> <p data-bbox="292 512 1991 605">The warning comes in a landmark report from KPMG and Shelter outlining how the 2015 government can turn the tide on the nation's housing shortage within a single parliament. With recent government figures showing that homeownership in England has been falling for over a decade, the consequences of our housing shortage are already being felt.</p> <p data-bbox="292 624 1991 684">The report sets out a blueprint for the essential reforms that will increase the supply of affordable homes and stabilise England's rollercoaster housing market. It calls on politicians to commit to an integrated range of key measures, including:</p> <ul data-bbox="292 702 1991 1082" style="list-style-type: none"> <li>■ giving planning authorities the power to create 'New Homes Zones' that would drive forward the development of new homes. Combined with infrastructure, this would be led by local authorities, the private sector and local communities, and self-financed by sharing in the rising value of the land;</li> <li>■ unlocking stalled sites to speed up development and stop land being left dormant, by charging council tax on the homes that should have been built after a reasonable period for construction has passed;</li> <li>■ introducing a new National Housing Investment Bank to provide low cost, long term loans for housing providers, as part of a programme of innovative ways to finance affordable house building;</li> <li>■ helping small builders to get back into the house building market by using government guarantees to improve access to finance; and</li> <li>■ fully integrating new homes with local infrastructure and putting housing at the very centre of City Deals, to make sure towns and cities have the power to build the homes their communities need.</li> </ul> <p data-bbox="292 1100 1991 1160">To read the report, visit <a href="http://www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Pages/building-the-homes-we-need-programme-2015.aspx">www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Pages/building-the-homes-we-need-programme-2015.aspx</a></p> <p data-bbox="292 1179 924 1208">For more information, please contact Richard Walton.</p>

Area	Comments
<p data-bbox="64 322 244 415"><b>Better Care Fund Support Programme</b></p> <p data-bbox="95 582 126 704">Page 18</p>	<p data-bbox="292 322 1991 415">The Better Care Fund Support Programme aims to help areas to overcome the barriers to the successful implementation of the Better Care Fund plans across England in 2015/16. KPMG is one of the partners that successfully bid to deliver the programme, on behalf of NHS England, alongside the Social Care Institute for Excellence ('SCIE'), PPL Consulting and the Berkeley Partnership.</p> <p data-bbox="292 434 1742 462">The focus has been on practical implementation support to deliver better care for the local population. Support has included:</p> <ul data-bbox="292 481 1908 682" style="list-style-type: none"> <li data-bbox="292 481 1752 509">■ Conferences, webinars and regional clinics – to explore the barriers to change and develop local plans to overcome them;</li> <li data-bbox="292 528 1779 556">■ The Better Care Exchange – an online interactive space for knowledge sharing and collaboration (currently in development);</li> <li data-bbox="292 575 1607 604">■ Virtual clinics – telephone support for BCF leads to discuss individual site issues with integration experts; and</li> <li data-bbox="292 622 1908 682">■ Coaching and support – to enable good practice and insight gathering from within the BCF programme to support Better Care Learning Partners.</li> </ul> <p data-bbox="292 701 1013 729">A number of 'How to guides' have been developed on how to:</p> <ul data-bbox="292 748 1943 908" style="list-style-type: none"> <li data-bbox="292 748 1732 776">■ lead and manage Better Care implementation: <a href="http://www.scie.org.uk/about/files/nhs-england-bcf-leadership-how-to-guide.pdf">www.scie.org.uk/about/files/nhs-england-bcf-leadership-how-to-guide.pdf</a></li> <li data-bbox="292 795 1943 858">■ bring budgets together and use them to develop coordinated care provision: <a href="http://www.scie.org.uk/about/files/nhs-england-bcf-budgets-how-to-guide.pdf">www.scie.org.uk/about/files/nhs-england-bcf-budgets-how-to-guide.pdf</a></li> <li data-bbox="292 876 1881 905">■ work together across health, care and beyond: <a href="http://www.scie.org.uk/about/files/how-to-work-together-across-health-care-and-beyond.pdf">www.scie.org.uk/about/files/how-to-work-together-across-health-care-and-beyond.pdf</a></li> </ul> <p data-bbox="292 926 1779 955">The support programme also includes webinars. Further webinars are scheduled, but at present they cover the following topics:</p> <ul data-bbox="292 973 1069 1098" style="list-style-type: none"> <li data-bbox="292 973 493 1002">■ Joint working;</li> <li data-bbox="292 1021 1069 1049">■ Section 75 Arrangements – Pooled and unpooled budgets; and</li> <li data-bbox="292 1068 493 1096">■ Data sharing;</li> </ul> <p data-bbox="292 1116 1970 1179">More details on the programme, and a link to the webinar recordings, can be found on the SCIE website at <a href="http://www.scie.org.uk/about/partnerships-better-care.asp">www.scie.org.uk/about/partnerships-better-care.asp</a></p> <p data-bbox="292 1198 928 1226">For more information, please contact Sue Sunderland.</p>

Area	Comments
<b>Audit Committee Institute: Local Government Seminar Series – Autumn 2015</b>	<p>Our Audit Committee Institute ('ACI') events have been designed to provide you with sessions that help you consider the challenges faced by Local Government bodies today, and to help you think about the questions you want to be asking in relation to the assurance you need.</p> <p>Our bespoke seminars are tailored to your needs, offering you the opportunity to discuss and share best practice with your peers. They will encourage and spark debate and give you the opportunity to reflect on your role and how your organisation can meet the challenges ahead.</p> <p>Our Winter Local Government sessions will be led by specialists from our dedicated Local Government practice and will focus on hot topics in the sector.</p> <p>Invites will be sent to Audit Committee members in Summer 2015 with the event taking place in the Autumn.</p> <p>For more information, please contact Richard Walton.</p>



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# Technical update

Area	Level of Impact	Comments	KPMG perspective
<p><b>CIPFA and HFMA guidance on the Better Care Fund and S.75 budgets</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 21</p>	<p style="text-align: center;">● <b>High</b></p>	<p>The Healthcare Financial Management Association (HFMA), in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA), has released for finance professionals as part of plans to implement the Better Care Fund.</p> <p>The guidance looks at:</p> <ul style="list-style-type: none"> <li>■ the legislation and regulations that underpin the operation of a pooled budget;</li> <li>■ the finance, governance and operational arrangements that clinical CCGs and local authorities had to have in place before the Better Care Fund ‘went live’ on 1 April 2015; and</li> <li>■ the accounting standards that will apply and need to be considered in advance of preparing the signed agreement that will underpin the pooled budget.</li> </ul> <p>Whilst the guidance has been prepared by the HFMA and is primarily targeted at NHS bodies, it also covers local authorities and so may be of interest of local government bodies.</p> <p>For further information see the HFMA guidance at <a href="http://www.hfma.org.uk/NR/rdonlyres/7BF426D9-4CDE-4D4A-B6F9-16CDD17E5F9D/0/BCFguidance.pdf">http://www.hfma.org.uk/NR/rdonlyres/7BF426D9-4CDE-4D4A-B6F9-16CDD17E5F9D/0/BCFguidance.pdf</a></p>	<p><i>The Committee may wish to seek assurances these costs are being accounted for appropriately and that where errors have been made, there are plans to address them.</i></p>

Area	Level of impact	Comments	KPMG perspective
<p><b>LAAP bulletin 101: accounting for non-current assets used by local authority maintained schools</b></p> <p>Page 22</p>	<p>● Medium</p>	<p>In December 2014 CIPFA issued <i>LAAP bulletin 101: accounting for non-current assets used by local authority maintained schools</i>. The bulletin focuses on the accounting treatment for the non-current assets used by schools under the Code.</p> <p>The bulletin is based on information that CIPFA has received from the national faith representative bodies and CIPFA cannot confirm whether these arrangements operate as described locally. Paragraph 33 of the Bulletin therefore concludes:</p> <p style="padding-left: 40px;">“Local authorities will need to establish that the situation and analysis exists for VA [voluntary aided], VC [voluntary controlled] schools and foundation schools where assets are owned by religious bodies in their area and assure themselves as to the extent to which this situation is applicable.”</p> <p>However, it is the view of the bulletin that for most VA and VC schools, the local authority would not reflect the value of the school buildings or land within their financial statements.</p> <p>The bulletin also addresses the issue of foundation schools; at these schools, the school’s main non-current assets are often owned by a trust. The bulletin advises that where the trust is under the common control of the school then the non-current assets should be recognized by the local authority.</p> <p>The bulleting can be found on CIPFA’s website at <a href="http://www.cipfa.org/policy-and-guidance/laap-bulletins/laap-101">www.cipfa.org/policy-and-guidance/laap-bulletins/laap-101</a></p>	<p><b><i>The Committee may seek assurances that the schools used by the Authority are being accounted for correctly.</i></b></p>

Area	Level of impact	Comments	KPMG perspective
<p><b>NAO report: Public Health England's grant to local authorities</b></p> <p>Page 23</p>	<p>● Medium</p>	<p>This report finds that Public Health England ('PHE') has made a good start in supporting local authorities with their new responsibilities for public health. The National Audit Office ('NAO') considers however that it is too early to tell whether PHE's approach is achieving value for money. Auditors may find that the report is helpful when planning their work on the 2014/15 conclusion on arrangements to secure VFM.</p> <p>PHE provides advice to local authorities on public health and gives them a ring-fenced grant to carry out their new public health responsibilities – £2.7 billion in 2013/14. The agency has, however, encountered some problems with the accuracy of how local authorities record what has been spent on public health.</p> <p>Spending on different aspects of public health varies significantly between local authorities, reflecting the differing needs and circumstances of different areas. The NAO found, however, examples where spending decisions were not obviously aligned to local needs and priorities. The NAO found that PHE could do more to identify these examples and offer appropriate advice and support to local authorities.</p> <p>Authorities may find that the report is helpful when assessing their arrangements for their new responsibilities for public health. The report is available on the NAO website at <a href="http://www.nao.org.uk/report/public-health-englands-grant-to-local-authorities/">www.nao.org.uk/report/public-health-englands-grant-to-local-authorities/</a></p>	<p><i>The Committee may seek assurances over the current status of the arrangements that the Authority has put in place to meet the new responsibilities for public health.</i></p>

Area	Level of impact	Comments	KPMG perspective
<p><b>Transfer of Audit Commission responsibilities from 1 April 2015</b></p> <p>Page 24</p>	<p>● Low</p>	<p>The work that auditors will carry out on 2015/16 accounts will be completed under the new Code of Audit Practice ('the Code') that the NAO is developing. Under the <i>Local Audit and Accountability Act 2014</i> the Audit Commission's responsibility to prepare and publish a Code transferred to the NAO.</p> <p>From 1 April 2015, Public Sector Audit Appointments ('PSAA'), set up by the Local Government Association as an independent company, oversees the Commission's audit contracts until they end in 2017, or 2020 if extended by DCLG. PSAA's responsibilities will include setting fees, appointing auditors and monitoring the quality of auditors' work. The responsibility for making arrangements for housing benefit subsidy certification and for publishing the Commission's value for money profiles tool will also transfer to PSAA.</p> <p>The Commission's other functions will also transfer to new organisations, with local value for money studies as well as responsibility for the Code of Audit Practice transferring to the NAO. Following its public consultation, the NAO's final draft Code of Audit Practice was laid in Parliament on Monday 12 January 2015. The Code will apply for audits relating to financial year 2015/16 and beyond; 2014/15 audits will continue under the existing Audit Commission's 2010 Code.</p> <p>The National Fraud Initiative continues and has now been transferred to the Cabinet Office.</p> <p>The Commission recently wrote to audited bodies and other stakeholders with more information about the transfer of the Commission's functions and where to find details on specific questions.</p> <p>The PSAA website: <a href="http://www.psa.co.uk/">www.psa.co.uk/</a></p> <p>The NAO website: <a href="http://www.nao.org.uk/code-audit-practice/#">www.nao.org.uk/code-audit-practice/#</a></p> <p>The Cabinet Office website: <a href="http://www.gov.uk/government/collections/national-fraud-initiative">www.gov.uk/government/collections/national-fraud-initiative</a></p>	<p><i>The Committee may wish to enquire of officers whether they have received any such communications from the Audit Commission and the details of any response.</i></p>



Area	Level of impact	Comments	KPMG perspective
<p><b>Audit Commission VFM profiles: Update</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 25</p>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>Low</b></p>	<p>The Audit Commission’s value for money (‘VFM’) profiles are now updated and contain the following changes:</p> <ol style="list-style-type: none"> <li>1. The latest 2013/14 data for the revenue outturn returns now shows in all relevant sections.</li> <li>2. A new section about public health spending contains the relevant spend data, context and performance measures. This section has six sub sections covering: <ul style="list-style-type: none"> <li>■ adults physical health;</li> <li>■ children’s physical health;</li> <li>■ sexual health;</li> <li>■ smoking and tobacco;</li> <li>■ substance misuse; and</li> <li>■ other services and programmes.</li> </ul> </li> <li>3. The nearest neighbours’ groupings have been updated using the latest groupings published by CIPFA in November 2014. Although the methodology for the groupings has not changed, the data that is used within the methodology has been updated to create the new groupings.</li> <li>4. The financial resilience section has been updated with the relevant expenditure data related to income from the rates retention scheme and the spend on administration of council tax local support.</li> <li>5. All other performance and contextual datasets where possible have the latest available data (with the exception of the children and young people and adults sections which will be updated later in the year as more data becomes available).</li> </ol> <p>Auditors may find reference to the updated profiles helpful when planning their work on the 2014/15 conclusion on arrangements to secure VFM.</p> <p>The VFM profiles are now maintained by the PSAA and are available on their website at <a href="http://vfm.psaa.co.uk/nativeviewer.aspx?Report=/profiles/VFM_Landing">http://vfm.psaa.co.uk/nativeviewer.aspx?Report=/profiles/VFM_Landing</a></p>	<p><i>The Committee may wish to seek whether the Authority use the updated VFM profiles to help benchmark performance.</i></p>

Area	Level of impact	Comments	KPMG perspective
<p><b>Change to audit requirements for joint committees from 2015/16</b></p>	<p>● Low</p>	<p>DCLG has confirmed that 2014/15 will be the final year for which joint committees will require a statutory audit. <i>The Local Audit and Accountability Act 2014</i> ('the Act') which applies to audit work on the 2015/16 accounts no longer includes joint committees in the schedule of bodies requiring a statutory audit. From 2015/16, participating local authorities are free to arrange for an audit of their joint committees on a voluntary basis, and may opt to do so where joint committees are particularly large, complex or high risk.</p> <p>Authorities will wish to note the change to joint committee audit requirements from 2015/16 onwards, and consider what level of assurance they require on the operation and financial reporting of their joint committees.</p>	<p><i><b>The Committee may want seek assurances over what arrangements will replace the statutory audit for 2015/16 for any Joint Committees.</b></i></p>

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Area	Level of impact	Comments	KPMG perspective
<p><b>LAAP bulletin 102: accounting for collaboration – transition issues</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 27</p>	<p style="text-align: center;">● Low</p>	<p>On 16 February CIPFA issued the <i>LAAP bulletin 102: accounting for collaboration – transition issues</i>. The bulletin provides guidance on issues that may arise when making the transition to the new requirements for collaborative arrangements under the revised provisions of the <i>Code of Practice on Local Authority Accounting in the UK 2014/15</i> ('the Code'). Chapter 9 Group Accounts of the Code contains revised provisions following the issue of new IFRS standards and the amendment of related existing standards. The bulletin deals with issues specifically relating to making the transition from the old to the new arrangements.</p> <p>The new provisions affect three main areas:</p> <ol style="list-style-type: none"> <li>1. a new definition of subsidiaries based on a remodelled control test (IFRS 10 Consolidated Financial Statements);</li> <li>2. new classifications for joint operations and joint ventures (IFRS 11 Joint Arrangements); and</li> <li>3. extended and revised disclosure requirements for group accounts (IFRS 12 Disclosure of Interests in Other Entities).</li> </ol> <p>The bulletin deals with issues specifically relating to making the transition from the old to the new arrangements.</p> <p>The bulleting can be found on CIPFA's website at <a href="http://www.cipfa.org/policy-and-guidance/laap-bulletins/laap-102">www.cipfa.org/policy-and-guidance/laap-bulletins/laap-102</a></p>	<p><i><b>The Committee may seek assurances that the Authority are accounting correctly for their collaborative arrangements under the revised provisions of the Code.</b></i></p>

Area	Level of impact	Comments	KPMG perspective
<p><b>The Accounts and Audit Regulations 2015</b></p> <p>Page 28</p>	<p>● Low</p>	<p>On 17 February 2015 the <i>Accounts and Audit Regulations 2015</i> ('the Regulations') were laid before Parliament, having been signed by the Minister under the <i>Local Audit and Accountability Act 2014</i> on 12 February. Authorities should note, however, that the 2011 regulations, which were issued under the Audit Commission Act 1998, continue to apply for the completion of 2014/15 audits.</p> <p>The Council is a Category 1 authority under the Regulations. As such, the major changes arising from the regulations will be:</p> <ul style="list-style-type: none"> <li>■ the removal of the 30 June deadline for the section 151 officer to certify the financial statements; and</li> <li>■ moving the deadline for issuing the audit certificate and publishing the financial statements from 30 September to 31 July, from 2016/17 onwards.</li> </ul> <p>The rest of the 2015 regulations come into effect for financial years beginning on or after 1 April 2015 and therefore will first apply for 2015/16 audits.</p> <p>The Regulations can be found on the UK Legislation website at <a href="http://www.legislation.gov.uk/uksi/2015/234/contents/made">www.legislation.gov.uk/uksi/2015/234/contents/made</a></p>	<p><i>The Committee may wish to note that these regulations only apply from the 2015/16 audit, and consider the timing of the 2015/16 and 2016/17 audits.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p><b>LAAP Bulletin 103: closure of the 2014/15 accounts and related matters</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 29</p>	<p>● Low</p>	<p>On 27 March CIPFA issued <i>LAAP Bulletin 103: closure of the 2014/15 accounts and related matters</i> which clarifies a number of issues with regard to the preparation of 2014/15 financial statements in response to FAQs in relation to:</p> <ul style="list-style-type: none"> <li>■ accounting for local authority maintained schools in England and Wales;</li> <li>■ accounting for local authority maintained schools transferring to academy status;</li> <li>■ <i>LAAP Bulletin 102: accounting for collaboration – transition issues</i>; and</li> <li>■ amendments to the 2015/16 Code regarding the frequency of valuations.</li> </ul> <p>The Bulletin also highlights a number of other issues affecting the closure of the 2014/15 accounts:</p> <ul style="list-style-type: none"> <li>■ accounting standards that have been issued but have not yet been adopted, including IFRS 13 Fair Value Measurement;</li> <li>■ use of example financial statements for preparation of the 2014/15 accounts; and</li> <li>■ technical alerts, including changes to holiday pay calculations following recent Employment Appeal Tribunal rulings and NDR provisions for refunds granted on appeal against the rateable value of business properties.</li> </ul> <p>For future accounting periods, the Bulletin also provides an update on issues affecting 2015/16 and on the measurement of transport infrastructure assets in 2016/17. The final section of the Bulletin includes an update from HM Treasury and the Department for Communities and Local Government covering the Whole of Government Accounts return for 2014/15.</p> <p>The bulletin can be found on CIPFA’s website at <a href="http://www.cipfa.org/policy-and-guidance/laap-bulletins/laap-103-closure-201415-accounts">www.cipfa.org/policy-and-guidance/laap-bulletins/laap-103-closure-201415-accounts</a></p>	<p><i>The Committee may wish to seek assurances that the LAAP Bulletin has been considered and the implications for the 2014/15 financial statements are understood.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p><b>CIPFA Treasury and Capital Management Panel bulletin – April 2015 update</b></p> <p>Page 30</p>	<p>● Low</p>	<p>CIPFA’s Treasury and Capital Management Panel has issued its latest bulletin. These bulletins contain topical treasury management issues which may be of relevance to local authority treasury teams. The latest bulletin covers:</p> <ul style="list-style-type: none"> <li>■ Public Works Loan Board (PWLB) governance changes;</li> <li>■ regulatory changes;</li> <li>■ Lender’s Option, Borrower’s Option loans (LOBOs);</li> <li>■ IFRS 13 and IFRS 9;</li> <li>■ Islamic finance;</li> <li>■ publications update; and</li> <li>■ UK Municipal Bonds Agency.</li> </ul> <p>The bulletin can be found on CIPFA’s website at <a href="http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/treasury-and-capital-management-panel/newsletters-and-bulletins">www.cipfa.org/policy-and-guidance/technical-panels-and-boards/treasury-and-capital-management-panel/newsletters-and-bulletins</a></p>	<p><i>The Committee may wish to seek assurances the issues that are relevant for their treasury management teams are being addressed.</i></p>

Area	Level of impact	Comments	KPMG perspective
<b>NAO Code of Audit Practice 2015/16</b>	<p style="text-align: center;">● Low</p>	<p>Following its public consultation, the NAO’s final draft Code of Audit Practice was laid in Parliament on Monday 12 January 2015; it has now been approved.</p> <p>The Code will apply for audits relating to financial year 2015/16 and beyond. The former Audit Commission Code continues to apply for 2014/15 audits</p> <p>Further details can be found on the NAO website at <a href="http://www.nao.org.uk/code-audit-practice/">http://www.nao.org.uk/code-audit-practice/</a></p>	<p><i>The Committee may wish to seek assurances that the finance department is aware of the requirements of the Code for 2015/16 Audit.</i></p>

Area	Level of impact	Comments
<p><b>Audit Commission VFM briefing: Council tax and business rates collection</b></p> <p>Page 32</p>	<p>●</p> <p><b>For information</b></p>	<p>The Audit Commission published an update to the Council tax and business rates collection VFM briefing in March 2015, the last in its series of VFM data briefings analysing data in the VFM Profiles. The briefing looks at the amount of council tax and business rates councils collected and their collection rates in 2013/14 – the first year of new localised council tax support schemes and business rate retention arrangements.</p> <p>By the end of 2013/14 councils had collected £46.05 billion of the £47.26 billion due to be paid that year, leaving £1.21 billion uncollected. Council tax collection rates were 0.4 per cent lower than in 2012/13 but business rates collection rates were 0.2 per cent higher. Council tax debt from 2013/14 and previous years increased by 6 per cent. The proportion of debt from previous years that councils collected ranged from 2 per cent to 76 per cent and the proportion of debt written off ranged from 1 per cent to 32 per cent.</p> <p>Nearly four fifths of councils collected more business rates in 2013/14 than they did in 2012/13 in real terms and so were likely to benefit from the new business rates retention arrangements.</p> <p>The update can be found on the Commission’s website at <a href="http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/">www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/</a></p>



Area	Level of impact	Comments
<b>Audit Commission report: Data quality matters</b>	<p style="text-align: center;">●</p> <p style="text-align: center;"><b>For information</b></p>	<p>In February 2015 the Audit Commission published its report, <i>Data quality matters</i>, which reports on the past work of the Commission and its appointed auditors in relation to data quality. The report reinforces the enduring importance of the standards for better quality data which the Commission had previously issued, summarising the past data quality work, drawing out key messages and highlights learning points for future consideration of arrangements to assure data quality by those responsible for governance in audited bodies.</p> <p>The report is available from the Commission’s website at <a href="http://www.audit-commission.gov.uk/2015/02/data-quality-matters/">www.audit-commission.gov.uk/2015/02/data-quality-matters/</a></p>



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# Appendix

## Appendix 1 – 2014/15 Audit deliverables

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
Fee letter	Communicate indicative fee for the audit year	March/April 2015	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2015	Complete
<b>Substantive procedures</b>			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2015	TBC
<b>Completion</b>			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2015	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2015	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2015	TBC
<b>Certification of claims and returns</b>			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2015	TBC



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**AUDIT COMMITTEE - 26 June 2015**

<b>Title of paper:</b>	PROGRESS AGAINST RECOMMENDATIONS OF THE ACTICA REVIEW OF NOTTINGHAM CITY COUNCIL IT SERVICES	
<b>Director(s)/ Corporate Director(s):</b>	Resources	<b>Wards affected:</b> N/A
<b>Report author(s) and contact details:</b>	Jez Bailey. IT Service Support Manager. 63229 jez.bailey@nottinghamcity.gov.uk	
<b>Other colleagues who have provided input:</b>	None	
<b>Recommendation(s):</b>		
<b>1</b>	The Committee note the findings of the IT review, the recommendations made by ACTICA and the progress to date.	

**1. REASONS FOR RECOMMENDATIONS**

Information provided by request of the Audit Committee

**2. BACKGROUND**

Following the re-organisation of Senior Management posts within the Council in April 2014, the Council sought an external root and branch review of the Existing ICT Service to examine: deployed technology; software; infrastructure; support services and management of ICT in the Council.

The final report, published on 31<sup>st</sup> October 2014 of a report of the findings of the reviewers including 28 issues that were recommended to be addressed.

**2a. Findings.** The First Report consisted of a series findings in the following 3 areas:

- IT strategy, vision and strategic governance of ICT in the Council.
- Ability and flexibility of the Councils IT Service to meet existing and future business requirements.
- Review of the structure, capacity and skills of the current IT Service Department to support the Council and to deliver key service functions.

The report detailing a summary of the findings and also the detailed recommendations is referenced as a supporting document under section 4 of this report.

The report however noted many recent and positive changes that had taken place since the management restructure some 6 months previously:

- Service users have noted a positive change in attitude and service delivery since Simon Salmon assumed the 'Head of Service' role.
- Significant on-going efforts are being made to improve provider/consumer relationships and culture.
- Communication, both within IT and with IT clients, is improving.
- IT staff generally wish to provide a good and sustainable service.
- Historic under-investment issues being addressed, including:

- Storage Area Network (SAN);
  - Client Upgrade programme;
  - Networks;
  - Citrix;
  - Mobile devices.
- Processes being implemented to improve management of IT staff activity and effectiveness.
  - Policies being implemented to better manage the IT estate/infrastructure.
  - For the first time a six year plan for expenditure and investment in IT has been developed.
  - 4.5 million minutes of internet access have been delivered to members of the public, over a 3 month period, through a NCC public access Wi-Fi scheme setup with 'The Cloud'.
  - As of July 2014 there has been a cumulative decrease at the end of each month in the number of open service calls, seeing a fall of around 100 open calls at the end of each month.
  - There has been a significant reduction in the number of major incidents reported each month. This has been achieved through newly implemented processes to mitigate problems caused by the existing infrastructure.
  - ICT security at NCC has been given a status of 'significantly assured' which is a vast improvement over the long standing status of 'limited assurance'.

The report concluded that the IT service was in a period of transition from a product and technology focussed organisation to a customer focused organisation, but that the business viewed IT as a means to deliver and support day-to-day activities, determining the success of IT Services against the Quality of Service delivered. The report highlighted a conflict between the aspiration of IT Services management to move toward being more customer, business and strategy focussed when faced (along with the rest of the organisation) with annual cost reductions.

**2b. Recommendations of the ACTICA report.** The recommendations of the report are 28 high, medium and low priority issues in the following areas:

Category	Priority
Strategy	High
IT Organisation	High / Medium
IT Infrastructure	Medium
Human Resources	Medium/ Low
Finance	High
Corporate Processes	Low
Charges for IT Services	High

The solutions to these issues translate into 24 recommended organisational work streams. The report also recommends the restructuring of the IT Service to support a Service Tower Delivery Model. This model is suggested to facilitate the development of IT services for the business, where contracts and service management processes are structured around the provision of commoditised services, rather than retaining the more traditional technology focus currently employed. Such a service-focused structure would provide the following benefits for the Council:

- The development of Service Catalogues for the Service and for the teams within IT;
- Allow functional service areas of responsibility to be targeted and monitored;

- Enable improved inter-team working.
- Allow Services to be market tested and, if desired, the commissioning of services.
- Clearly demark the service functions and promote clarity in financial reporting.

## 2c. Progress To Date and Conclusion.

A considerable amount of work has been completed since the Actica report was published on 31<sup>st</sup> October 2014. All 28 issues have been addressed and changes planned and implemented to improve the ICT service. A new Head of IT has been appointed and confirmed in post, and a restructure of the IT Service has been proposed following this appointment. The Council Executive have made a decision to invest in a detailed Service Improvement Programme (SIP) a business case for which has been developed to identify the benefits of a £4.5 million investment in new IT Tools and replacement of old technology. Service performance indicators over the past year have demonstrated a marked improvement in IT services offered to the business, over the past year. IT Systems have, for the first time, achieved accreditation for all 3 major public security standards (Government Public Service Networks, NHS and Payment Card Industry). A restructure of the IT Service is imminent and will enable the further focus on service development and delivery. It will enable the future flexibility and value of ICT services for the City Council. The following table summarises the current state of planned actions arising from the Actica Report.

Actions To Address	Total Number Of Actions	Actions in Progress within IT	Actions Outside IT	Actions Completed
High Priority	15	12	2	1
Medium Priority	9	7	2	
Low Priority	4	3	1	

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

None

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

Executive Board 24<sup>th</sup> February 2015 - IT Service Improvement Programme

<http://committee.nottinghamcity.gov.uk/documents/s20307/IT%20Service%20Improvement%20Programme.pdf>

Recommendations of ACTICA to the Council to address the issues found in the Service Review

<http://committee.nottinghamcity.gov.uk/documents/s20308/IT%20Service%20Improvement%20Programme%20-%20appendix%201.pdf>

Presentation to the IT Service Improvement Programme to the Executive Board given by the Head of IT.

<http://committee.nottinghamcity.gov.uk/documents/s20309/IT%20Service%20Improvement%20Programme%20-%20appendix%202.pdf>





**AUDIT COMMITTEE – 26 JUNE 2015**

<b>Title of paper:</b>	<b>TREASURY MANAGEMENT 2014/15 ANNUAL REPORT</b>	
<b>Director(s)/ Corporate Director(s):</b>	Glen O’Connell, Corporate Director, Resources	<b>Wards affected:</b> All
<b>Report author(s) and contact details:</b>	Glyn Daykin, Finance Analyst Tel: 0115 8763724 E-mail: glyn.daykin@nottinghamcity.gov.uk	
<b>Other colleagues who have provided input:</b>	Members of Treasury Management Panel: Geoff Walker, Director of Strategic Finance (Acting) Barry Dryden, Senior Finance Manager	
<b>Recommendation(s):</b>		
1	To consider and comment on the performance information in relation to Treasury Management activities for 2014/15.	

**1. REASONS FOR RECOMMENDATIONS**

- 1.1 The CIPFA Prudential Code requires local authorities to nominate a body within the organisation to be responsible for scrutiny of treasury management activity. It is considered that the City Council’s Audit Committee is the most appropriate body for this function.
- 1.2 In undertaking this function, the Audit Committee holds the responsibility to provide effective scrutiny of treasury management policies and practices.

**2. BACKGROUND**

- 2.1 Treasury management is the management of an organisation’s borrowings and investments, the effective management of the associated risks and the pursuit of optimum performance or return consistent with those risks.
- 2.2 The treasury management function is governed by provisions set out under Part 1 of the Local Government Act 2003, whereby the City Council must have regard to the CIPFA Prudential Code and the CIPFA Code of Practice. Under the latter Code, an annual report is required to be submitted to and considered by councillors.

**3. TREASURY MANAGEMENT ACTIVITY IN 2014/15****3.1 2014/15 Strategy**

The overall Treasury Management strategy for 2014/15 was approved at a meeting of the Council on 3 March 2014. **Table 1** summarises the actions taken in 2014/15 against each of the main three elements of that strategy:

<b>TABLE 1: TREASURY MANAGEMENT ACTIONS</b>	
<b>Strategy 2014/15</b>	<b>Actions to 31 March 2015</b>
<b>New borrowing</b> – to raise up to £24.6m to finance new capital expenditure in the year and replace maturing long-term debt.	No new long-term borrowing had taken place (see 4.4).

<p><b>Debt rescheduling</b> – to consider any debt rescheduling or repayment opportunities which enable revenue savings to be generated in the year.</p>	<p>No debt rescheduling had taken place (see 4.4).</p>
<p><b>Investments</b> – to ensure the security of funds invested through the application of a restricted counterparty list and the imposition of limits on the period and levels of individual investments. Within those confines, to maximise the return on investments.</p>	<p>The average return on investments was 0.669%. The benchmark average 7-day London Inter-Bank Bid (LIBID) rate for the same period was 0.44%. The 2014/15 budget was an average return of 0.70% (see 4.5).</p>

### 3.2 Economic background

- Growth and Inflation:

The robust pace of GDP growth of 3% in 2014 was underpinned by a buoyant services sector, supplemented by positive contributions from the production and construction sectors. Resurgent house prices, improved consumer confidence and healthy retail sales added to the positive outlook for the UK economy given the important role of the consumer in economic activity.

Annual CPI inflation fell to zero for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price

- Labour Market:

The UK labour market continued to improve and remains resilient across a broad base of measures including real rates of wage growth. January 2015 showed a headline employment rate of 73.3%, while the rate of unemployment fell to 5.7% from 7.2% a year earlier.

- UK Monetary Policy:

The Bank of England's MPC maintained interest rates at 0.5% and asset purchases (QE) at £375bn. The MPC Committee's stance is that any future increases in the Bank Rate would be gradual and limited, and below average historical levels.

- Market reaction:

From July, gilt yields were driven lower by a combination of factors: geo-political risks emanating from the Middle East and Ukraine, the slide towards deflation within the Eurozone and the big slide in the price of oil and its transmission through into lower prices globally. 5-, 10- and 20-year gilt yields fell to their lows in January (0.88%, 1.33% and 1.86% respectively) before ending the year higher at 1.19%, 1.57% and 2.14% respectively.

### 3.3 Local Context

At 31/03/2015 the Authority's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £960.7m.

At 31/03/2015, the Authority had £791.2m of borrowing including £103.2m of PFI Debt and £213.8m of investments. The Authority's current strategy is to maintain

borrowing and investments below their underlying levels, referred to as internal borrowing, subject to holding a minimum investment balance of £30m.

The Authority has an increasing CFR over the next 3 years due to the capital programme, investments are forecast to fall and further new long term borrowing is expected to be required. Investment balances will reduce by c.£100m in the summer of 2015 due to a required payment on the completion of the NET phase two project.

### 3.4 Borrowing

Total outstanding debt during 2014/15 decreased by £22.3m to £688.0m at 31 March 2015. The average rate of interest on that debt increased slightly, from 3.795% at 31 March 2014 to 3.866% at 31 March 2015. The majority of long-term borrowing is raised from the Government's Public Works Loan Board (PWLB). Table 2 analyses the debt portfolio:

	<b>1 APR 2014</b>		<b>31 MAR 2015</b>	
<b>DEBT</b>	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>
PWLB borrowing	648.8	3.814	635.0	3.847
Market loans	49.9	4.324	49.6	4.324
Local bonds	0.4	1.962	0.2	1.574
Temporary borrowing	11.2	0.393	3.2	0.471
<b>TOTAL DEBT</b>	<b>710.3</b>	<b>3.795</b>	<b>688.0</b>	<b>3.866</b>

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy. As short-term interest rates have remained, and are likely to remain at least over the forthcoming two years, lower than long-term rates, the Authority determined it was more cost effective in the short-term to use internal resources than to take any new long term borrowing in 2014/15.

The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Authority with this 'cost of carry' and breakeven analysis.

#### - LOBOs

The Authority holds £49m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £34m of these LOBOS had options during the year, none of which were exercised by the lender.

#### - Debt Rescheduling:

The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

- **HRA Borrowing**  
From 1 April 2002, the Council's HRA was allocated a separate debt portfolio based on the appropriate proportion of the Councils existing debt at that time. As a result of existing debt maturing and not being replaced the HRA accumulates a variable rate internal borrowing position. On the 1<sup>st</sup> April £19.161m of internal borrowing was fixed on a maturity loan basis for 30 years with reference to the 4.31% PWLB interest rate quoted on the day.  
On the 1<sup>st</sup> October a further £18.0m was fixed on a maturity loan basis for 30 years with reference to the 3.88% PWLB interest rate quoted on the day.
- **Changes to the PWLB**  
In January 2015 the Department of Communities and Local Government (CLG) confirmed that HM Treasury (HMT) would be taking the necessary steps to abolish the Public Works Loans Board. HMT has confirmed however that its lending function will continue unaffected and local authorities will retain access to borrowing rates which offer good value for money. The authority intends to use the PWLB's replacement as a potential source of borrowing if required.

### 3.5 Investments

The Authority has held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

The average sum formally invested during the year was £226m, earning total interest of £1.513m at an average rate of 0.669%. The effect of the continued low short-term interest rates (see table 4 in appendix 3), meant that the average return for 2014/15 was slightly below the original budget estimate of 0.70%. The Council benchmarks its average return against the 7-day London Interbank (LIBID) rate provided by the Bank of England. For 2014/15, the average 7-day LIBID rate was 0.44%.

<b>Table 3 – Movement in Investments</b>	Balance on 01/04/2014 £m	Balance on 30/03/2015 £m
Short term Investments (call accounts, deposits)		
- Banks and Building Societies with ratings of A- or higher	155.0	90.0
- Local Authorities	8.0	45.0
Long term Investments		
- Banks and Building Societies with ratings of A+ or higher	-	-
- Local Authorities	15.0	10.0
Money Market Funds	24.6	47.2

<b>TOTAL INVESTMENTS *</b>	202.6	192.2
Increase/ (Decrease) in Investments £m		(10.4)

*Note: \* excludes remaining balance held in Icelandic ISK Escrow account and Growth Fund monies held on behalf of the LEP*

Table 3 shows the movement in investments by type during 2014/15. The council reduced its exposure to banks by lending to local authorities deemed to be of high credit quality. As at 31 March 2015 the council had £55m investments with local authorities with £10m having over 365 days to maturity with the aim of maintaining a high level of security whilst achieving an improved return. As the banks have continued to reduce the interest rate payable on its call accounts the council has increased its use of instant access money market funds with the dual benefit of increased diversity and a AAAM credit rating.

Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

**Appendix 2** provides details of the Council's external investments at 31 March 2015, analysed between investment type and individual counterparties showing the Fitch long-term credit rating.

- Icelandic Bank deposits held in ISK Escrow Account  
The administrators for the recovery of Glitnir Bank deposits (£11m) have made repayment to all priority creditors, including the City Council, in full settlement of the accepted claims. However, approximately 21% (£2.3m) of this sum has been paid in ISK. Because of ongoing currency restrictions in Iceland, this sum is currently retained in an interest-bearing account with the Central Bank of Iceland, pending resolution of the currency release issues.

Accounting regulations require notional accrued interest in respect of the outstanding principal sums to be credited to the revenue account each year, together with any changes in the value due to the ISK exchange rate changes, until the recovery process is complete.

The accrued notional interest and changes in value due to exchange rate movements in respect of the Icelandic recoveries held in ISK escrow account produced a debit to the revenue account of £0.111m in 2014/15 which was neutralised by a transfer from the Treasury Management Reserve.

### 3.6 Counterparty update

The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. This outlawing of bail-outs, the introduction of

bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits rose relative to other investment options. The Authority therefore increasingly favouring secured investment options or diversified alternatives such as non-bank deposits, covered bonds and pooled funds over unsecured bank and building society deposits.

The Bank of England published its approach to bank resolution which gave an indication of how the reduction of a failing bank's liabilities might work in practice. The Bank of England will act if, in its opinion, a bank is failing, or is likely to fail, and there is not likely to be a successful private sector solution such as a takeover or share issue; a bank does not need to be technically insolvent (with liabilities exceeding assets) before regulatory intervention such as a bail-in takes place.

### 3.7 Banking Services

During 2014/15 the Council completed the change of banking services provider from The Co-operative Bank to Lloyds Bank.

### 3.8 External advisors

External advisors (Arlingclose) are retained to provide additional input on treasury management matters. The service comprises economic and interest rate forecasting, advice on strategy, portfolio structure, debt restructuring, investment policy and credit ratings and technical assistance on other matters, as required.

### 3.9 Prudential Indicators

Following the Local Government Act 2003, the Council is required to approve a series of treasury management prudential indicators. These were approved on 3 March 2014 by Council as part of the 2014/15 Treasury Management Strategy.

In compliance with the requirements of the CIPFA Code of Practice this report provides a summary of the treasury management activity during 2014/15. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. **Appendix 1** shows actual performance against these indicators for 2014/15 together with comparative figures for 2013/14.

The prudence indicators reflect the management of the capital programme and associated debt, within existing resource limitations. The affordability and treasury management indicators, indicate whether the 2014/15 actual figures were within the set limits.

The 'PFI and leasing debt' figures within the indicators reflect the notional debt element of those schemes financed through Private Finance Initiative (PFI) funding or finance leases.

The Council also confirms that during 2014/15 it complied with its Treasury Management Policy Statement and Treasury Management Practices.

### 3.10 General Fund Revenue Implications

Revenue costs associated with borrowing and lending can be volatile, being affected by a number of factors including movements in interest rates, the timing of capital spending, the extent of reserves held and actual cash flows during the year.

The latest budget estimate in 2014/15 for treasury management costs was £58.779m. The total treasury management-related costs in 2014/15, comprising interest charges less receipts, plus provisions for repayment of debt, were £68.233m.

A proportion of the Council's debt relates to capital expenditure on council housing and £12.054m of these costs was charged to the Housing Revenue Account (HRA). The remaining General Fund costs of £56.179m gave a favourable variance of £2.6m which is included within the treasury management section of the General Fund corporate budget outturn report on the 16 June 2015 Executive Board agenda.

The prime reason for the favourable variance is slippage in the capital program which has resulted in a £1m saving on interest payable on new long term debt and a further £1m reduction in the repayment of debt referred to as minimum revenue provision (MRP). These savings are one-off in nature as the proposed capital program expenditure materialises in 2015/16.

### 3.11 Treasury Management Reserve

The Treasury Management Reserve is maintained to smooth the impact of any volatility in treasury management revenue charges in any one year. The balance on the Reserve at 31 March 2015 is £9.202m.

### 3.12 Value for Money

Management of borrowing and investments is undertaken in conjunction with our appointed advisors, with the aim of minimising net revenue costs, maintaining an even debt maturity profile and ensuring the security and liquidity of investments.

### 3.13 Risk Management

Risk management plays a fundamental role in treasury activities, due to the value and nature of transactions involved. The management of specific treasury management risks is set out in the Manual of Treasury Management Practices and Procedures and a risk register is maintained for the treasury function.

The key Strategic Risk relating to treasury management is SR17 'Failure to protect the Council's investments'. The rating for this risk at 31 March 2015 was Likelihood = unlikely, Impact = moderate which represents the same risk assessment as at 1 April 2014.

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

4.1 None.

## **5. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

5.1 Treasury Management in the Public Services, Code of Practice 2013 – CIPFA

5.2 CIPFA statistics, Bloomberg sourced Money Market rates and PWLB loan rates 2014/15.

PRUDENTIAL INDICATORS

Appendix 1

INDICATORS	2013/14 Actual	2014/15 Estimate	2014/15 Actual	Within Limits?
<b>1) Prudence indicators</b>				
<b>i) Capital Expenditure</b>				
General Fund	£69.8m	£191.5m	£123.5m	YES
HRA	£52.4m	£77.1m	£60.0m	YES
	<b>£122.2</b>	<b>£268.6m</b>	<b>£183.5m</b>	
<b>ii) CFR at 31 March</b>				
General Fund	£542.9m	£675.5m	£576.2m	YES
HRA	£282.3m	£281.3m	£281.3m	YES
PFI notional 'debt'	£91.8m	£237.3m	£103.2m	N/A
	<b>£917.0m</b>	<b>£1,194.1m</b>	<b>£960.7m</b>	
<b>iii) External Debt at 31 March</b>				
Borrowing	£710.2m	£754.3m	£688.0m	YES
PFI & leasing notional 'debt'	£93.7m	£237.3m	£103.2m	N/A
<b>Gross debt</b>	<b>£803.9m</b>	<b>£991.6m</b>	<b>£791.2m</b>	
Less investments	£(227.2)m	£(134.0)m	£(213.8)m	N/A
<b>Net Debt</b>	<b>£576.8m</b>	<b>£857.6m</b>	<b>£577.4m</b>	
<b>2) Affordability indicators</b>				
<b>i) Financing costs ratio</b>				
General Fund	14.11%	14.19%	13.32%	YES
HRA	12.23%	11.81%	12.70%	YES
Council Tax Band D (per annum)	-	-	-	YES
HRA rent (per week)	-	-	-	YES
	<b>Max in year</b>		<b>Max in year</b>	
<b>iii) Authorised limit for external debt</b>	£842.7m	£1091.6m	£803.9m	YES
<b>iv) Operational limit for ext. debt</b>	£842.7m	£1041.6m	£803.9m	YES
<b>3) Treasury Management indicators</b>	<b>@ 31/3/14</b>	%	<b>@ 31/3/15</b>	
<b>ii) Limit on variable interest rates</b>	7.64%	0-50%	7.89%	YES
<b>iii) Limit on fixed interest rates</b>	92.36%	50-100%	92.11%	YES
<b>iv) Fixed Debt maturity structure</b>				
- Under 12 months	3.56%	0-25%	2.68%	YES
- 12 months to 2 years	2.13%	0-25%	2.25%	YES
- 2 to 5 years	12.46%	0-25%	15.01%	YES
- 5 to 10 years	19.23%	0-25%	17.79%	YES
- 10 to 25 years	33.10%	0-50%	31.84%	YES
- 25 to 40 years	20.50%	0-25%	21.16%	YES
- 40 years and above	9.02%	0-75%	9.27%	YES
	<b>Max in year</b>		<b>Max in year</b>	
<b>v) Max sum invested for &gt;364 days</b>	£15.0m	£50.0m	£15.0m	YES



## **NOTES TO THE SCHEDULE OF PRUDENTIAL INDICATORS**

### **1) Prudence Indicators**

- i) *'Estimate of total capital expenditure'* – a “reasonable” estimate of total capital expenditure to be incurred, split between the General Fund and the HRA.
  - This estimate takes into account the current approved asset management and capital investment strategies.
- ii) *'Capital financing requirement' (CFR)* – this figure constitutes the aggregate amount of capital spending which has not yet been financed by capital receipts, capital grants or contributions from revenue, and represents the underlying need to borrow money long-term. An actual figure at 31 March each year is required.
  - This approximates to the previous Credit Ceiling calculation and provides an indication of the total long-term debt requirement.
  - The figure includes an estimation of the total debt brought 'on-balance sheet' in respect of PFI schemes and finance leases.
- iii) *'External debt'* - the actual level of gross borrowing (plus other long-term liabilities, including the notional debt relating to on-balance sheet PFI schemes and leases) calculated from the balance sheet.

### **2) Affordability Indicators**

- i) *'Ratio of financing costs to net revenue stream'* – expresses the revenue costs of the Council's borrowing (interest payments and provision for repayment) as a percentage of the total sum to be raised from government grants, business rates, council and other taxes (General Fund) and rent income (HRA). From 1 April 2012, the General fund income figure includes revenue raised from the Workplace Parking Levy.
  - These indicators show the impact of borrowing on the revenue accounts and enable a comparison between years to be made. The increase in the General Fund ratio reflects the falling grant from government and the impact of the extension of the NET capital scheme, funded from specific Government grant and the Workplace Parking Levy income streams.
- ii) *'Incremental impact of capital investment decisions'* – expresses the revenue consequences of future capital spending plans to be met from unsupported borrowing and not financed from existing budget provision, on both the level of council tax and weekly housing rents.
  - This is a key indicator, which provides a direct link between the capital programme and revenue budget and enables the revenue impact of additional unsupported capital investment to be understood.
- iii) *'Authorised limit for external debt'* – this represents the maximum amount that may be borrowed at any point during the year.
  - This figure allows for the possibility that borrowing for capital purposes may be undertaken early in the year, with a further sum to reflect any temporary

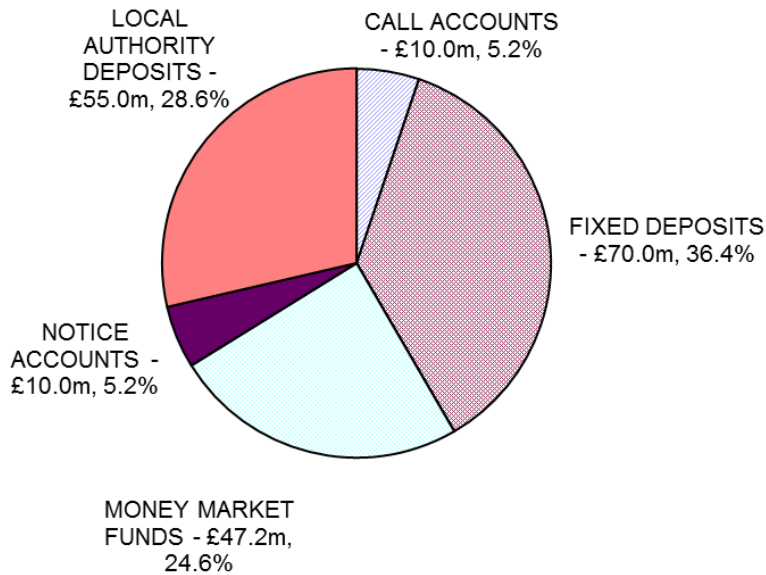
borrowing as a result of adverse cash flow. This represents a 'worst case' scenario.

- iv) *'Operating boundary for external debt'* – this indicator is a working limit and represents the highest level of borrowing is expected to be reached at any time during the year - It is recognised that this operational boundary may be breached in exceptional circumstances.
- v) *'HRA limit on indebtedness'* – from 1 April 2012, a separate debt portfolio has been established for the HRA. The CLG have imposed a 'cap' on the maximum level of debt for individual authorities and the difference between this limit and the actual HRA CFR represents the headroom available for future new borrowing.

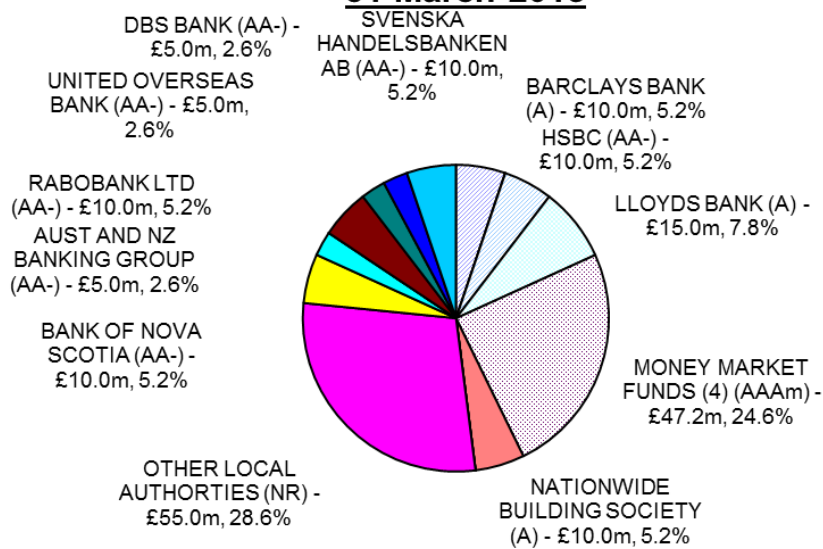
### 3) **Treasury Management Indicators**

- i) *'The amount of net borrowing which is at a variable rate of interest'* - expressed either as an absolute amount or a percentage. Upper and lower limits for the financial year are required.
  - A high level of variable rate debt presents a risk from increases in interest rates. This figure represents the maximum permitted exposure to such debt.
- ii) *'The amount of net borrowing which is at fixed rate of interest'* - expressed either as an absolute amount or a percentage. Upper and lower limits are required.
  - Fixed rate borrowing provides certainty for future interest costs, regardless of movements in interest rates. The lower limit is effectively the counterpart to the upper limit for variable rate borrowing.
- iii) *'Upper and lower limits with respect to the maturity structure of the authority's borrowing'* – this shows the amount of fixed rate borrowing maturing in each period, expressed as a percentage of total fixed rate borrowing.
  - This indicator is designed to be a control over having large amounts of fixed rate debt falling to be replaced at the same time.
- iv) *'Total sums invested for periods of greater than 364 days'* – a limit on investments for periods longer than 1 year.
  - This indicator is designed to protect the liquidity of investments, ensuring that large proportions of the cash reserves are not invested for long periods.
- v) *'The adoption of the CIPFA Code of Practice for Treasury Management in the Public Services'*. This is not a numerical indicator, but a statement of good practice.
  - The Council adopted the Code on 18 February 2002. Revised Codes, issued in 2009 and 2011, have subsequently been incorporated within the Council's strategy and procedures.
- vi) *Credit risk* – The Council monitors a range of factors to manage credit risk, detailed in its annual Treasury Management Strategy (section 7).

**Type of Investment as at 31 March 2015**



**Investment and Fitch credit long-term rating as at 31 March 2015**



## Money Market Data and PWLB Rates

The average, low and high rates correspond to the rates during the financial year rather than those in the tables below.

Please note that the PWLB rates below are Standard Rates. Authorities eligible for the Certainty Rate can borrow at a 0.20% reduction.

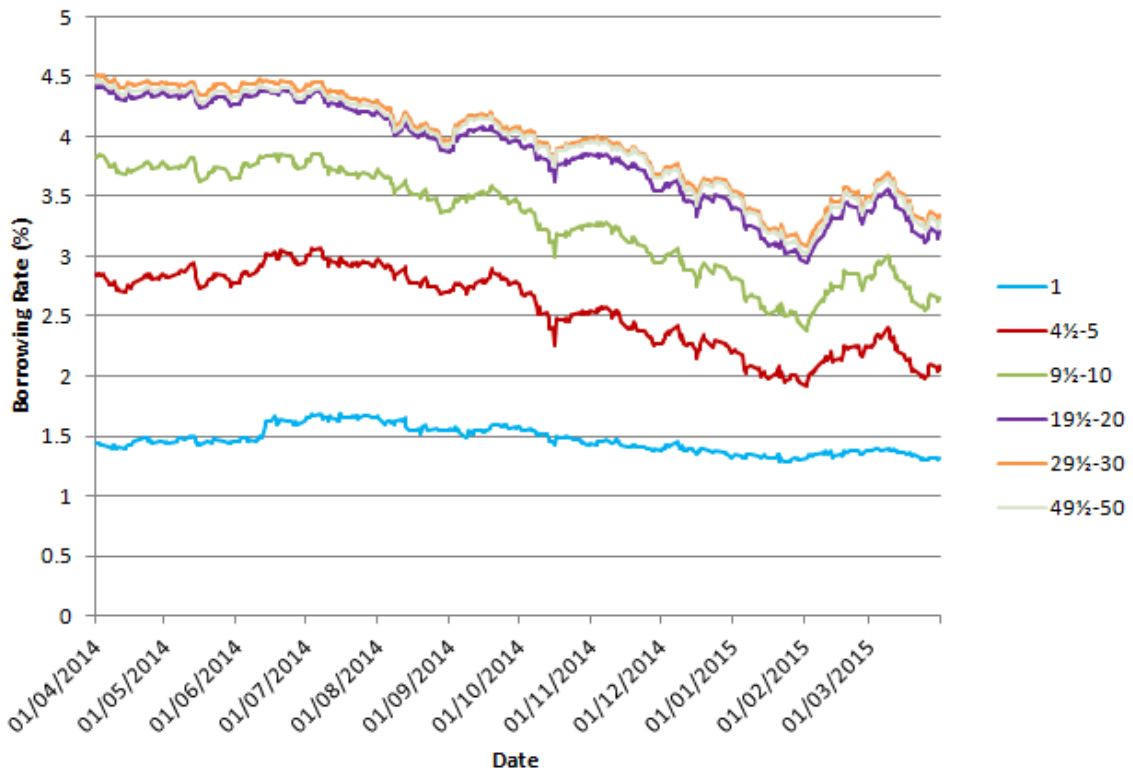
**Table 4: Bank Rate, Money Market Rates**

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2014	0.50	0.36	0.39	0.42	0.46	0.56	0.84	1.05	1.44	2.03
30/04/2014	0.50	0.36	0.40	0.42	0.47	0.57	0.85	1.09	1.47	2.02
31/05/2014	0.50	0.35	0.40	0.43	0.48	0.67	0.87	1.11	1.46	1.98
30/06/2014	0.50	0.36	0.40	0.43	0.50	0.71	0.94	1.33	1.70	2.17
31/07/2014	0.50	0.37	0.41	0.43	0.50	0.72	0.97	1.34	1.71	2.17
31/08/2014	0.50	0.36	0.42	0.43	0.50	0.77	0.98	1.22	1.53	1.93
30/09/2014	0.50	0.43	0.45	0.43	0.51	0.66	1.00	1.25	1.57	1.99
31/10/2014	0.50	0.40	0.43	0.43	0.51	0.66	0.98	1.10	1.38	1.78
30/11/2014	0.50	0.35	0.50	0.43	0.51	0.66	0.97	0.93	1.15	1.48
31/12/2014	0.50	0.43	0.48	0.42	0.51	0.66	0.97	0.92	1.12	1.44
31/01/2015	0.50	0.45	0.45	0.43	0.51	0.66	0.95	0.83	0.98	1.18
28/02/2015	0.50	0.43	0.47	0.43	0.51	0.66	0.96	0.99	1.22	1.53
31/03/2015	0.50	0.50	0.62	0.43	0.51	0.74	0.97	0.88	1.06	1.34
<b>Average</b>	<b>0.50</b>	<b>0.39</b>	<b>0.44</b>	<b>0.43</b>	<b>0.50</b>	<b>0.67</b>	<b>0.95</b>	<b>1.09</b>	<b>1.38</b>	<b>1.79</b>
<b>Maximum</b>	<b>0.50</b>	<b>0.50</b>	<b>0.62</b>	<b>0.43</b>	<b>0.51</b>	<b>0.81</b>	<b>1.00</b>	<b>1.38</b>	<b>1.77</b>	<b>2.26</b>
<b>Minimum</b>	<b>0.50</b>	<b>0.24</b>	<b>0.36</b>	<b>0.42</b>	<b>0.46</b>	<b>0.56</b>	<b>0.84</b>	<b>0.80</b>	<b>0.96</b>	<b>1.18</b>
<b>Spread</b>	<b>--</b>	<b>0.26</b>	<b>0.26</b>	<b>0.01</b>	<b>0.05</b>	<b>0.25</b>	<b>0.16</b>	<b>0.58</b>	<b>0.81</b>	<b>1.08</b>

**Table 5: PWLB Borrowing Rates – Fixed Rate, Maturity Loans**

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2014	127/14	1.44	2.85	3.83	4.41	4.51	4.49	4.47
30/04/2014	166/14	1.45	2.86	3.79	4.37	4.46	4.43	4.41
31/05/2014	206/14	1.45	2.78	3.65	4.27	4.38	4.35	4.33
30/06/2014	248/14	1.63	2.95	3.74	4.30	4.40	4.36	4.34
31/07/2014	294/14	1.66	2.96	3.70	4.21	4.30	4.27	4.25
31/08/2014	334/14	1.55	2.70	3.38	3.88	3.97	3.94	3.93
30/09/2014	378/14	1.57	2.77	3.46	3.96	4.07	4.05	4.03
31/10/2014	424/14	1.44	2.54	3.27	3.86	3.99	3.97	3.96
30/11/2014	465/14	1.39	2.27	2.94	3.54	3.68	3.66	3.65
31/12/2014	508/14	1.32	2.19	2.80	3.39	3.53	3.50	3.49
31/01/2015	042/15	1.30	1.94	2.44	2.98	3.12	3.08	3.06
28/02/2015	082/15	1.37	2.24	2.83	3.37	3.50	3.46	3.45
31/03/2015	126/15	1.31	2.06	2.65	3.20	3.33	3.29	3.28
	<b>Low</b>	1.28	1.91	2.38	2.94	3.08	3.03	3.02
	<b>Average</b>	1.47	2.56	3.28	3.85	3.96	3.93	3.92
	<b>High</b>	1.69	3.07	3.86	4.42	4.52	4.49	4.48

Standard New Borrowing Rates on PWLB Fixed Maturity Loans



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**AUDIT COMMITTEE – 26 JUNE 2015**

<b>Title of paper:</b>	<b>INTERNAL AUDIT CHARTER</b>	
<b>Director(s)/ Corporate Director(s):</b>	Geoff Walker Director for Strategic Finance	<b>Wards affected: All</b>
<b>Report author(s) and contact details:</b>	Shail Shah - Head of Internal Audit 0115-8764245 <a href="mailto:shail.shah@nottinghamcity.gov.uk">shail.shah@nottinghamcity.gov.uk</a>	
<b>Other colleagues who have provided input:</b>		
<b>Recommendation(s):</b>		
<b>1</b>	Endorse the Internal Audit Charter at <b>Appendix 1</b> .	

**1. REASONS FOR RECOMMENDATIONS**

- 1.1. The Internal Audit Service (IA) impacts on corporate objectives by bringing a systematic disciplined approach to improve the effectiveness of risk management control and governance processes. It is an important part of the Council's governance and control framework.
- 1.2. The Public Sector Internal Audit Standards (PSIAS) require the production of a Charter which defines the purpose, authority and responsibility of the IA function. The Charter, which should be reviewed regularly, is to be presented to the Audit Committee for endorsement. The Charter is attached at **Appendix 1** and has been updated to reflect the standards set in the PSIAS.

**2. BACKGROUND**

- 2.1. The IA service impacts on corporate objectives by bringing a systematic disciplined approach to improve the effectiveness of risk management control and governance processes. It is an important part of the Council's governance and control framework.
- 2.2. The Accounts and Audit Regulations 2015 state that local authorities must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 2.3. The (PSIAS) set the responsibility for the management of Internal Audit with the Board. In practical terms this Board responsibility is vested in the Audit Committee and Section 151 Officer who exercise their Board responsibility via the Constitution and the associated policies and procedures of the City council.

2.4. The Charter was last endorsed at the 25 July 2014 meeting of this Committee. This updated version for endorsement contains minor amendments reflecting the enactment of the Accounts and Audit Regulations 2015.

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

None.

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

- The
- Public Sector Internal Audit Standards 2012
- Audit Committee 25 July 2014 - Internal Audit Charter



## Nottingham City Council – Internal Audit Charter

### Introduction

The Public Sector Internal Audit Standards define Internal Audit as “...an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

### Independence

A key factor in the effectiveness of Internal Audit is that it is seen to be independent. To ensure this independence, Internal Audit operates within a framework that allows:

- Unrestricted access to senior management
- Reporting in its own name
- Segregation from line operations.

Every effort will be made to preserve the objectivity of the service by ensuring that all audit colleagues are free from any conflicts of interest and do not undertake any non-audit related duties. Registers of interest/gifts will be maintained in accord with corporate best practice.

### Objectives

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner. Internal Audit’s mission is:

*“To provide a cost effective, independent, professional and high quality audit service which supports managerial objectives by promoting the highest levels of financial management and probity across the Authority”.*

In so doing the service aims to support the effectiveness of the risk management, control and governance processes within the City Council and its significant partners.

### Scope

Internal Audit will review and investigate the areas of key risk to the Council’s objectives across the entire range of its activities. In order to fulfil this role the service requires unrestricted access to all the colleagues, records and assets of the Council and/or its partners. Council colleagues are required by the Head of Internal Audit to ensure permission to access records is incorporated in formal agreements setting up partnership arrangements or other arrangements with other third parties.

In addition, the Head of Internal Audit has unrestricted access to the Chief Executive, Councillors, Corporate Directors and all employees of the City Council and its partners.

Each audit or piece of work undertaken will have a clear scope and objectives. Any audit undertaken within the Council and its partners will be conducted under the framework of an agreed audit programme, service level agreement or a clearly defined letter of engagement. This is of particular importance in the management of consultancy where the respective roles, inputs and outputs will be clearly defined and the independence of auditors maintained. Internal Audit work will be co-ordinated with that of external review agencies to provide maximum audit coverage and to prevent duplication of effort where practical.

## **Responsibility**

The main areas of Internal Audit responsibility within the Council will be to:

1. Review, appraise and report on:
  - the soundness, adequacy and application of internal controls as a contribution to the proper control of risk and the economic, efficient and effective use of resources
  - the suitability and reliability of financial and other management data, including aspects of performance measurement
  - the extent to which the assets and interests are accounted for and safeguarded from loss.
2. Aid Corporate Directors in the investigation of fraud and irregularity as prescribed in the Council's Fraud Response Plan and to develop and implement the Council's Counter Fraud Strategy.
3. Receive information on instances of fraud and corruption to inform opinion on the control environment and to help determine the resources required to manage the associated risks. Managing the risk of fraud and corruption is the responsibility of management, but the Head of Internal Audit must be informed of any instances.
4. Advise on the internal control implications of new systems.

## **Audit Style and Content**

The Head of Internal Audit is required to manage the provision of a complete audit service to the Authority which includes risk based, system and ICT audits. In discharge of this duty, the Head of Internal Audit will prepare a rolling strategic risk-based Audit Plan.

## **Work Planning**

The Head of Internal Audit will produce and maintain a Strategic Plan and an annual operational Audit Plan. These plans will be derived from a comprehensive risk model and after consultation with Corporate Directors. The plans will be presented annually to the Audit Committee and will aim to:

- Support the Responsible Officer in the discharge of the Section 151 duty.
- Contribute to and support the Council's objectives of providing sound financial systems and governance arrangements.

- Provide recommendations and findings designed to enhance the reliability and accuracy of the Annual Governance Statement, financial statements and other published information.

## **Location**

Internal Audit is located within the Resources Department and based in Loxley House, but operates throughout the Council.

## **Standards**

Internal Audit colleagues are required to adhere to the code of ethics, standards and guidelines of their relevant professional institutes and the relevant professional auditing standards. The Head of Internal Audit will report any significant instances of non-conformance with these codes and standards to the Audit Committee.

The service has internal quality procedures in place and is ISO9001:2008 accredited. It has adopted the principles contained in the Public Sector Internal Audit Standards 2012 and has fulfilled the requirements of the Account and Audit Regulations 2015 and associated regulations in respect of the provision of an Internal Audit service.

## **Audit Resources**

The Head of Internal Audit will be a CCAB qualified Accountant who will ensure that there are adequate resources available to complete the Audit Plan including appropriate contingencies and to help deliver the opinions required. The Head of Internal Audit will assess the available skills and competencies necessary for the audits planned and to produce annual evidence based opinion. Where a gap is identified action will be taken to procure the required resource.

Recruitment and procurement will be designed to ensure appropriate resources are put in place in a timely manner to ensure audit plans are kept to. The Head of Internal Audit will follow the Council's corporate policies and procedures when procuring such resources.

The establishment will comprise of suitably professionally qualified colleagues including Accountants, Technicians and other specialists necessary to resource the varied demands placed upon the service.

## **Audit Training**

The Head of Internal Audit will use the Council's Performance Appraisal programme to assess the skills and competencies of the audit colleagues and develop appropriate Training & Development Plans to ensure audit resources are adequate to fulfil the required audit need. The Head of Internal Audit will carry out a continuous review of the development and training needs of all audit personnel and will arrange in-service training including: courses, work experience, coaching, mentoring and other relevant development opportunities.

## **Audit Reporting**

### Strategic Reporting

In accordance with the principles contained in the PSIAS:-

The responsibility for the management of Internal Audit is set with the Board. In practical terms this Board responsibility is vested in the Audit Committee and Section 151 Officer who exercise their Board responsibility via the Constitution and the associated policies and procedures of the City council. The Section 151 Officer will give operational direction whilst reports covering strategic and assurance issues will be presented to the Audit Committee.

In fulfilling its operational responsibility to report to senior management the HoIA, whilst maintaining operational independence, will:

- Regularly meet with and update the Council's Chief Finance Officer (CFO) (S151 Officer) who is a member of the Council's Corporate Leadership Team. The CFO will continuously review the performance and effectiveness of the service.
- Normally report directly to the Council's Director of Strategic Finance. However, where actual or potential conflict of interests are present the Head of Internal Audit may choose to report to the CFO, Chief Executive, Monitoring Officer, Leader of the Council or external agency at his/her discretion.
- Present performance reports to the Audit Committee.
- Provide an annual opinion to the Audit Committee on the status of the Council's entire control environment as informed by Audit work and reference to other internal and external assurance mechanisms available.

### Operational Reporting

Reports will be In accordance with PSIAS and will be distributed to those responsible for governance in the areas audited. In the course of an audit, a draft report will be sent to the manager(s) responsible for the area under review for agreement to the factual accuracy of the findings. The final report will be issued to the Corporate Director or other responsible party or their nominated representatives and copied to the appropriate managers and or service directors with an appropriate agreed action plan included.

In event of disagreement the Head of Internal Audit will consult with the client managers responsible and will if necessary consult with the Section 151 Officer and or Chief Executive. Ultimately if agreement cannot be reached the Head of Internal Audit may reflect the fact in the final report. Copies of all final reports and supporting working papers will be retained electronically where possible and will be in accordance with corporate policies for document retention,

The responsibility for the implementation of agreed recommendations lies with the auditee. Recommendations will be followed up at the next review at the very least or before, depending on the level of associated risk. A copy of the report will also be sent to the Head of Service, Director, Corporate Director, CFO and if necessary the

Director of Strategic Finance and Corporate Director for Resources. Currently the Director of Strategic Finance is also the acting CFO and S151 Officer.

Where appropriate, recommendations will be fed into the corporate improvement programme and brought before Departmental Management Teams for action, and follow up of the recommendations.

On completion of audits a customer satisfaction survey will be undertaken to give feedback on performance and to facilitate continuous performance improvement. The results of these surveys will be included in the service's key performance indicators.

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**AUDIT COMMITTEE – 26 JUNE 2015**

<b>Title of paper:</b>	<b>INTERIM ANNUAL GOVERNANCE STATEMENT 2014/15</b>	
<b>Director(s)/ Corporate Director(s):</b>	Geoff Walker Director of Strategic Finance	<b>Wards affected: All</b>
<b>Report author(s) and contact details:</b>	Shail Shah Head of Internal Audit Tel: 0115-8764245 Email: <a href="mailto:shail.shah@nottinghamcity.gov.uk">shail.shah@nottinghamcity.gov.uk</a>	
<b>Other colleagues who have provided input:</b>		
<b>Recommendation(s):</b>		
1	To note the Interim AGS 2014/15 set out at <b>Appendix 1</b> .	

**1. REASONS FOR RECOMMENDATIONS**

This report presents the Interim Annual Governance Statement (AGS). The final AGS will be published with the City Council's Statement of Accounts.

**2. BACKGROUND**

- 2.1 The City Council's governance arrangements aim to ensure that it sets and meets its objectives and responsibilities in a timely, open, inclusive and honest manner. The governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled, and through which it engages with and leads the community to which it is accountable. Every council and large organisation operates within a similar framework, which brings together an underlying set of legislative requirements, good practice principles and management processes.
- 2.2 The Accounts and Audit Regulations 2015 specify that every financial year the Council must undertake a review of the effectiveness of its internal control and prepare an AGS.
- 2.3 The Audit Committee has the delegated authority for the formal approval of the AGS in accordance with the requirements of the Accounts and Audit Regulations 2015. The AGS should be approved by the Audit Committee before it approves the Statement of Accounts on behalf of the Council
- 2.4 The 2007 CIPFA/SOLACE publication "Delivering Good Governance in Local Government Framework" provides the principles by which good governance should be measured. This was adopted as the Council's Local Code of Corporate Governance at the Executive Board meeting on 20 May 2008.
- 2.5 In 2012 CIPFA/SOLACE produced an updated guidance note covering the delivery of good governance in local government and how an authority's arrangements can be

reflected in the AGS. The City Council has incorporated this guidance in both the evaluation of its governance arrangements and in the production of its AGS.

- 2.6 It is good practice to approve as close to publication of the final Statement of Accounts as possible. The timetable for production of the AGS was approved at the February 2015 meeting of this Committee. This interim statement is a precursor to the final statement which will be brought to the September meeting of this Committee for approval alongside the Statement of Accounts
- 2.7 The AGS reflects the governance arrangements operating within the Council and its significant partners. Responsibility for its production lies with the Chief Finance Officer (CFO) / Acting Director of Strategic Finance.
- 2.8 Assurance used in compiling the final report was derived from several sources: Corporate Directors and other key colleagues including the Monitoring Officer, Section 151 Officer and the Head of Internal Audit have reviewed the governance arrangements according to their respective responsibilities and have given assurance and commented as to its effectiveness. A similar exercise was conducted with the Council's significant partners and groups. Information obtained from independent external reviews is also used to inform this assurance.
- 2.9 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 CFO, 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.
- 2.10 This interim statement maps the policies, procedures and initiatives the Council has put in place to address the governance issues embodied in its Local Code. Four new items of note have been included regarding Information Governance, Information Technology, Revaluation of the Housing Revenue Account and Nottingham Revenues and Benefits. The final AGS will update this statement and will introduce any further issues found in the control environment if appropriate.

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

None.



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

- CIPFA/SOLACE - Delivering Good Governance in Local Government (Framework)
- CIPFA/SOLACE - Delivering Good Governance in Local Government Guidance Note - 2012
- Accounts and Audit Regulations 2015
- Executive Board 20 May 2008 – Local Code of Corporate Governance
- Audit Committee Papers February 2015 – Annual Governance Statement - Progress Made To Date On Issues Reported 2013/14 And Process For Producing 2014/15 Statement

## Nottingham City Council

### ANNUAL GOVERNANCE STATEMENT 2014/15

#### Scope of responsibility

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

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

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

#### The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money

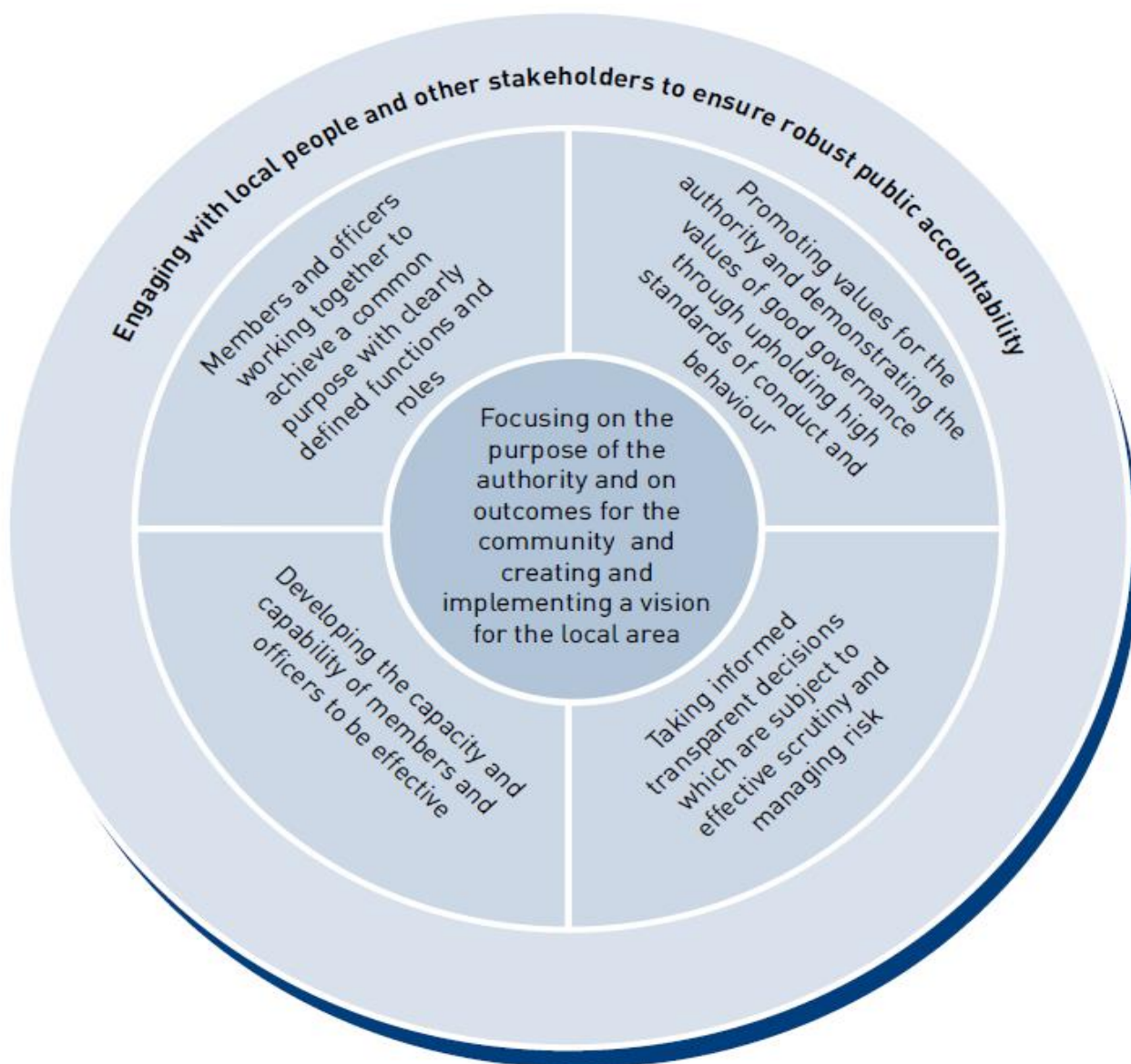
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework was in place at the Council for the year ended 31 March 2015 and up to the date of approval of the annual report and Statement of Accounts.

#### The Governance Framework

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

## CIPFA/SOLACE - Principles underpinning the delivery of good governance



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

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

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

The Council's vision is wholly aligned with that of the City as set out in the 2030 vision and Nottingham Plan to 2020. Accordingly this vision and the associated Nottingham Plan Strategic Priorities are set and are not subject to annual review and change. Consequently the Nottingham Plan is a route map for organisations in the city and for our citizens and communities and sets out what it should look like in the future and details our priorities of:-

- Developing Nottingham's international standing for science and innovation, sports and culture.
- Transforming Nottingham's neighbourhoods.
- Ensure that all children and young people thrive and achieve.
- Tackling poverty and deprivation by getting more local people into good jobs.
- Reducing crime, the fear of crime, substance misuse and ASB (anti-social behaviour).
- Improving health and well-being.

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

Regular updates and reviews ensure consistency within plans and reflect national developments including the effects of reduced Government funding. Ultimately this means the Council's priorities and those of its key partners over both the short and long term, are in accord. The principles underpinning the Plan are summarised in the updated Council's 'Message Map' below, which illustrates the direction and focus for the Council.

The Council Plan has clear priorities with associated performance measures supported by delivery plans containing the key milestones and measures for each Council Plan priority. Major changes are managed by the Corporate Leadership Team on a monthly basis, including all internal transformational projects and programmes (plus the externally facing Growth Plan Programme), which together seek to ensure that the Council is well placed to lead Nottingham and optimise what it does for and on behalf of its citizens.

## Message Map



## 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 Council’s strategic priorities is monitored and reported to the Executive Board and One Nottingham Board on an annual basis.

Portfolio Holders and the Executive Board make decisions based upon colleague recommendations and in response to changing legal or financial obligations. The reports containing recommendations to be considered clearly explain the technical issues and their implications and relate the recommended action to agreed policies and strategies.

Where more than one course of action is possible the alternatives are analysed and justification given for the preferred choice.

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

The advice given will usually be contained within the board papers and will be presented to the appropriate meeting to facilitate discussion. Reports are circulated with the agenda where possible, to allow consideration in advance of the meeting at which a decision is to be taken. Where applicable the recommendation will be supported by appropriate external evidence or advice. Minutes of Council, Board and Committee meetings are available to the public.

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

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

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

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

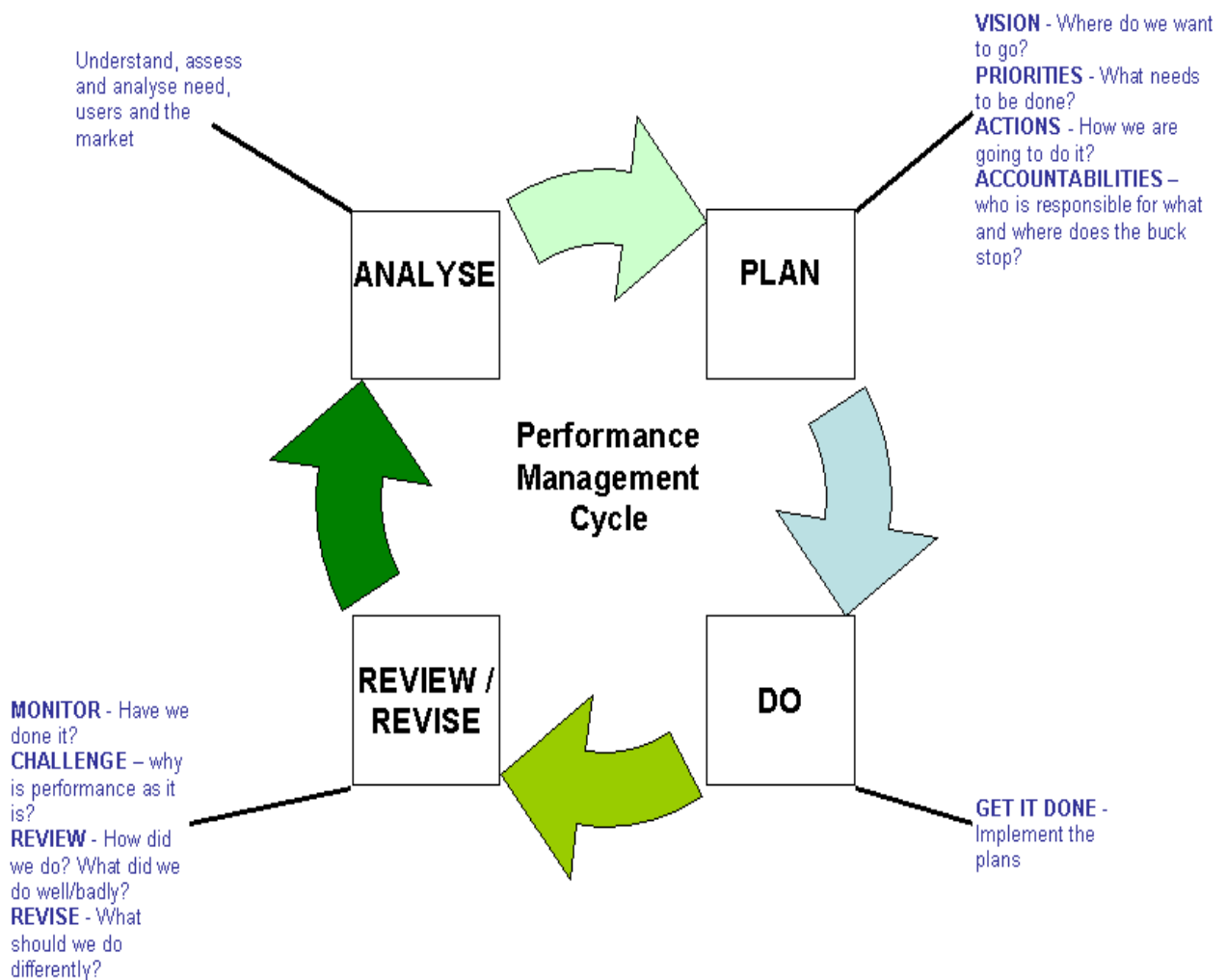
Great ' vision placing Citizens at the heart of everything we do. The PMF sets out the high level approach the Council will take to performance management, ensuring that all are:

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

Accordingly the Framework:

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

### Performance Management Framework



A full performance report is taken annually to the Executive Board with highlights reported in the Nottingham Arrow. Both the Nottingham Plan and Council Plan are tracked by a set of key performance indicators and some information is provided by external agencies such as the police. The removal of the National Indicator Set in 2010 has in many respects allowed the Council to focus on those measures that are most important and relevant for its local priorities. Efforts are underway with Core Cities and regional authorities to establish a set of indicators that are measured comparably. The Council's Corporate Leadership Team continues to drive the focus on continuous improvement. Relative performance for a number of the Council's highest priorities remains in place. Although external assurance from bodies such as the Care and Quality Commission (CQC) and Ofsted currently remains in place, this is specific to certain service areas only. Further assurance is being sought, by inviting the Local Government Association to undertake a Corporate Peer Challenge at the Council in October 2015, focussing on the Council's vision and ambitions to transform into a Great City, as well as corporate governance and other key practice.

The Council has recently developed and implemented a software tool (Covalent) for performance management and risk management used throughout the Council. Covalent is being used to monitor and manage performance at all levels and will help develop and improve the way performance information is collected, presented and used to improve service delivery. The quality of services provided is also monitored by seeking the views and experiences of citizens, service users and colleagues. The Big Conversation is an informal discussion session, which invites colleagues from all levels and all parts of the organisation to share views and submit ideas about delivering great services and find ways of improving. .

The Council's budget process establishes the resources required to deliver its services and objectives and includes reviews of the overall use of resources. Appropriate limits have been approved in line with the Prudential Code for Capital Accounting. Financial procedures are identified in approved Financial Regulations. Financial reserves are kept under review and the Council maintains an adequate Internal Audit function The Council also publishes its Statement of Accounts in accordance with statutory and professional guidance. The Council's accounts have been successfully subjected to a rigorous external audit.

Financial performance is monitored regularly with senior management and councillors receiving monthly financial reports to help manage the Council's performance. 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. .

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

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



(as amended), and this is reflected throughout the Constitution. Responsibility for decision making, the role of the City Council, Executive Board, Committees and the process for determining Key Decisions are well documented and defined in the Constitution, and may be viewed by following the following link

[Nottingham-City-Councils-Constitution](#)

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

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

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

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

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

A hallmark of good governance is the development of shared values which become part of the organisation's culture, underpinning policy and behaviour throughout the organisation, from the governing body to all colleagues. These are in addition to compliance with legal requirements, for example on equal opportunities. The Council recognises that to be effective in fulfilling their role councillors will need to work closely with and talk to all colleagues and partners, and that the principles of good governance are followed in all Council business.

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

At an individual level the Council has developed and adopted formal codes of conduct defining the standards of personal behaviour to which individual councillors and colleagues are required to adhere. Under the Local Government Act 2000, all councillors have to sign a declaration to abide by and uphold the Council's Code of Conduct for Members. Under the Code councillors are also required to register interests. All councillors have signed and agreed to adhere to the Members Code of Conduct and training on the Code is provided as part of an induction programme. Support staff also had briefings about the Code.

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

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

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

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

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

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

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

**. The Risk Management Framework**

### Council Risk Register



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

RM training has been provided to the Audit Committee as part of the councillor induction process and has been well received. Wider training for colleagues is also now available

supported by e-learning and revised guidance, consistent with the updated RMF. Risk workshops have been run by a Corporate Risk Specialist and have included basic risk management awareness.

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

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

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

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

The Chief Finance Officer (CFO) is a professionally qualified accountant. The CFO sits on the CLT and is able to contribute positively to decision making affecting the delivery of the Council's objectives. The CFO is able to promote good financial management and in so doing makes sure effective use is made of City Council resources. The CFO has led a Finance Change process designed to ensure that the finance function continually develops and remains fit for purpose. The following illustrates the Financial Framework put in operation to support the delivery of the Council's objectives.

## The Financial Framework

CATEGORY	OVERALL	REVENUE	CAPITAL	TREASURY MANAGEMENT	PROCUREMENT	RISK MANAGEMENT
Strategies	<b>MTFS</b>					
		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. The Audit Committee was established in 2008/09 and annual reports of its achievements are sent to Full Council. The role of the Committee is developing and regular interaction with similar Committees in other Core Cities is undertaken to share best practice.

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

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

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

## Local Government Act 2000 Ten Principles of Conduct

<b>Principle</b>	<b>Holders of public office:-</b>
<b>Selflessness</b>	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
<b>Integrity</b>	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.
<b>Objectivity</b>	Should make choices on merit in carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits.
<b>Accountability</b>	Are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
<b>Openness</b>	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.
<b>Honesty</b>	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.
<b>Leadership</b>	Should promote and support these principles by leadership and example.
<b>Respect for others</b>	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.
<b>Duty to uphold the law</b>	Should uphold the law, and on all occasions, act in accordance with the trust that the public is entitled to place in them.
<b>Stewardship</b>	Should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.

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

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

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

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

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

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

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

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

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

CDSG, aided by Group Support and Democratic Services colleagues, identify and arrange suitable learning opportunities for councillors. There are also councillor development and policy briefings on current topics. Councillors' learning and development needs are reviewed by CDSG and there is greater emphasis now on the political groups being able to tailor and drive their own development programmes.

The Council has a policy of recruitment and promotion on merit (People Plus and Project People), and recruits outside the Council where necessary. Induction programmes for both councillors and colleagues are in place. The Constitution contains clear details of the roles and responsibilities for councillors including the Leader and Portfolio Holders. All colleagues have detailed job descriptions and person specifications, and individual development requirements for colleagues are identified using a Performance Appraisal process. This process has recently been refreshed. Consultation with key customers is also used to understand the development needs for the Council.

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

Corporate Directors are experienced in their respective fields and are assessed by the Chief Executive as part of their performance appraisals. Most hold relevant professional qualifications which impose the requirement for continuing professional development. Corporate Directors organise their own training within the context of performance appraisals 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 performance appraisal and service planning process

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

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

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

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

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



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

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

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

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

The Council engages with all sections of the community whilst working with partnerships. A variety of mechanisms are used to ensure the engagement is appropriate to the diverse communities. The Nottingham Plan to 2020 (One Nottingham Sustainable Community Strategy) provides the overarching vision, objectives and priorities for the Council and the One Nottingham family of partnerships. The Nottingham Plan to 2020 has full commitment across the Council, partners and community. Given the significant political and economic changes since the plan's launch, the One Nottingham Board and the leadership of Nottingham City Council requested a refresh of the Nottingham Plan targets in 2013/14, to ensure that the right areas of work are prioritised, partnership resources are targeted in the most efficient way and the best target measures are used to ensure the plan is effectively delivering for the citizens of Nottingham. The refresh of the Nottingham Plan to 2020 is not a full revision. Targets were revisited to make sure they are appropriate, credible, robust and measurable going forward, whilst maintaining the ambition that was established when the plan was launched in 2009 as a contract with citizens. It also considered possible areas within the plan which would most benefit from dedicated partnership focus. Recommendations were developed by Nottingham Plan lead officers and have been through a challenge process with peers and performance colleagues, taking account of performance to date.

The Council's Partnership Governance Framework (PGF) sets out the approach to managing work with significant partnerships and provides a mechanism for ensuring that Councillors and lead officers are clear about their roles and responsibilities in relation to significant partnerships. The mechanism is the annual health checks which includes a

section to assess that the governance of the partnership is clear and appropriate. The health checks enable the partnership to assess that it has a clear set of values and guiding principles against which decision making and actions can be judged. These are often set out in the partnerships' constitutions including codes of conduct. The health check also includes an assessment of the aims and objectives of the partnerships, including alignment between the partnership and the Nottingham Plan, and also a section to enable the partnerships to assess the robustness and clarity of their decision making, delegated powers and accountability. The Partnership Governance Framework, via the health checks, provides the mechanism for significant partnerships to assess the extent to which their aims and objectives align to The Nottingham Plan to 2020 and the vision for 2030.

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

The Council and partners in One Nottingham and other significant partnerships have an excellent understanding of its diverse communities and their needs (see Nottingham Insight, Citizens Survey 2014, Joint Strategic Needs Assessment, State of Nottingham Report, Crime & Disorder Needs Assessment, Ward Report and wealth of ward and mosaic data) which is used to shape our engagement.

The Research, Engagement and Consultation (REC) function within the Early Intervention Directorate supports all services across the Council to effectively consult and engage with citizens and make the best use of the findings. This includes providing advice and support on planning, designing and undertaking consultations (including surveys, event evaluations and focus groups) and engagement activity. As part of this, the team advises colleagues as to the most appropriate ways of consulting and engaging depending upon the intended audience, and ensures that colleagues think about using alternative formats and interpretation services when necessary. REC also manages the Citizens' Panel, which consists of 1,000 citizens from across the city. This Panel has been designed to be broadly representative of the city on a range of demographic and geographical factors and Panel members receive regular surveys and can also be called upon to be part of discussion groups or to test new services. REC also ensures that young people participate and engage in decision-making about services and their communities. As part of this, the Engagement and Participation Lead Officer within REC manages a variety of

groups for young people of different ages and backgrounds. REC also ensures that citizens' views are taken into account in the various commissioning reviews. This may involve managing focus groups and reference groups, helping to plan and deliver stakeholder conferences, planning survey activity and supporting citizen involvement in tendering specification, tender assessment and quality assurance

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

## **Review of Effectiveness**

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

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

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

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

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

The principle bodies with responsibility for governance and their terms of reference are included in the Constitution and are summarised below, together with some of the topics considered during the year. All the associated reports and agendas are publicly available and may be found at the following website:

<http://www.nottinghamcity.gov.uk/article/23479/Council-Meetings-and-Decisions>

## Principle Constitutional Bodies Dealing With Governance

Body	Summary of Governance role
<p style="text-align: center;"><b>City Council</b></p>	<p>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.</p> <p>Topics Considered by the Council</p> <ul style="list-style-type: none"> <li>• Questions From Citizens;</li> <li>• The Nottingham City Council Act 2013</li> <li>• Decisions Taken Under The Urgency Procedures</li> <li>• General Amendments To The Constitution, Constitutional Updates</li> <li>• Executive Appointments, Remits And First Meetings, Appointments and First Meeting Of Committees, Boards, Panels, Joint Bodies Etc and Committee Membership</li> <li>• The Overview And Scrutiny Annual Report 2013/14</li> <li>• The Treasury Management 2013/14 Annual Report</li> <li>• The Capital Programme Update 2014/15 To 2018/19</li> <li>• The Establishment Of A Nottingham And Nottinghamshire Combined Authority</li> <li>• The Council Tax Support Scheme 2015/16</li> <li>• Pay Policy Statement 2015/2016</li> <li>• Fair Funding For Nottingham</li> <li>• Treasury Management 2015/16 Strategy</li> <li>• The Budget 2015/16</li> </ul>
<p style="text-align: center;"><b>Executive Board</b></p>	<p>The role of the Executive Board is to take key decisions as delegated by the City Council. The work also encompasses receiving performance and financial information which determines the strategic direction of the Council. Additionally constituted sub Committees of the Board are listed below.</p> <ul style="list-style-type: none"> <li>• East Midlands Shared Services Joint Committee</li> <li>• Executive Board City Centre Committee</li> <li>• Executive Board Commissioning Sub-Committee</li> <li>• Leader's Key Decision - Notice</li> <li>• Leader's Key Decision Meeting</li> <li>• The City of Nottingham and Nottinghamshire Economic Prosperity</li> </ul> <p>Topics Considered by the Board</p> <ul style="list-style-type: none"> <li>• Key Decisions</li> <li>• Capital Programme Update 2014/15, Capital Outturn 2013/14,</li> <li>• Nottingham Plan Refresh 2013-14, Nottingham Plan Year 4 Annual Report</li> <li>• Progress In Delivering Council Priorities</li> <li>• Risk Management: Strategic Risk Register, Quarterly Updates And Annual Review</li> </ul>

<b>Body</b>	<b>Summary of Governance role</b>
	<ul style="list-style-type: none"> <li>• Corporate Financial Revenue Outturn</li> <li>• Treasury Management 2015-16 Strategy, 2014/15 Half Yearly Update, 2013/14 Annual Report</li> <li>• Future Delivery Model For The Revenues And Benefits Service</li> <li>• Welfare Reform</li> <li>• Quarterly Reviews of Revenue And Capital Budgets</li> <li>• Budget Consultation 2015/16 Phases, Schools' Budgets 2015/16</li> <li>• Nottingham And Nottinghamshire Combined Authority</li> <li>• Council Tax - Determination Of The 2015/16 Tax Base</li> <li>• Medium Term Financial Plan</li> <li>• IT Service Improvement Programme</li> </ul>
<p><b>Overview and Scrutiny Committee</b></p>	<p>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.</p> <p>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.</p> <p>Additionally constituted Panels and Sub Committees of the Board are listed below.</p> <ul style="list-style-type: none"> <li>• Health Scrutiny Panel</li> <li>• Joint City And County Health Scrutiny Committee</li> <li>• Overview And Scrutiny - Call In Panel</li> <li>• Scrutiny Review Panels <ul style="list-style-type: none"> <li>○ Personal Budgets</li> <li>○ Rehabilitation And Resettlement Of Offenders</li> <li>○ Allotments</li> <li>○ Ash Die Back</li> <li>○ Changing Educational Landscape</li> <li>○ Communication And Enforcement - Wheelie Bins On Pavements</li> <li>○ Congestion Around Educational Establishments</li> <li>○ Equalities Within The Commissioning And Procurement Process</li> <li>○ Flood Management And Gully Cleansing</li> <li>○ Homelessness Prevention Strategy Consultation</li> </ul> </li> </ul>

<b>Body</b>	<b>Summary of Governance role</b>
	<ul style="list-style-type: none"> <li>○ Irresponsible Dog Ownership</li> <li>○ Responsibility And Management Of Local Public Waterways</li> <li>○ Tree Management</li> </ul> <p>Topics Considered by the Committee</p> <ul style="list-style-type: none"> <li>● Establishment Of Overview And Scrutiny Committee Sub-Committees 2014/15</li> <li>● Nottingham Plan Presentation , The Nottingham Plan - Year 4 (2013-14) Annual Report</li> <li>● Responses To The Recommendations To The Scrutiny Review Panels Carried Out During 2013-14</li> <li>● Implications For Scrutiny Following The Publication Of The Jay Report</li> <li>● Good To Great - Changing The Council's Operating Model</li> <li>● Nottingham Growth Plan</li> <li>● Programme For Scrutiny</li> </ul>
<b>Standards Committee</b>	<p>The Council has a Standards Committee constituted in accordance with the Standards Committee (England) Regulations 2008 that oversees the Code of Conduct and other governance matters. The Committee meets as and when required and there was no meeting called in the year.</p>
<b>Audit Committee</b>	<p>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.</p> <p>Topics Considered</p> <ul style="list-style-type: none"> <li>● Internal Audit Charter 2014, Annual Work Plans And Three Year Strategic Plan</li> <li>● Internal Audit Annual Report, Reports Selected For Examination, Quarterly Performance Reports and Plan Updates</li> <li>● Strategic Risk Register Quarterly Reports And Annual Review</li> <li>● Audit Committee Terms Of Reference And Annual Work Programme Updates, Chair's Annual Report</li> <li>● Annual Governance Statement and Progress Updates</li> <li>● Statement Of Accounts, Review Of Accounting Policies</li> <li>● Local Government Ombudsman Annual Report</li> <li>● Partnership Governance Health Checks And Update Of Significant Partnerships</li> <li>● Treasury Management Strategy, Half Yearly Update, 2013/14 Annual Report</li> <li>● Performance Management Framework</li> </ul>

Body	Summary of Governance role
	<ul style="list-style-type: none"> <li>• Counter Fraud Policy</li> <li>• External Audit Plan 2014/15, Audit And Accountability Act 2014, Annual Audit Letter, Certification Of Claims And Returns Annual Report</li> <li>• IT Service Improvement Programme</li> </ul>

### Head of Internal Audit (HoIA)

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

In 2014/15 The HoIA maintained processes complying with the governance requirements set down in the CIPFA Statement on the role of the Head of Internal Audit. The service substantially complied with the principles contained in the Public Sector Internal Audit Standards (PSIAS) and met the requirements of the Account and Audit Regulations 2015 and associated regulations.

The HoIA reported that Corporate Directors are responsible for ensuring that proper standards of internal control operate within their departments. Internal Audit reviews these controls and gives an opinion in respect of the systems and processes put in place. The 2014/15 Audit Plan, as agreed by the Audit Committee and Corporate Directors, was completed in accordance with the professional standards. The HoIA has also overseen those policies and procedure in place addressing the risk of fraud and irregularity, and is of the opinion that they align with best practice as described in the Cipfa Code for managing the risk of fraud and corruption. Additionally during 2015 the HoIA has piloted the use of a corporate team to strengthen the counter fraud function.

The HoIA has undertaken reviews of the internal control procedures in respect of the key systems and processes of the Council and where appropriate, its partners. The work was planned using a risk based model of the Council's activities. It has been supplemented by ad hoc reviews in respect of irregularities and other work commissioned by Corporate Directors or the partners of the Council and the work undertaken by external review agencies. Reports in respect of all reviews have been issued to the responsible officers, together with recommendations and agreed action plans. Each report issued included a level of assurance that could be assessed from its findings. Each quarter, a list of reports was sent to the Audit Committee for scrutiny and a number of audits were selected for in depth review at the Committee.

### HoIA Overall Opinion

Throughout 2014/15 the HoIA has continuously reviewed the significant challenges and risks associated with the Council's operations and has allocated the necessary resources, via the audit plan, to help him form an opinion on the Council's governance arrangements. In forming his opinion the HoIA has reviewed all the IA reports issued in 2014/15 and drawn upon available external sources of assurance from independent review bodies and internal assurance mechanisms to identify and assess the key control risks to the

Council's objectives. Consequently, the HoIA has concluded that although no systems of control can provide absolute assurance, nor can IA give that assurance, he is satisfied that, on the basis of the audit work undertaken during the 2014/15 financial year, there have been no significant issues (as defined in the CIPFA Code of Practice) reported by IA. Furthermore, on the basis of the audit work undertaken during the 2014/15 financial year, covering financial systems, risk and governance, the HoIA is able to conclude that a reasonable level of assurance can be given that internal control systems are operating effectively within the Council, its significant partners and associated groups.

### **Other assurance mechanisms**

Corporate Directors and statutory officers have provided an assurance statement supporting the AGS for 2014/15. These statements have been supplemented by assurance gathered from key colleagues responsible for Internal Audit, Risk, Human Resources, significant partnerships and group members, and have also been informed by independent external reviews, including the external auditor. The assurance is based around questionnaires developed from the CIPFA/SOLACE Framework for Corporate Governance.

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

### **Issues reported**

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

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

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



## ISSUES WORTHY OF NOTING

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

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

#### **Final Position**

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

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

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

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

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

#### **Children in Care**

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

Children in care arrangements and associated budget pressures are key issues facing the service. There is a need to recruit and retain Social Workers to maintain stable

safeguarding arrangements. Nottingham has seen, as in other areas across the country, a significant increase in the number of children in care over the past two years.

### **Latest Position**

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

There is strong collaboration between partners in Nottingham city, most notably between Health, LA, Police, Foster Carers and providers of residential accommodation. The Council has created a 'permanence team' which is the Children in Care Team. This became operational in April 2012. Further resources have since been agreed to support the effectiveness of the team to place children in permanency placements in a more timely way, and ensure delays are kept to a minimum. This is central to the strategy of ensuring better outcomes for our children in care population.

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

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

The Council has embarked on a further strategy to reduce the numbers of children coming into care. The Edge of Care Intervention Hub was launched in September 2013 which was for an initial 6 month pilot project, located and managed within the Targeted Support Team that has now been extended. To date, the Hub has supported 33 families that include 92 children. Of those 92, the Hub has worked directly with 70, of which it is felt that 65 have been directly at risk of being accommodated. 12 children have been

accommodated. This amounts to an estimated budget relief of more than £1.2 million (based on placement type) over the 12 month period.

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

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

#### **Latest Position**

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

### **Nottingham Express Transit (NET)**

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

#### **Latest Position**

Construction of NET Phase Two is underway with an anticipated opening to passenger services during 2015. The NET concession contract, including project risks remaining with the City Council, is being managed by an experienced in-house project team and overseen by a dedicated Project Board.

### **Workplace Parking Levy (WPL)**

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

#### **Latest Position**

There has been concern regarding the ability of WPL to meet funding requirements. The WPL income projections will be continually updated to reflect the latest information available from the WPL team as the income collection is still in its infancy. In the event that over the 23 year life of the NET Phase 2 contract, insufficient WPL income is

generated, decisions may be made in respect of the ongoing contributions to the Link Bus network and/or extending the WPL scheme beyond the life of the NET Phase 2 contract.

## **Information Governance**

Responsibility for Information Governance in the Authority rests with the Director of Resources who acts as the Senior Information Risk Owner (SIRO). Information Governance within the Authority is managed and controlled by the Information Management Services section working to the Information Management Framework. The Authority recognises that elements of Information Management have been limited and this continues to be identified within the corporate risk register to ensure the risk is actively managed. A number of measures have been initiated to mitigate this risk, including the development of an Information Modernisation Programme and changes to the handling of information rights requests.

## **Latest Position**

The Authority has established a corporate-wide transformation programme, entitled Information Matters this year. The Programme has a number of work streams, which include;

- Culture and Governance
- Records Management
- Information Rights

The work programmes are currently being developed, and will be managed through the Information Matters Programme Board and implemented with support from the Information Management Strategy Group. Each of the work streams are putting in place robust governance structures and policies, along with assurance measures and Key Performance Indicators which are currently being developed and will be reported in future Governance Statements.

The Information Commissioner's Office undertook a consensual Data Protection Audit of the Authority in June 2014. The audit considered three control areas; records management, Freedom of Information Requests and Requests for Personal Data. The Audit findings gave the Authority limited assurance. The recommendations from the Audit have been considered, and included with the development of the Information Matters Programme.

In 2014/15 the Authority carried out its annual self-assessment against the Department of Health's (DoH) Information Governance Toolkit which assesses performance against DoH information governance policies and standards. The Authority achieved a minimum of level 2 score in each of the 28 requirements, attaining an overall compliance score of 69%, and an overall grade of satisfactory. The Authority also achieved the Public Services Network Accreditation.

The management of information security and data breach incidents are carried out as per the Authority's information governance processes. All data breach incidents are reported to the SIRO, and Caldicott Guardian where appropriate, and are investigated by the Information Management Services section, with corrective action taken where necessary. Lessons learned are shared through the Information Management Strategy Group. There

have been three serious breaches of the Data Protection Act in 2014/15 which were reported to the Information Commissioner.

### **Housing Revenue Account (HRA) Stock Revaluation**

A full valuation of the HRA stock was undertaken in the 2014/15 year

#### **Final Position**

External valuers conducted a valuation of the HRA stock during March 2015. The outcome was reviewed by NCC and resulted in an increase of £40.553 or 7.1% in the value of the HRA. The Property Department reviewed the work completed by the external valuers by seeking comments to properties where the value had changed by more than 10% and taking a small sample of properties at random and analysing the comparables used, plus other data.

### **Nottingham Revenues and Benefits**

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

#### **Latest Position**

Governance arrangements have been established with membership and attendance at the monthly Operations Board, monthly Transformation Board and quarterly Partnership Board.

Monthly service reports are provided by Northgate, which includes progress against Key Performance Indicators, the transformation programme and service improvement plan.

### **Information Technology**

The Council has commissioned a report considering several key areas where the Council's IT Service has run installed infrastructure to the end of its useful life with the view of identifying where Investment is required to enable the Council to operate a technical environment that is fit for purpose.

#### **Latest Position**

An improvement programme has been developed to ensure that a continuing high level of IT service will be delivered to support the work of the City Council, and help to ensure that services of sufficient quality are provided to citizens.

### **SIGNIFICANT ISSUES REPORTED**

#### **Icelandic Banks**

In October 2008, as a consequence of the global financial crisis, the Icelandic banking system collapsed, with four of its banks going into administration. This impacted directly on

the Council, which had a total of £41.6m deposited with three of the banks involved (Heritable, Landsbanki and Glitnir), at the time of the collapse.

**Final Position**

More than 120 local authorities had similar deposits with Icelandic banks at that time, totalling some £920m. All these authorities joined forces through the Local Government Association to co-ordinate the recovery of the monies. The latest claim administration reports state no further repayments are expected. The Audit Committee will be informed if this position changes as part of the Council’s normal treasury management reporting process.

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

**Signed:** .....  
Leader of the Council

**Signed:** .....  
Chief Executive

**AUDIT COMMITTEE - 26 June 2015**

<b>Title of paper:</b>	<b><u>INTERNAL AUDIT ANNUAL REPORT 2014/15</u></b>	
<b>Director(s)/ Corporate Director(s):</b>	Geoff Walker Director of Strategic Finance	<b>Wards affected: All</b>
<b>Report author(s) and contact details:</b>	Shail Shah Head of Internal Audit 0115 8764245 shail.shah@nottinghamcity.gov.uk	
<b>Other colleagues who have provided input:</b>		
<b>Recommendation(s):</b>		
<b>1</b>	Note the audit work completed during the year.	
<b>2</b>	Note the Head of Internal Audit's Annual Opinion.	
<b>3</b>	Select up to two audits from <b>Appendix 2</b> for examination at the November meeting	

**1 REASON FOR RECOMMENDATIONS**

- 1.1 This report outlines the work of the Internal Audit (IA) service at the end of the fourth quarter 2014/15. The report includes the Head of Internal Audit's (HoIA) annual opinion on the effectiveness of the internal control systems operating within the City Council and its significant partnerships.
- 1.2 The Accounts and Audit Regulations 2015 state that local authorities must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 1.3 The Audit Committee's Terms of Reference include receiving an annual report on the work of IA.
- 1.4 The Public Sector Internal Audit Standards (PSIAS) require the responsibility for the management of Internal Audit to be set with the Board. In practical terms this Board responsibility is vested in the Audit Committee and Section 151 Officer who exercise their Board responsibility via the Constitution and the associated policies and procedures of the City council.
- 1.5 The PSIAS require the HoIA to deliver an annual audit opinion and report which can be used to inform the Annual Governance Statement. The annual report should include a summary of the work supporting the opinion.

**2 BACKGROUND**

- 2.1 The IA service impacts on corporate objectives by bringing a systematic disciplined approach to improve the effectiveness of risk management control and governance processes and is an important part of the Council's governance and control framework.

2.2 The coverage set out in the 2014/15 Audit Plan has been substantially achieved and the associated Performance Indicator targets have been met.

2.3 The assurance gained from this activity together with that gained from a review of other control and assurance mechanisms, has enabled the HoIA to give a reasonable assurance that the internal control systems are operating effectively within the Council and its significant partnerships.

## 2.4 **REVIEW OF THE YEAR**

### 2.4.1 **Reports to the Audit Committee**

An important part of the IA service is to inform the Audit Committee about the adequacy of the Council's governance and internal control systems and an important role of the Committee is to oversee the performance of the IA service. **Table 1** summarises the information the Committee has received from the HoIA during the last year.

<b>TABLE 1: REPORTS FROM HEAD OF INTERNAL AUDIT</b>	
<b>Report</b>	<b>Purpose</b>
Annual Governance Statement	Informed councillors about the overall control environment.
Internal Audit Quarterly Reports	Allowed the Committee to review the performance of the service.
Internal Audit Reports Selected for Examination	Allowed councillors to gain a detailed view of some of the services reviewed and gain a clear insight into how and why work was undertaken.
Role of Audit Committee and Work Programme	Helped the Committee to determine a work programme aligned to its Terms of Reference.
Internal Audit Charter	Informed the Committee of the rationale underpinning the service, the standards it would meet, and the way it interfaced with the City Council and its partners.
Counter Fraud Strategy	Informed councillors of national trends and of policies and procedures put in place by the I to address the risks of fraud.
Internal Audit Annual Plan & Strategic Plan	Informed councillors of the impending work programmes and how this and future work impacted on the Council Plan.
Internal Audit Annual Report	Gave the Committee an overview of the work undertaken by IA and gave the HoIA's opinion in respect of the Council's overall control environment.
Updates on internal audit plans and work for East Midlands Shared Services (EMSS)	Informed councillors of the work done on behalf of East Midlands Shared Services (EMSS) operations
Committee Member training	Overview for the Committees regarding the committee governance framework in place and the Council's associated assurance arrangements



## 2.5 IA Activity

The following outlines the IA work completed in 2014/15.

### 2.5.1 Local Performance Indicators

**Table 2** illustrates how the service has met its key quality and output objectives as reflected in its Charter and agreed by the Committee.

<b>TABLE 2: PERFORMANCE OUTTURN</b>				
<b>Indicator</b>		<b>Target</b>	<b>Actual Year</b>	<b>Comments</b>
1.	% of all recommendations accepted	95%	98%	Above Target
2.	% of high recommendations accepted	100%	100%	Target Achieved
3.	Average number of working days from draft agreed to the issue of the final report	8 days	4 days	Above Target
4.	Number of key / high risk systems reviewed	15	15	Target Achieved
5.	% of colleagues receiving at least three days training per year	100%	100%	Target Achieved
6.	% of customer feedback indicating good or excellent service	85%	89%	Above Target

### 2.5.2 Resources Used

Colleagues in post are professionally qualified and/or have extensive practical experience in the public sector. All colleagues participated in personal development reviews and received at least three days training according to business needs. The predicted outturn after adjustments for 2014/15 is in accordance with the budget.

### 2.5.3 Service Quality and Compliance with PSIAS

The service works to a Charter endorsed by the Audit Committee. This Charter governs the work undertaken by the service, the standards it adopts and the way it interfaces with the Council. IA colleagues are required to adhere to the code of ethics, standards and guidelines of their relevant professional institutes and the relevant professional auditing standards. It has adopted, and substantially complied with the principles contained in the PSIAS, and has fulfilled the requirements of the Account and Audit Regulations 2015 and associated regulations in respect of the provision of an IA service. During its deliberations the Audit Committee discussed the extent and quality of service being provided against alternative service delivery models and concluded that it was satisfied with the current arrangements.

The service has internal quality procedures and is ISO9001:2008 accredited.

### 2.5.4 Audit Plan

The Audit Plan and quarterly monitoring reports were presented to the Committee throughout the year, detailing progress against the Plan.

Table 3: Plan Outturn		
Total Planned Days	Actual End of Year	Comments
1734	1685	97% Plan Days Achieved – within accepted practice

The final outturn for 2014/15 is given in **Table 3** above and the audit coverage across departments and other service areas is shown in **Diagram 1** and **Appendix 3** gives a summary of the outturn against planned resources. This diagram illustrates that there was no significant variation from plans endorsed by the Committee.

**Diagram 1 Internal Audit Plan Against Actual 2014/15**



**Appendix 1 and Appendix 2** give details of the reports issued in the final quarter of the year. These appendices are the final reports in the quarterly IA performance monitoring cycle undertaken by the committee. They contain details of the recommendations made and levels of assurance given.

Actual planned days have been sufficient to substantially complete the Audit Plan. **Appendix 3** contains the summarised plan and outturn. In accordance with normal practice, the plan was flexed during the year and changes were reported to the Committee.

### 2.5.5 Recommendations analysis by risk

**Table 4** shows the total of all recommendations made in the period. Overall recommendations performance is above the IA target of 95%.

<b>TABLE 4: RECOMMENDATIONS ACCEPTED DURING 01/01/2015 TO 31/03/2015</b>				
	<b>2014/15</b>		<b>January to March</b>	
	<b>All</b>	<b>High</b>	<b>All</b>	<b>High</b>
Total recommendations made	219	65	56	14
Rejected	4	0	0	0
Total recommendations accepted	215	65	56	14
Percentage accepted	98%	100%	100%	100%

### 2.5.6 Level of Assurance Given in Audit Reports

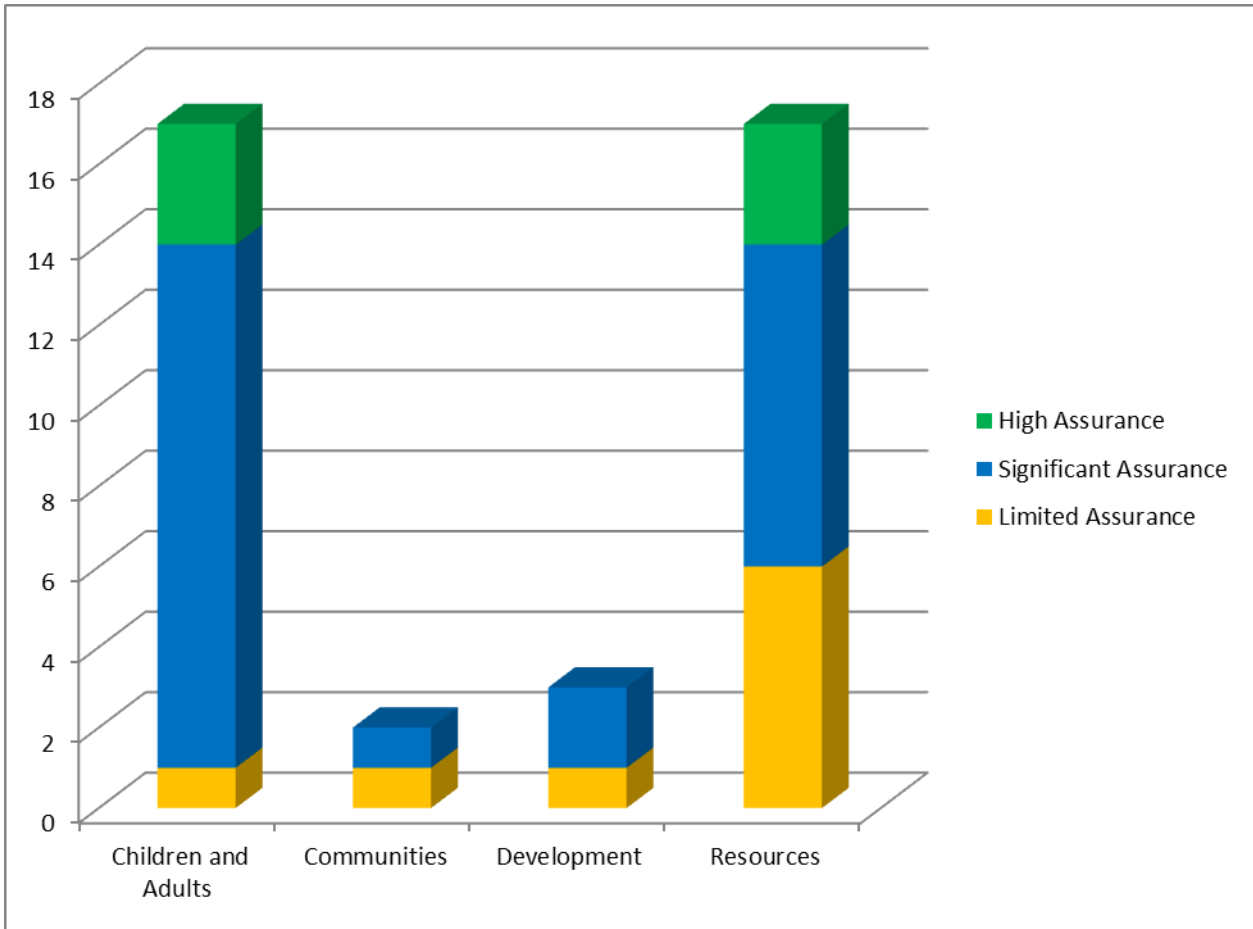
The committee sees a list of all audit reports, level of assurance and the associated high risk recommendations as part of its annual work programme. Below is a summary of the work reported in the year.

The level of assurance given is derived from the findings based on the following definitions:

<b>TABLE 5 : DEFINITIONS OF ASSURANCES GIVEN IN IA REPORTS</b>	
<b>Level of Assurance</b>	<b>Definition</b>
<b>High</b>	High assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed. Our work found some low impact control weaknesses which, if addressed, would improve overall control. These weaknesses are unlikely to impair the achievement of the objectives of the system.
<b>Significant</b>	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives and that controls are generally being applied consistently in the areas reviewed. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
<b>Limited</b>	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
<b>No</b>	No assurance as weaknesses in control, or consistent non-compliance with key controls, could result in failure to achieve the organisation's objectives in the areas reviewed.

Diagram 2 illustrates the assurance given to Corporate Directors during the year.

Diagram 2: IA assurances given by department 2014/15



A level of assurance was given in all the reports issued and no report was issued with “no assurance”. The diagram reveals a consistent picture of assurance across the directorates. The assurance given informs Corporate Directors’ opinion of their corporate governance arrangements and ultimately helps them give assurance for the Annual Governance Statement. For those areas receiving significant and limited assurances, recommendations were made to address the issues and risks identified. The HoIA judges that the action taken to date to address these issues has been proportionate and timely enough to mitigate the risks involved.

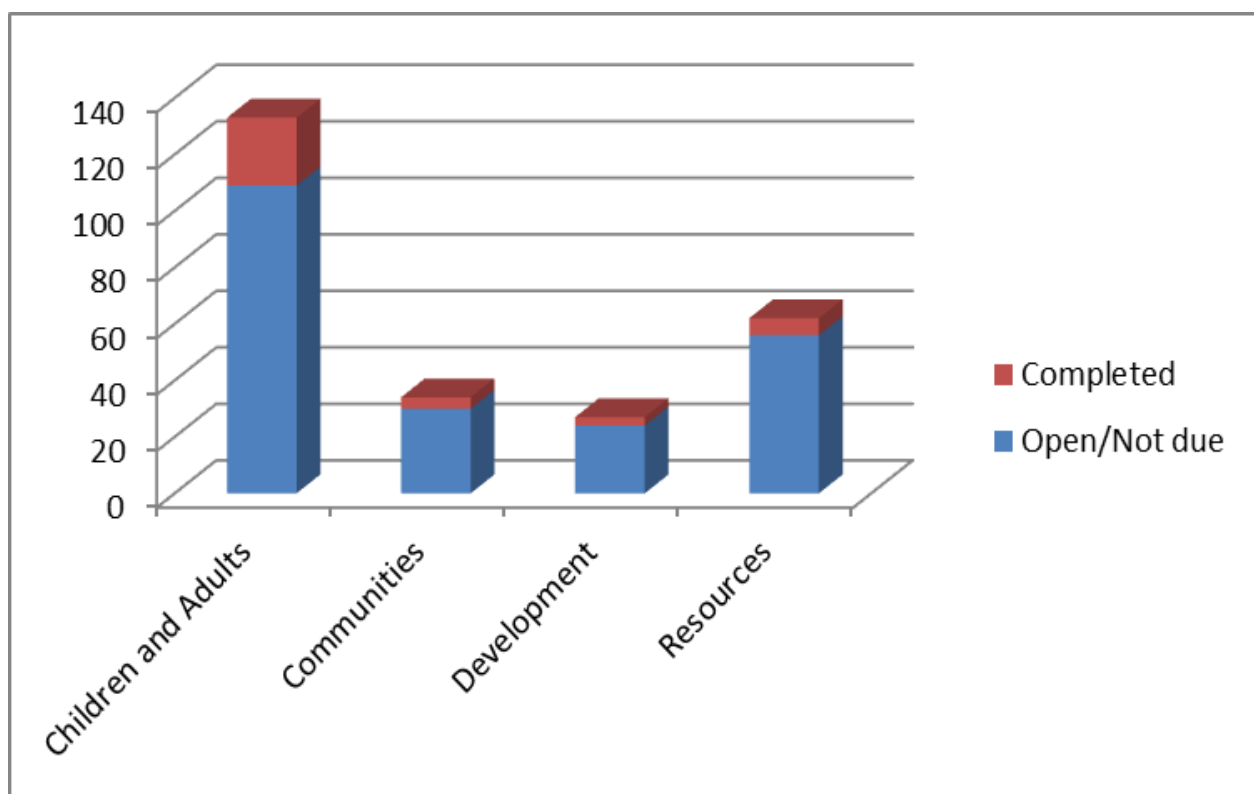
### 2.5.7 Recommendations made

Recommendations are prioritised according to their risk rating in accordance with the definitions in the table below.

TABLE 5 : DEFINITIONS OF RISK PRIOTIES USED IN IA REPORTS	
Priority	Definition
<b>High</b>	A fundamental weakness which presents material risk to the audited body and requires urgent attention by management.
<b>Medium</b>	A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management.
<b>Low</b>	The audited body is not exposed to any significant risk, but the recommendation merits attention.

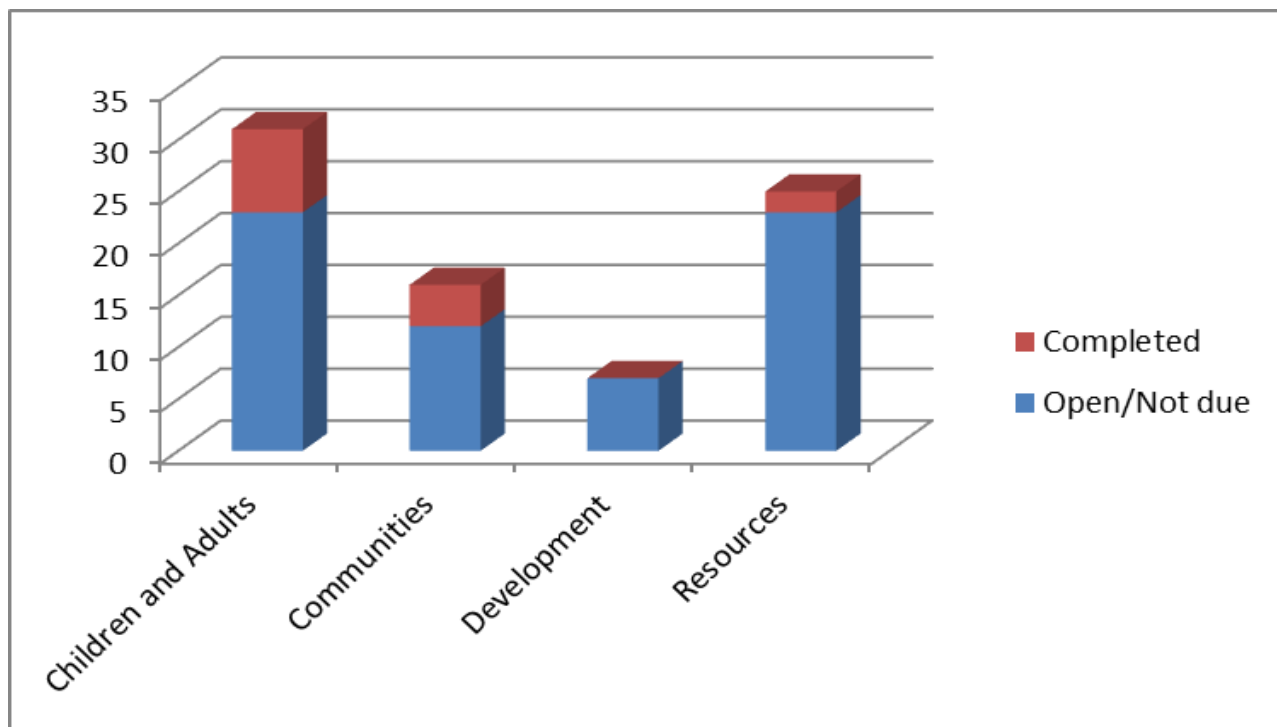
IA monitors the progress made by clients in implementing the recommendations and the position for the year is summarised in **Diagram 3**.

**Diagram 3: Progress on All Recommendations**



**Diagram 4** illustrates the position on high risk recommendations made, analysed by client directorate. The Committee sees all reports issued and the associated high risk recommendations as part of its quarterly review of IA performance. Systems are in place to monitor these recommendations, and those outstanding beyond their target date are reported to the responsible colleague nominated in the agreed action plans for their follow up.

**Diagram 4: Progress on High Risk Recommendations**



The HoIA has constantly reviewed the progress made on these high risk recommendations and has concluded that Corporate Directors have acted appropriately to address the recommendations reported to them

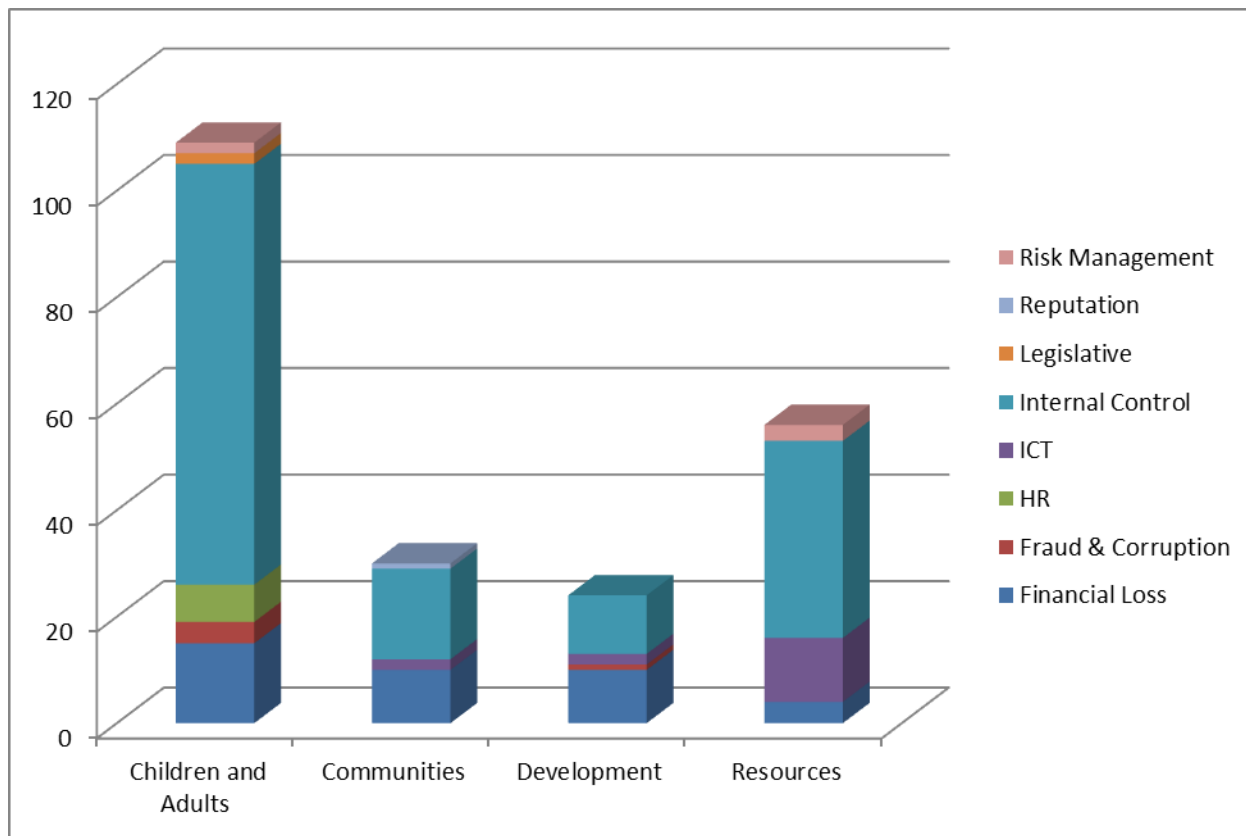
### 2.5.8 Risk Themes

IA recommendations are categorised into themes to reflect the main element of the weaknesses they are trying to address.

**Diagram 5** illustrates that the distribution of the main themes of the recommendations made. The diagram shows that a similar pattern exists across departments the main theme being the issues pertaining to the operation of internal controls.

The recommendations made to address the issues underpinning the themes strengthen the control environment and help the Council use its resources in the most appropriate way to achieve its objectives.

**Diagram 5: Risk Themes**



## 2.6 Head of Audit’s Annual Opinion 2014/15

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

The IA service works to a risk based Audit Plan agreed with Corporate Directors and agreed by the Committee. The 2014/15 Audit Plan has been completed in accordance with the PSIAS and other professional standards applicable to the service. The IA service has undertaken reviews of the internal control procedures in respect of the key systems and processes of the Council and its partners, where appropriate. The service has operated within professional standards as PSIAS

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

Throughout 2014/15 the HoIA has continuously reviewed the significant challenges and risks associated with the Council’s operations and has allocated the necessary resources, via the audit plan, to form his opinion on the Council’s governance arrangements. In forming his opinion the HoIA has reviewed all the IA reports issued in 2014/15 and drawn upon available

external sources of assurance from independent review bodies and internal assurance mechanisms to help him identify and assess the key control risks to the Council's objectives.

The HoIA has concluded that although no systems of control can provide absolute assurance, nor can IA give that assurance, he is satisfied that, on the basis of the audit work undertaken during the 2014/15 financial year, there have been no significant issues (as defined in the CIPFA Code of Practice) reported by IA. Furthermore, on the basis of the audit work undertaken during the 2014/15 financial year, covering financial systems, risk and governance, the HoIA is able to conclude that a reasonable level of assurance can be given that internal control systems are operating effectively within the Council, its significant partners and associated groups.

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

None



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

- Accounts and Audit Regulations 2015
- Audit Plan 2014/15
- CIPFA SOLACE Delivering Good Governance in Local Government
- Public Sector Internal Audit Standards 2012



#### **List of Appendices**

- Appendix 1** List of all reports issued during 1<sup>st</sup> January 2015 to 31 March 2015 with High Priority Recommendations
- Appendix 2** List of final Audit reports issued 1<sup>st</sup> January 2015 to 31 March 2015
- Appendix 3** Summary Internal Audit Plan / Outturn 2014/15

**Summary of Reports with High Priority Recommendations**

Audit Report – Berridge Primary School

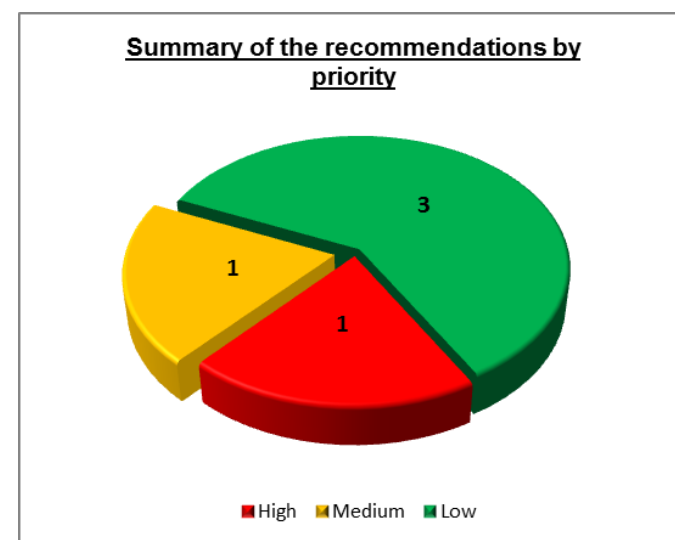
**Executive Summary**

<p>Organisation: Berridge Primary School</p>	<p>Overall Opinion Significant Assurance</p>		<p>Direction of Travel This area has not been subject to any recent review.</p> 
<p><u>Scope and Approach:</u> The purpose of this review was to assess the standard of financial management operating within the school. The following areas were examined during the course of the audit : Leadership &amp; Governance, People Management, Policy &amp; Strategy, Processes Purchasing, Invoice Processing, Banking Arrangements, School Fund, Income, Implementation of Single Status. Review of the arrangements for administering and invoicing customers and debt recovery.</p>			

**High Priority Recommendations**



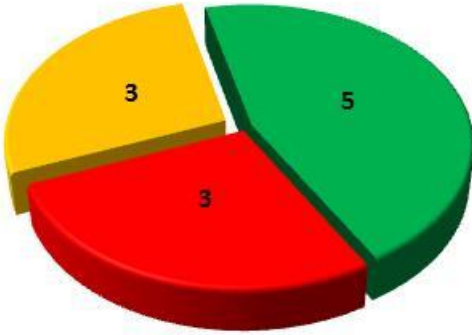
05 The school should implement improved procedures for recording of income for out of school clubs. This should include:-

- payments received
- amount sent for banking
- date sent for banking
- amount retained as float
- name of person recording the details





# Audit Report – Carrington Primary & Nursery School

## Executive Summary

<p>Organisation: Carrington Primary &amp; Nursery School</p>	<p>Overall Opinion Significant Assurance</p>		<p>Direction of Travel This area has not been subject to any recent review.</p> 								
<p><u>Scope and Approach:</u> The purpose of this review was to assess the standard of financial management operating within the school. The following areas were examined during the course of the audit : Leadership &amp; Governance, People Management, Policy &amp; Strategy, Processes Purchasing, Invoice Processing, Banking Arrangements, School Fund, Income, Implementation of Single Status.</p>											
<p>High Priority Recommendations</p> <p>09 A running record of income received including Book, trip and Photo money should be kept and include:</p> <ul style="list-style-type: none"> <li>• Date received</li> <li>• Name of person paying</li> <li>• Amount</li> <li>• Purpose</li> <li>• Name of person receiving money</li> </ul> <p>10 Annual Entitlement should be calculated for the staff member and monitored via an Annual Leave Card</p> <p>11 All Teaching Assistants working 37 hours should complete monthly time sheets.</p> <div data-bbox="1384 730 2092 1295" style="border: 1px solid black; padding: 10px; margin: 10px auto; width: fit-content;"> <p style="text-align: center;"><b><u>Summary of the recommendations by priority</u></b></p>  <table border="1" style="margin: 0 auto; text-align: center;"> <thead> <tr> <th>Priority</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>3</td> </tr> <tr> <td>Medium</td> <td>3</td> </tr> <tr> <td>Low</td> <td>5</td> </tr> </tbody> </table> </div>				Priority	Count	High	3	Medium	3	Low	5
Priority	Count										
High	3										
Medium	3										
Low	5										

# Audit Report – Springfield Primary & Nursery School

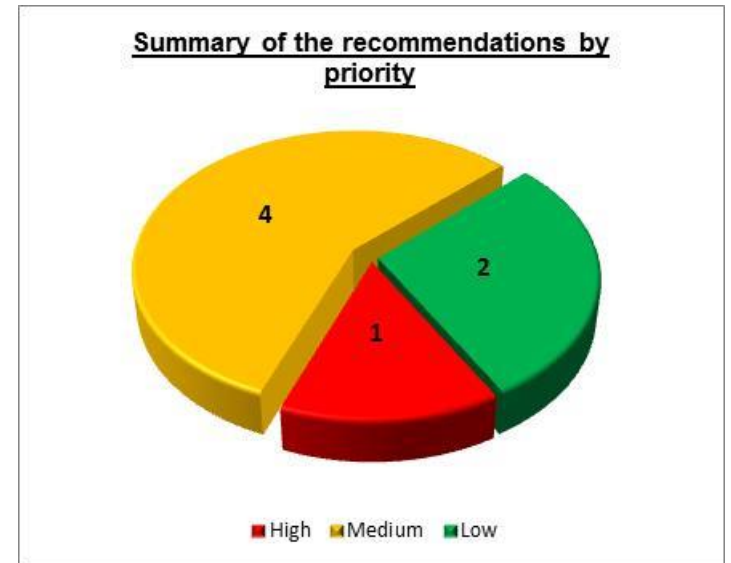
## Executive Summary

<p>Organisation: Springfield Primary &amp; Nursery School</p>	<p>Overall Opinion Significant Assurance</p>		<p>Direction of Travel This area has not been subject to any recent review.</p> 
<p><u>Scope and Approach:</u> The purpose of this review was to assess the standard of financial management operating within the school. The following areas were examined during the course of the audit : Leadership &amp; Governance, People Management, Policy &amp; Strategy, Processes Purchasing, Invoice Processing, Banking Arrangements, School Fund, Income, Implementation of Single Status.</p>			

### High Priority Recommendations



07 Daily records should be taken of all income received at the school office. Separate records should be maintained for each type of income such as trips and book bags. Each record should record;

- Date
- Amount
- Description
- Person paying
- Person receiving
- Use identifiable ledger codes for regular Income



# Audit Report – Environmental Health (HMO)

## Executive Summary

<p>Organisation: Nottingham City Council</p> <p>Directorate: Communities – Community Protection.</p>	<p>Overall Opinion Significant Assurance</p>		<p>Direction of Travel This area has not been subject to any recent review.</p> 
<p><u>Scope and Approach:</u></p> <ul style="list-style-type: none"> <li>•The arrangements for identifying all HMO properties (including the Additional Licensing HMOs)</li> <li>•The arrangements in place for the inspection of HMO properties and ensuring Landlords have complied to the conditions of the Licence.</li> <li>•All income is collected according to the scale of charges.</li> </ul>			

### High Priority Recommendations

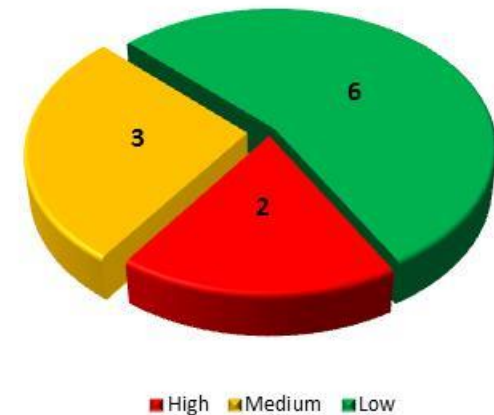
- 2 An independent senior officer should be required to check and approve each application when it has been assessed to ensure that the assessment is correct and the correct fee requested (and to complete documentation to evidence the approval).

We are aware that the Flare system does not have the capability to enforce a separation of duties/ level of authorisation for this type of action.

We suggest that completion of the critical stages in the application process should be recorded on a checklist with appropriate authorised signatures



- 7 A reconciliation of income received by the team to that banked should be introduced. This should be carried out by a colleague independent of the application process & should be reported to HMO management

**Summary of the recommendations by priority**



# Audit Report – IT NCC Access Controls

## Executive Summary

<p>Organisation: Nottingham City Council Directorate: Resources – I.T.</p>	<p>Overall Opinion Significant Assurance</p>		<p>Direction of Travel Improvements have been made since the last review and in particular the reduction in the number of leavers still with access to the network.</p> 
<p><u>Scope and Approach:</u> To provide assurance that user access administration is managed and monitored according to policies, standards and procedures, including controls over privileged access and will look at: Progress made to address the actions agreed as part of the 2013/14 review</p> <ul style="list-style-type: none"> <li>• Actions taken to synchronise access controls for the Council network with those for EMSS</li> <li>• Management of employees joining/re-joining the Council</li> <li>• Management of employees leaving the Council</li> </ul>			

### High Priority Recommendations

#### New recommendation

2014/2 Report each month on the instances where access to Internet sites has been blocked to the Head of HR to instigate any necessary action.

One previous High priority recommendations still outstanding is:

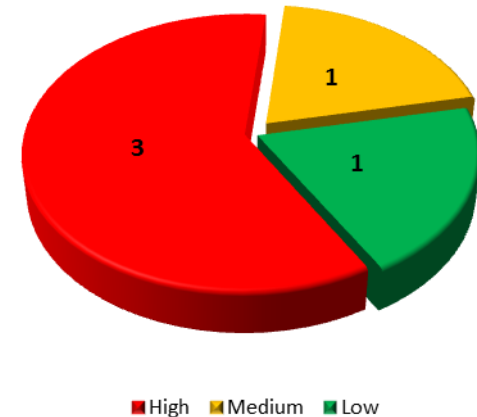
2012/6 Managers that do not follow the checklist and notify IT on the day a member of staff leaves should be identified and reported to their Director to allow disciplinary action to be taken.

HR should also notify IT of the leaving date for a colleague as soon as they are aware they are leaving.

One previous High priority recommendations followed-up – complete:



2013/3 All managers should be advised that ensuring all their staff have taken the Information Security training should be part of the PDR process and a report of all those who have not undertaken the training should be made to Heads of Service and Corporate Directors.

**Summary of the recommendations by priority**





# Audit Report – Treasury Management

## Executive Summary

<p>Organisation: Nottingham City Council</p> <p>Directorate: Resources – Treasury Management</p>	<p>Overall Opinion</p> <p><b>High Assurance</b></p>		<p>Direction of Travel</p> <p>This assessment is based on the controls being maintained at a broadly similar level and previous recommendations being addressed.</p> 
	<p><u>Scope and Approach:</u> The scope of this review was limited to:</p> <ul style="list-style-type: none"> <li>• The existence of an agreed Treasury Management strategy for 2014/15 that follows the CIPFA Treasury management code.</li> <li>• The review of current processes to ensure the Treasury Management strategy is complied with.</li> <li>• The review of debt management and restructure in accordance with declared strategy.</li> <li>• The review of controls in place to ensure that investment opportunities are appropriately identified and a sound authorisation process is applied.</li> <li>• The existence and coverage of fidelity guarantees for all appropriate staff.</li> <li>• The follow-up of previous recommendations to ensure that they have been implemented.</li> <li>• Ensure that an effective process is operating to recover sums invested in Icelandic banks and progress is being reported appropriately.</li> </ul>		
<p>High Priority Recommendations No new recommendations were made</p> <p>Follow-up of 2013/14 high priority recommendation – Recommendation Complete.- The Fidelity Guarantee cover should be re-assessed.</p> <p>We are aware that our banking contract is about to change and that, consequently, the user limits may be revised.</p>			

# Audit Report – Bank Reconciliation



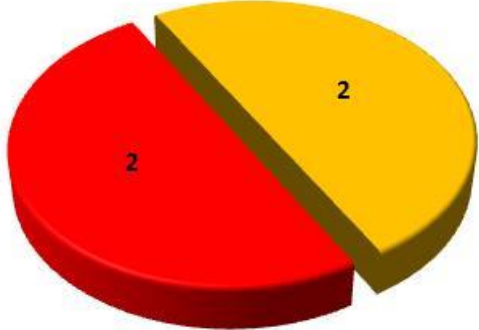
## Executive Summary

Organisation: Nottingham City Council Directorate: Resources – Strategic Finance	Overall Opinion High Assurance		Direction of Travel This assessment is based on the controls being maintained at a broadly similar level and previous recommendations being addressed. 
<u>Scope and Approach:</u> To review the reconciliation of the General and Drawing accounts			
High Priority Recommendations No new recommendations were made Follow-up of 2013/14 high priority recommendation – recommendation complete. 1 Bank reconciliations are prepared on at least a monthly basis & reviewed & agreed by a senior finance manager			



# Audit Report – Main Accounting

## Executive Summary

<p>Organisation: Nottingham City Council</p> <p>Directorate: Resources – Strategic Finance</p>	<p>Overall Opinion Limited Assurance</p>		<p>Direction of Travel This assessment is based on the controls being maintained at a broadly similar level and previous recommendations being addressed.</p> 
<p><u>Scope and Approach:</u> The agreed scope covered the following:</p> <ul style="list-style-type: none"> <li>• A review of the work carried out by the Central Finance Team, including the supporting processes in respect of ledger and interface integrity monitoring</li> <li>• The processes operated by departmental finance staff in respect of journal input.</li> <li>• The expectations of NCC external auditors in terms of expected key controls</li> </ul>			
<p>High Priority Recommendations</p> <p>No new recommendations were made</p> <p>Follow-up of 2013/14 high priority recommendation – complete</p> <p>R1 Responsibilities for reviewing and correcting exception reports should be agreed between EMSS, LCC and NCC to ensure that a consistent approach is applied to all partners. This would also allow for clear lines of responsibility to be established.</p> <p>R3 All Journals should be subject to periodic review to ensure that the transactions are valid.</p> <p>All other recommendations are complete</p>		<p><u>Summary of the recommendations by priority</u></p>  <p>Legend: High (red), Medium (yellow), Low (green)</p>	

## Appendix 2

Final Audit Reports issued 1<sup>st</sup> January to 31st March 2015

Department	Division	Activity Title	Assurance	Accepted Recommendations		
				High	Medium	Low
Children and Adults	Safeguarding	Foster Care & Adoption 2014-15	Significant	0	5	3
	Safeguarding Total			0	5	3
	Schools	Berridge Primary 2015	Significant	1	1	3
		Carrington Primary and Nursery	Significant	3	3	5
		Springfield Primary and Nursery	Significant	1	4	2
Schools Total			5	8	10	
Children and Adults Total				5	13	13
Communities	Community Protection	Environmental Health (HMO)	Significant	2	3	6
	Community Protection Total			2	3	6
Communities Total				2	3	6
Resources	Information Technology	IT Penetration Testing	Significant	0	0	0
		IT NCC Access Controls	Significant	3	1	1
	Information Technology Total			3	1	1
	Legal & Democratic Services	Councillors Allowances 2014-15	High	0	0	1
	Legal & Democratic Services Total			0	0	1
	Strategic Finance	Treasury Management 2014-15	High	*1	0	2
		Bank Reconciliation 2014-15	High	*1	0	0
		Budgetary Control 2014-15	Significant	0	0	0
		Main Accounting 2014-15	Significant	2	2	0
Strategic Finance Total			4	2	2	
Resources Total				7	3	4
			<b>Grand Total</b>	<b>14</b>	<b>19</b>	<b>23</b>
* Actions now complete						

**2014/15 INTERNAL AUDIT PLAN VERSUS OUTTURN**

<b>Audited Area</b>	<b>Planned Days</b>	<b>Actual Days</b>
<b>Corporate Services</b>	<b>173</b>	<b>138</b>
<b>Chief Executive</b>	<b>144</b>	<b>124</b>
<b>Children and Families</b>	<b>124</b>	<b>102</b>
<b>Communities</b>	<b>90</b>	<b>87</b>
<b>Development</b>	<b>131</b>	<b>130</b>
<b>Corporate Audits</b>	<b>195</b>	<b>189</b>
<b>Counter Fraud</b>	<b>126</b>	<b>140</b>
<b>Companies and Other Bodies</b>	<b>231</b>	<b>240</b>
<b>Consultancy / Advice</b>	<b>480</b>	<b>499</b>
<b>Other Work</b>	<b>40</b>	<b>36</b>
<b>Total</b>	<b>1734</b>	<b>1685</b>

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**AUDIT COMMITTEE – 26 June 2015**

<b>Title of paper:</b>	EMSS Annual Report 2014/2015	
<b>Director(s)/ Corporate Director(s):</b>	Geoff Walker Director of Strategic Finance	<b>Wards affected:</b> All
<b>Report author(s) and contact details:</b>	Shail Shah Ext 64245 <a href="mailto:Shail.shah@nottinghamcity.gov.uk">Shail.shah@nottinghamcity.gov.uk</a>	
<b>Other colleagues who have provided input:</b>		
<b>Recommendation(s):</b>		
<b>1</b>	Note the Head of Internal Audit's opinion contained within the EMSS Annual Report 2014/2015 attached as <b>Appendix 1</b> to this Report.	

**EXEMPT INFORMATION:**

Appendix 1 to this report is exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because of the sensitive nature of the business affairs referred to in the report. For the avoidance of doubt, this exemption applies such that the Appendix is exempt from publication by both Nottingham City and Leicestershire County Councils.

**1. REASONS FOR RECOMMENDATIONS**

This Committee's Terms of Reference include receiving reports on the work undertaken by Nottingham City Internal Audit for EMSS. Consequently and in accordance with an agreed protocol Appendix 1 contains the EMSS annual report which includes the annual opinion of the Head of Internal Audit

**2. BACKGROUND**

Nottingham City Council and Leicestershire County Council formed a partnership (EMSS) in 2011 to deliver HR, payroll and finance transactional shared services. Both organisations agreed that Nottingham City Internal Audit would provide the internal audit services to EMSS

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

None

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

None.

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